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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)

CHANGE IN USE OF PROCEEDS

References are made to the prospectus of Luk Hing Entertainment Group Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) dated 27 October 2016 (the “**Prospectus**”) in relation to the listing of the shares of the Company on GEM of the Stock Exchange by way of placing (the “**Placing**”) and the interim report of the Company for the period of six months ended 30 June 2019 (the “**2019 Interim Report**”). Unless otherwise defined, capitalized terms used in this announcement shall have the same meanings as those defined in the Prospectus and the 2019 Interim Report.

The board of directors (the “**Board**”) would like to announce that the Board has resolved to change the use of net proceeds from the Placing.

USE OF PROCEEDS

It was disclosed in the section headed “Future Plans and Use of Proceeds” in the Prospectus and the 2019 Interim Report that the Company intended to use the net proceeds of approximately HK\$65.6 million (the “**Net Proceeds**”) from the Placing for the following purposes:

- approximately 49.2% of the net proceeds, or approximately HK\$32.3 million will be used for the opening costs to expand the scale of Club Cubic in Macau, which will be used primarily for decoration, furniture and fixture expenses, respectively and the remaining will be used for the engagement of professional consultants;
- approximately 21.0% of the net proceeds, or approximately HK\$13.8 million will be used for organizing events in venues other than Club Cubic including but not limited to venue rental, engaging performers and dancers and hiring part-time staff, and events marketing and promotion;

- approximately 19.8% of the net proceeds, or approximately HK\$13.0 million will be used for the research of expansion in regions other than Macau which includes engaging external market consultants and legal advisers to conduct business development studies and feasibility studies including market research, business, financial and legal analysis; and
- approximately 10% of the net proceeds, or approximately HK\$6.5 million will be used for general working capital and other general corporate purpose.

As at the date of this announcement, the Group has fully utilized the proceeds for organizing events in venues other than Club Cubic Macau, for expansion in regions other than Macau, as well as for working capital and general corporate use. The Group has also utilized approximately HK\$6.1 million for the Club Cubic Macau Expansion.

CHANGE IN USE OF PROCEEDS

The Board has resolved to change the use of approximately HK\$26.2 million out of the remaining unutilized Net Proceeds (the “**unutilized Net Proceeds**”). Breakdown of the planned use of net proceeds as stated in the Prospectus, the actual use of Net Proceeds utilized up to the date of this announcement, unutilized Net Proceeds up to the date of this announcement and the proposed change of use of unutilized Net Proceeds (the “**Proposed Change**”) are summarized as follows:

	Planned use of Net Proceeds as stated in the Prospectus (adjusted on a pro-rata basis according to the actual Net Proceeds) (HK\$ million)	Utilized Net Proceeds up to the date of this announcement (HK\$ million)	Unutilized Net Proceeds up to the date of this announcement (HK\$ million)	Proposed Change of use of unutilized Net Proceeds (HK\$ million)
Expansion of the scale of Club Cubic Macau (the “Club Cubic Macau Expansion”)	32.3	6.1	26.2	—
Organizing events in venues other than Club Cubic Macau	13.8	13.8	—	—
Expansion in regions other than Macau	13.0	13.0	—	6.2
Working capital and general corporate use	6.5	6.5	—	—
Renovation of Club Cubic Macau	—	—	—	20.0

REASONS FOR CHANGE IN USE OF PROCEEDS

Suspension of the Club Cubic Macau Expansion

The Group originally allocated approximately HK\$32.3 million from the Net Proceeds for the Club Cubic Macau Expansion and as at the date of this announcement, approximately HK\$6.1 million has been utilized mainly for the design fee of expansion model, project control and management, and the engagement of professional consultants.

The Company has negotiated with City of Dreams' operator (“**COD**”) in relation to the Club Cubic Macau Expansion. However, as no agreement was reached between the Company and COD on the final commercial terms, the Board has resolved to suspend the Club Cubic Macau Expansion and to reallocate unutilized Net Proceeds to the renovation of Club Cubic Macau and establishment of Club Cubic Guangzhou.

For the utilized Net Proceeds on Club Cubic Macau Expansion of approximately HK\$6.1 million, approximately HK\$4.0 million of the utilized Net Proceeds will be reassigned as follows: (i) approximately HK\$2.2 million comprising the design fee of the expansion model and deposit for decoration and materials purchased for Club Cubic Macau Expansion will be reassigned to the renovation of Club Cubic Macau; and (ii) approximately HK\$1.8 million comprising project control and management provided by the same professional parties engaged by the Group will be reassigned to the Group's expansion in regions other than Macau.

Renovation of Club Cubic Macau

On 26 September 2019, the Company renewed the Operating Agreement with COD for a term until March 2027 and the operation of Club Cubic Macau continues to be a long-term business of the Group. In view of the intensive competition of clubbing industry in Macau and the suspension of Club Cubic Macau Expansion, the Board considers that part of the unutilized Net Proceeds shall be reallocated to the renovation of Club Cubic Macau in order to provide a high-end clubbing experience to customers and to solidify Club Cubic Macau's position as one of the best clubbing hotspots in the heart of Cotai area. The unutilized Net Proceeds are intended to be used in carrying out renovation works and refurbishment of facilities to renew the existing premises, including but not limited to upgrading the equipment, improving the overall appearance, interior design and image of the venue. Upon completion of renovation, the Board is of the view that (i) the premises of Club Cubic Macau will be upgraded and will attract privilege customers with strong spending power; and (ii) the brand name of “Club Cubic” will be strengthened.

In light of the above, HK\$20.0 million of the unutilized Net Proceeds will be reallocated to renovation of Club Cubic Macau. The breakdown of the intended use of the reallocated Net Proceeds for renovation of Club Cubic Macau and the expected timeline are summarized as follows:

Stage	Renovation plan and activity	Reallocated Net Proceeds (HK\$ million)	Expected completion
Stage 1	Renovation and fitting out works in the VIP rooms, public toilet and main hall	7.7	December 2019
Stage 2	Renovation and fitting out works in main hall and arrival hall, upgrade of lightings and equipment in main hall	8.7	April 2020
Stage 3	Renovation and fitting out works in the junior hall	3.6	April 2021
	Total	20.0	

Establishment of Club Cubic Guangzhou (Expansion in regions other than Macau)

In light of the economic growth in Greater Bay Area and in order to broaden the business spectrum of the Group, the Group is expanding the clubbing business in PRC. The Group has identified the location of Club Cubic Guangzhou in Four Seas Plaza at Panyu District, Guangzhou and it is expected to open in the first quarter of 2020. The proposed operation of clubbing business in PRC enable the Group to diversify and broaden its earning base and lay a sound foundation for further expansion of the Group in the future. For details of the establishment of Club Cubic Guangzhou, please refer to the circular of the Company dated 22 August 2019.

In light of the above, HK\$6.2 million of the unutilized Net Proceeds will be reallocated to the establishment of Club Cubic Guangzhou.

The Board is of the view that the Proposed Change from the Placing would not materially affect the business nature of the Group, and would meet the financial needs of the Group more efficiently with regard to the latest development of the Group's operations and business. The Board believes that such flexibility in financial management is in the interest of the Company and its shareholders as a whole.

DEFINITIONS

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

“Club Cubic Guangzhou” operation of clubbing business to be set up in Guangzhou, PRC

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

Hong Kong, 26 September 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 the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules 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 GEM website at www.hkgem.com on the “Latest Company Announcements” page for at least 7 days from the date of its posting and the Company’s website at www.lukhing.com.