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)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2016

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

This announcement, for which the directors (the "Directors") of Luk Hing Entertainment Group Holdings Limited (the "Company") 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 (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.

Dear Shareholders,

On behalf of the Board, I am pleased to present the first annual results of the Company and its subsidiaries for the year ended 31 December 2016, after our successful listing on the GEM on 11 November 2016. The Group is a premium clubbing and entertainment business operator. During the year, the Group continued to engage in the operation of clubbing business and organising music-related featured events.

BUSINESS ENVIRONMENT AND DEVELOPMENT

Clubbing Business

During the year, the Group derived most of its revenue from the clubbing business. In 2016, the Group continued to operate its clubbing business through Club Cubic Macau. Macau's economy shrunk by 1.2%, 21.5% and 2.1% in 2014, 2015 and 2016, respectively. The competition in the clubbing industry is expected to intensify due to the increase of the clubbing venues in Macau, including the official opening of largest clubbing venue in terms of gross floor area in January 2016. Despite such challenging macro-environment, the Group managed to record a roughly stable customer visits and revenue from Club Cubic Macau, which has been acting as the cash cow to support the Group's development. This is likely due to the effort of Macau government's development of non-gaming entertainment, resulting in increase in proportion of tourists for non-gambling related activities such as concerts and entertainment events, who also have a high propensity to visit clubbing venues. The steady growth in local private consumption expenditure since 2010 also suggests that the local Macanese, enjoying higher disposable income, could increase spending on entertainment, including activities such as clubbing. On the other hand, we differentiated ourselves from our competitors and achieved positive results by strategically focusing on organising featured events[1] with internationally renowned disc jockeys (DJs) and artists with high popularity and media interest.

Since the opening of Club Cubic Macau in 2011, we have strived to develop Club Cubic as a brand to offer premium and high end clubbing and entertainment experience by providing a sensational clubbing venue and live entertainment space of stylish and lighting coupled with music and live performances for its customers. We believe that there are also ample opportunities in regions other than Macau. Leveraging on the established brand name of Club Cubic, we explore the opportunities to expand the Group's coverage to markets with business potential such as the PRC. Steady economic growth, rapid urbanization and a growing middle class population in the PRC all contribute positively to increasing disposable income and entertainment needs, which are two important factors that drive demand in the night entertainment industry. Taking into account the balance of investment risk, capital requirement and familiarity with local environment, we intend to establish a PRC company, in which the Group shall strategically hold less than 20% interest, with local business partners in the first half of 2017 for the operation of Club Cubic Zhuhai. We shall license our Cubic trademarks to the proposed new company and provide it with consultancy services relating to the operation of the clubbing business including management, financial and marketing services and in return we shall receive a monthly royalty fee and management fee.

[1] Featured events refer to events which we specifically organise and not our regular events, and are usually held on Fridays, Saturdays, or during festivals and major functions in Macau.

In addition to our own Cubic brand name, we are also exploring the PRC premium clubbing and entertainment market by bringing the Monkey Museum brand (a brand of prestigious and fascinating night club) to the PRC. We have entered into an exclusive master franchising agreement in December 2016 in respect of the franchising of the Monkey Museum brand in the PRC, Hong Kong and Macau for an initial term of ten years. Pursuant to the agreement, the Group is responsible for identifying and recruiting suitable sub-franchisees and in return we will receive a portion of the franchising fee, which normally includes a start-up joining fee and a monthly fee based on the night club's revenue.

Event Organising

Leveraging on our success in clubbing business, we are also engaged in organising music-related featured events to offer music entertainment to our customers. In general, our Group conducts the overall organisation, ranging from sourcing of DJs, marketing, ticketing, stage design and set up. In respect of featured events which we engaged internationally renowned DJs and artists to perform, we in general charge a higher entrance fee per guest, a higher minimum charge for reserving a table or private karaoke room and a higher rate for corporate customers to sponsor the event. Hence it would benefit our Group by increasing the average spending per retail customer and average sponsorship fee per corporate customer.

During the year, we continued to strategically focus on organising featured events with DJs and artists of high popularity and media interest. We held 5 more featured events at Club Cubic Macau in 2016 when compared to 2015. In addition, having successfully organised the Road to Ultra event at Club Cubic Macau in June 2015, which was the first Road to Ultra event hosted in the Greater China region (excluding Taiwan), we organised last year's Road to Ultra event in the Nursery Park at the West Kowloon Cultural District in Hong Kong on 17 September 2016. The 2016 Road to Ultra Hong Kong event was of a larger scale and with larger venue capacity than that held in Club Cubic Macau in last year, with approximately 6,800 tickets sold, boosting the turnover of the Group in 2016. We are also able to accumulate valuable experience to organise events outside Club Cubic Macau. In 2016, the Group has also entered into strategic cooperation agreements with a local music magazine and a renowned event production house based in Hong Kong respectively, pursuant to which each of them will invite the Group to co-invest in event which it invests or organises in Hong Kong or Macau.

OUTLOOK

2016 has been a milestone year for us, in which our Shares got listed on GEM, pioneering as the second entertainment clubbing business operator to go public in Hong Kong. The Listing not only laid a strong foundation for the Group's future expansion and organic growth, but also provided an indirect complimentary advertising to raise our Group's brand awareness and publicity. We successfully raised net proceeds of about HK$65.6 million which could equip the Group for enlarging its operation.

Although the Macau economy continued to decline in 2016, there are signs that its economy has bottomed out during the year. With the development of Cotai area and new attractions, as well as improvement in infrastructure such as the Hong Kong-Zhuhai-Macau Bridge and the Macau Light Rapid Transit System, we believe that there is ample room for growth and expansion of Club Cubic Macau. In March 2016, we have exercised the option to extend the Operating Agreement of Club Cubic Macau to March 2020, According to the new supplemental agreement made in August 2016, in order to renew for a further extended term to March 2025, the Group has to invest not less than MOP 15 million to complete the first phase expansion and we are given the right to invest not less than MOP 5 million in the second phase expansion. We have served the further renewal notice in September 2016 and intend to apply about HK$32.3 million from the net proceeds for such expansions.

The Group has been licensed to organise the Road to Ultra event annually until 2019. Leveraging on the valuable experience from organising the 2016 Road to Ultra in West Kowloon, and with the strategic cooperation agreements entered into between the Group and a local music magazine and a renowned event production house, we will continue to devote more attention and resources and explore possibilities of engaging in suitable events. We intend to apply about HK$13.8 million from the net proceeds for such purpose.

We are eager to extend our operations and business outside Macau and we believe that there is enormous business potential in the PRC. Our Listing status facilitates our negotiation with business partners to explore opportunities there. We have already achieved remarkable progress in bringing the Monkey Museum brand to the PRC and have successfully identified a sub-franchisee for the opening and operation of Monkey Museum Changsha in January 2017. We will continue to actively seek for suitable locations and sub-franchisees to further expand the Monkey Museum brand to other parts of the country. At the same time, we also endeavour to introduce our own Club Cubic brand to the PRC and strive to speed up the establishment of aforementioned Club Cubic Zhuahai in 2017. We intend to apply about HK$13.0 million from the net proceeds for expansion in regions other than Macau.

Since the commencement of our business, our revenue was mainly generated from only one club, Club Cubic Macau. We believe our revenue can be boosted with the introduction of more brands and increasing geographic coverage. Going forward, the management will continue to prudently identify any suitable business opportunities, including those in the PRC and Hong Kong, to further diversify our sources of revenue, taking into account the funding requirement and the associated business risk.

APPRECIATION

Last but not the least, our successful Listing is undoubtedly the corollary of the dedication and contribution of our staff and I would like to express my gratitude for their hard work. I also wish to thank all shareholders, customers, suppliers, business partners, bankers and government authorities for their support and confidence in the Group.

Mr. Choi Yiu Ying
Chairman and Chief Executive Officer

Hong Kong, 28 March 2017

ANNUAL RESULTS

The board (the "Board") of Directors of Luk Hing Entertainment Group Holdings Limited (the "Company") is pleased to announce the following audited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2016, together with the comparative figures for the preceding year ended 31 December 2015:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	**Year ended 31 December 2016** *HK$'000*	Year ended 31 December 2015 *HK$'000*
Revenue	*5*	**129,302**	125,521
Other income and gain	*6*	**2,659**	3,298
Cost of inventories sold		**(23,707)**	(21,667)
Staff costs		**(29,968)**	(23,081)
Depreciation and amortisation		**(1,976)**	(2,016)
Property rentals and related expenses		**(13,443)**	(13,337)
Advertising and marketing expenses		**(23,394)**	(20,964)
Other operating expenses		**(29,477)**	(35,065)
Finance costs		**(15)**	–
Listing expenses		**(16,165)**	(2,469)
(Loss)/profit before taxation	*8*	**(6,184)**	10,220
Taxation	*7*	**–**	(800)
(Loss)/profit and total comprehensive (loss)/income for the year attributable to the owners of the Company		**(6,184)**	9,420
(Losses)/earnings per share — Basic and diluted (HK cents)	*10*	**(0.44)**	0.70

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 31 December 2016 HK$'000	As at 31 December 2015 HK$'000
Assets			
Non-current assets			
Plant and equipments		**5,485**	5,874
Intangible assets		**934**	–
Deposits	*11*	**103**	120
		6,522	5,994
Current assets			
Inventories		**4,677**	3,774
Account and other receivables	*11*	**25,641**	10,985
Amounts due from related parties		**–**	3,117
Cash and cash equivalents		**73,850**	20,962
		104,168	38,838
Liabilities			
Current liabilities			
Account and other payables	*12*	**23,643**	27,520
Amounts due to related parties		**–**	555
Income tax payables		**8**	1,938
		23,651	30,013
Net current assets		**80,517**	8,825
Total assets less current liabilities		**87,039**	14,819
Net assets		**87,039**	14,819
Equity			
Share capital		**18,000**	24
Reserves		**69,039**	14,795
Total equity		**87,039**	14,819

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital *HK$'000*	Share premium *HK$'000*	Legal reserve *HK$'000* *(Note a)*	Retained earnings *HK$'000*	Total *HK$'000*
As at 1 January 2015	24	–	12	13,195	13,231
Profit and total comprehensive income for the year	–	–	–	9,420	9,420
Dividends *(Note 9)*	–	–	–	(7,832)	(7,832)
As at 31 December 2015 and 1 January 2016	24	–	12	14,783	14,819
Loss and total comprehensive loss for the year	–	–	–	(6,184)	(6,184)
Effect of reorganisation	(24)	–	–	–	(24)
Capitalisation issue	13,500	(13,500)	–	–	–
Issue of shares upon placing	4,500	90,000	–	–	94,500
Expenses in connection with the issue of shares	–	(10,265)	–	–	(10,265)
Dividends *(Note 9)*	–	–	–	(5,807)	(5,807)
As at 31 December 2016	**18,000**	**66,235**	**12**	**2,792**	**87,039**

Note:

(a) In accordance with the provisions of the Macau Commercial Code, the subsidiary of the Company in Macau are required to transfer a minimum of 25% of its profit for the year to a legal reserve before appropriation of dividends until the legal reserve equals half of the quota capital of the subsidiary. This reserve is not distributable to its shareholders.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Luk Hing Entertainment Group Holdings Limited ("the Company") and its subsidiaries (collectively referred as the "Group") is principally engaged in operation of clubbing business and organising music-related featured events.

The Company was incorporated in Cayman Islands on 30 November 2015 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. On 11 November 2016, the Company's shares were listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The registered office of the Company is PO Box 1350, Clifton House, 75 Fort Street, Grand Cayman, KY1-1180, Cayman Islands and the principle place of business in Hong Kong is located at Room 1505, 15/F., Shun Tak Centre West Tower, 168–200 Connaught Road Central, Sheung Wan, Hong Kong. The Company is an investment holding company.

The functional currency of the Company is Macau Pataca ("MOP"). The consolidated financial statements are presented in Hong Kong dollars ("HK$") for the convenience of the investors as the shares of the Company are listed on the GEM of the Stock Exchange. All values are rounded to the nearest thousand ("HK$'000") except when otherwise indicated.

2. REORGANISATION

Pursuant to the reorganisation carried out by the Group as fully explained in the section headed "Reorganisation" in the "History, reorganisation and Corporate Structure" of the prospectus of the Company dated 27 October 2016 and completed on 25 January 2016 by interspersing the Company and certain companies between Welmen Investment Co. Ltd, Yui Tak Investment Limited, Ocean Concept Holdings Limited, Toprich Investment (Group) Limited, Perfect Succeed Limited Mr. Choi Siu Kit ("Mr. John Choi"), Mr. Choi Yiu Ying ("Mr. Simon Choi"), Mr. Au Wai Pong, Eric ("MR. Eric Au"), Mr. Au Ka Wai ("Mr. Jerry Au"), Mr. Yeung Bernard Sie Hong ("Mr. Bernard Yeung") and Mr. Yeung Chi Shing ("Mr. Alex Yeung") (the "Controlling Shareholders") and the group entities, the Company has become the holding company of the group entities now comprising the Group. The Controlling Shareholders are regarded as parties acting in concert and a group of concerted shareholders. The Group comprising the Company and its subsidiaries resulting from the reorganisation is therefore regarded as a continuing entity under common control.

Accordingly, the consolidated financial statement has been prepared on the basis as if the Company had always been the holding company of the Group by applying the principles of merger accounting. The consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Group have been prepared as if the Reorganisation had been completed at the beginning of the reporting period, or since the respective date of incorporation of the companies now comprising the Group, where there is a shorter period. The consolidated statements of financial position of the Group as at 31 December 2015 have been prepared to present the assets and liabilities of the companies now comprising the Group using the existing carrying amounts of the principal business of the Group as if the current group structure had been in existence at that date taking into account the respective date of incorporation, where applicable.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND SIGNIFICANT ACCOUNTING POLICIES

3.1 Application of new and revised HKFRSs

In the current year, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the HKICPA, which are effective for the Group's financial year beginning on or after 1 January 2016.

HKFRSs (Amendments)	Annual Improvement to HKFRSs 2012–2014 Cycle
HKFRS 10, HKFRS 12 and HKAS 28 (Amendments)	Investment Entities: Applying the Consolidation Exception
HKFRS 11 (Amendments)	Accounting for Acquisition of Interests in Joint Operations
HKFRS 14	Regulatory Deferral Accounts
HKAS 1 (Amendments)	Disclosure Initiative
HKAS 16 and HKAS 38 (Amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation
HKAS 16 and HKAS 41 (Amendments)	Agriculture: Bearer Plants
HKAS 27 (Amendments)	Equity Method in Separate Financial Statements

Annual Improvements to HKFRSs 2012–2014 Cycle

The Annual Improvements to HKFRSs 2012–2014 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 5 introduce specific guidance in HKFRS 5 for when an entity reclassifies an asset (or disposal group) from held for sale to held for distribution to owners (or vice versa), or when held-for-distribution accounting is discontinued. The amendments shall be applied prospectively.

The amendments to HKFRS 7 Disclosure — Offsetting Financial Assets and Financial Liabilities provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of the disclosures required in relation to transferred assets and clarify that the offsetting disclosures (introduced in the amendments to HKFRS 7 issued in December 2011 and effective for periods beginning on or after 1 January 2013) are not explicitly required for all interim periods. However, the disclosures may need to be included in condensed interim financial statements to comply with HKAS 34 Interim Financial Reporting.

The amendments to HKAS 19 clarify that the high quality corporate bonds used to estimate the discount rate for postemployment benefits should be issued in the same currency as the benefits to be paid. These amendments would result in the depth of the market for high quality corporate bonds being assessed at currency level. The amendments apply from the beginning of the earliest comparative period presented in the financial statements in which the amendments are first applied. Any initial adjustment arising should be recognised in opening retained earnings of the earliest comparative period presented.

The amendments to HKAS 34 clarify the requirements relating to information required by HKAS 34 that is presented elsewhere in the interim financial report. The amendments require that such information be incorporated by way of a cross reference from the interim financial statements to the other part of the interim financial report that is available to users on the same terms and at the same time as the interim financial statements.

The application of the said amendments to HKFRSs has had no material effect on the Group's consolidated financial statements.

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 Investment Entities: Applying the Consolidation Exception

The amendments to HKFRS 10 Consolidated Financial Statements, HKFRS 12 Disclosure of Interests in Other Entities and HKAS 28 Investments in Associates and Joint Ventures clarify that the exemption from preparing consolidated financial statements is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all its subsidiaries at fair value in accordance with HKFRS 10. The amendments also clarify that the requirement for an investment entity to consolidate a subsidiary, whose main purpose is to provide services and activities that are related to the investment activities of the investment entity parent, applies only to subsidiaries that are not investment entities themselves.

The application of these amendments to HKFRS 10, HKFRS 12 and HKAS 28 has had no material impact on the Group's consolidated financial statements as the Group is not an investment entity and does not have any subsidiary, associate or joint venture that qualifies as an investment entity.

Amendments to HKFRS 11 Accounting for Acquisitions of Interests in Joint Operations

The amendments to HKFRS 11 provide guidance on how to account for the acquisition of a joint operation that constitutes a business as defined in HKFRS 3 Business Combinations. Specifically, the amendments state that the relevant principles on accounting for business combinations in HKFRS 3 and other standards (e.g. HKAS 36 regarding impairment testing of a cash-generating unit ("CGU") to which goodwill on acquisition of a joint operation has been allocated) should be applied. The same requirements should be applied to the formation of a joint operation if and only if an existing business is contributed to the joint operation on its formation by one of the parties that participate in the joint operation.

A joint operator is also required to disclose the relevant information required by HKFRS 3 and other standards for business combinations.

The amendments to HKFRS 11 apply prospectively for annual periods beginning on or after 1 January 2016. The application of these amendments to HKFRS 11 has had no material impact on the Group's consolidated financial statements.

Amendments to HKAS 1 Disclosure Initiative

The amendments to HKAS 1 are designed to further encourage companies to apply professional judgment in determining what information to disclose in their financial statements. For example, the amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. Furthermore, the amendments clarify that companies should use professional judgment in determining where and in what order information is presented in the financial disclosures.

The application of these amendments to HKAS 1 has had no material impact on the Group's consolidated financial statements.

Amendments to HKAS 16 and HKAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments to HKAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to HKAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. This presumption can only be rebutted in the following two limited circumstances:

- when the intangible asset is expressed as a measure of revenue; or
- when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

The amendments apply prospectively for annual periods beginning on or after 1 January 2016. Currently, the Group uses the straight-line method for depreciation for its plant and equipment and amortisation for its intangible assets. The directors of the Group believe that the straight-line method is the most appropriate method to reflect the consumption of economic benefits inherent in the respective assets and accordingly, the application of these amendments to HKAS 16 and HKAS 38 has had no material impact on the Group's consolidated financial statements.

Amendments to HKAS 27 Equity Method in Separate Financial Statements

The amendments allow an entity to account for investments in subsidiaries, joint ventures and associates in its separate financial statements:

- at cost;
- in accordance with HKFRS 9 Financial Instruments (or HKAS 39 for entities that have not yet adopted HKFRS 9); or
- using the equity method as described in HKAS 28 Investments in Associates and Joint Ventures.

The accounting option must be applied by category of investments.

The amendments also clarify that when a parent ceases to be an investment entity, or becomes an investment entity, it shall account for the change from the date when the change in status occurred.

In addition to the amendments to HKAS 27, there are consequential amendments to HKAS 28 to avoid a potential conflict with HKFRS 10 Consolidated Financial Statements and to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards.

The directors of the Group do not anticipate that the application of these amendments to HKAS 27 will have a material impact on the Group's consolidated financial statements.

The application of the other new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and position for the current and prior years and on the disclosures set out in these consolidated financial statements.

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRSs (Amendments)	Annual Improvements to HKFRSs 2014–2016 Cycle[5]
HKFRS 2 (Amendments)	Clarification and Measurement of Share-based Payment Transaction[2]
HKFRS 4 (amendments)	Insurance Contracts[2]
HKFRS 9	Financial instruments[2]
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
HKFRS 15	Revenue from Contracts with Customers[2]
HKFRS 15 (Amendments)	Clarifications to HKFRS 15 Revenue from Contracts with Customers[2]
HKFRS 16	Lease[3]
HKAS 7 (Amendments)	Disclosure Initiative[1]
HKFRS 12 (Amendments)	Recognition of Deferred Tax Assets for Unrealised Losses[1]

1 Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.
2 Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.
3 Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted.
4 Effective for annual periods beginning on or after a date to be determined.
5 Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018 as appropriate.

Other than explained below regarding the impact of HKFRS 16, the Group expects that the adoption of the above new or revised standards will have no significant financial impact.

HKFRS 16 Leases

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. It distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Subject to limited exceptions for short-term leases and low value assets, distinctions of operating and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognized for all leases by lessees. However, the standard does not significantly change the accounting of lessors.

Application of HKFRS 16 will result in the Group's recognition of right-of-use assets and corresponding liabilities in respect of many of the Group's lease arrangements. These assets and liabilities are currently not required to be recognized but certain relevant information is disclosed as commitments to these financial statements. Total operating lease commitment of the Group in respect of club premises, staff quarters and warehouses as at 31 December 2016 amounted to approximately HK$17,144,000. The directors of the Group expect certain portion of these lease commitments will be required to be recognised in the consolidated statements of financial position as right-of-use assets and corresponding lease liabilities. However, it is not practicable to provide a reasonable estimate of the effect on the Group's consolidated financial statements until the Group performs a detailed review.

3.2 Significant accounting policies

The consolidated financial statements has been prepared in accordance with HKFRSs which is a collective term that includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the HKICPA. In addition, the consolidated financial statements includes applicable disclosure required by the Rules Governing the Listing of Securities on the GEM of the Stock Exchange and by the Hong Kong Companies Ordinance.

Basis of preparation

The consolidated financial statements has been prepared on the historical cost basis.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

4. OPERATING SEGMENT

Information reported internally to the chief operating decision makers for the purpose of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. The Group is principally engage in operation of clubbing business and organising music-related featured events. A single management team reports to the chief operating decision makers who comprehensively manages such entire business segment. Accordingly, the Group does not have separately reportable segments.

Information about geographical areas

The Group's business and non-current assets are located in Hong Kong and Macau. The Group's revenue from external customers based on the location of the customers is detailed as below:

	Year ended 31 December 2016	Year ended 31 December 2015
	HK\$'000	*HK\$'000*
Macau	**116,132**	125,521
Hong Kong	**13,170**	–
	129,302	125,521

The Group's location of non-current assets is detailed as below:

	As at 31 December 2016	As at 31 December 2015
	HK\$'000	*HK\$'000*
Macau	**5,815**	5,994
Hong Kong	**707**	–
	6,522	5,994

Information about major customers

During the year, no revenue from transactions with a single external customer amounted to 10% or more of the Group's total revenue (2015: HK$Nil).

5. REVENUE

Revenue represents the amounts received or receivable from the sales of beverage, food and tobacco products, sponsorship income and revenue from club operations and event organising (including entrance fees income, events rental income and cloakroom income).

An analysis of the Group's revenue for the year is as follows:

	Year ended 31 December 2016	Year ended 31 December 2015
	HK$'000	*HK$'000*
Sales of beverage and other products	**99,610**	96,669
Sponsorship income	**11,600**	14,263
Entrance fees income	**16,807**	11,480
Others *(Note)*	**1,285**	3,109
	129,302	125,521

Note: Others mainly represent events rental income of approximately HK$622,000 (2015: HK$2,872,000) and cloakroom income of approximately HK$234,000 (2015: HK$237,000).

6. OTHER INCOME AND GAIN

	Year ended 31 December 2016	Year ended 31 December 2015
	HK$'000	*HK$'000*
Net foreign exchange gain	**748**	959
Others *(Note)*	**1,911**	2,339
	2,659	3,298

Note: Others mainly included the tips income of approximately HK$302,000 (2015: HK$504,000) and reversal of provision for impairment on account receivable of approximately HK$353,000 (2015: Nil).

7. TAXATION

	Year ended 31 December 2016 *HK$'000*	Year ended 31 December 2015 *HK$'000*
Income tax expense		
— Macau Complementary Tax	**–**	800

Macau Complementary Tax is calculated at 12% of the assessable profit for the years ended 31 December 2016 and 2015.

No provision for Hong Kong Profits Tax has been made as the Group did not have assessable profit subject to Hong Kong Profits Tax during the years ended 31 December 2016 and 2015.

Pursuant to the rules and regulations of the Cayman Islands and the BVI, the Group is not subject to any income tax in the Cayman Islands and the BVI during the years ended 31 December 2016 and 2015.

The income tax expense can be reconciled to the (loss)/profit before taxation per consolidated statement of profit or loss and other comprehensive income as follows:

	Year ended 31 December 2016 *HK$'000*	Year ended 31 December 2015 *HK$'000*
(Loss)/profit before taxation	**(6,184)**	10,220
Tax at the applicable income tax rate	**(995)**	1,225
Tax effect of temporary difference not recognised	**(35)**	(364)
Tax effect of expenses not deductible for tax purpose	**31**	1
Tax losses not recognised	**1,051**	8
Tax effect of non-taxable income	**(52)**	–
Exemption for tax liabilities in Macau Complementary Tax *(Note)*	**–**	(70)
Taxation for the year	**–**	800

Note: Under the Macau Complementary Tax, for the years of assessment 2016 and 2015, the taxable profits up to MOP600,000 was exempted.

8. (LOSS)/PROFIT BEFORE TAXATION

	Year ended 31 December 2016 *HK$'000*	Year ended 31 December 2015 *HK$'000*
(Loss)/profit before taxation has been arrived at after charging:		
Staff costs:		
Director's emoluments (included retirement scheme contributions)	**1,696**	–
Salaries and other benefits	**27,873**	22,882
Retirement benefits scheme contributions	**399**	199
	29,968	23,081
Auditors' remuneration		
— HLB Hodgson Impey Cheng Limited *(Note (i))*	**700**	–
— Other auditor	**97**	95
	797	95
Cost of inventories sold	**23,707**	21,667
Lease payments under operating leases		
— Minimum lease payments	**7,294**	5,466
— Profit sharing for lease payment *(Note (ii))*	**6,149**	7,871
	13,443	13,337
Depreciation of plant and equipments	**1,938**	2,016
Amortisation of intangible assets	**38**	–
	1,976	2,016

Notes:

(i) Excluding services for the listing of the Group.

(ii) Profit sharing for lease payment was the contingent rental depending on the net profit of the club operation, net of royalty and provision for fixed assets maintenance, pursuant to the term and conditions as set out in the respective agreement.

9. DIVIDENDS

No dividend has been paid or proposed by the Company since its date of incorporation. The Board does not recommend the payment of a final dividend for the year ended 31 December 2016.

Prior to the listing of the Company and Group reorganisation disclosed in the Prospectus, Luk Hing Investment Limited had declared dividends in aggregate amounts of HK$7,832,000 and HK$5,807,000 to its former shareholder during the years ended 31 December 2015 and 2016 respectively. The amounts were settled with amounts due from related parties and cash.

10. (LOSSES)/EARNINGS PER SHARE ATTRIBUTABLE TO THE OWNERS OF THE COMPANY

	Year ended 31 December 2016	Year ended 31 December 2015
	HK$'000	*HK$'000*
(Loss)/profit for the year attributable to the owners of the Company	**(6,184)**	9,420
	'000	*'000*
Number of ordinary shares for the purpose of calculating basic (losses)/earnings per share	**1,412,877**	1,350,000

The calculation of basic (losses)/earnings per share for the years ended 31 December 2016 and 2015 is based on the (loss)/profit and total comprehensive (loss)/income for the year attributable to the owners of the Company and the weighted average number of shares for the relevant period.

For the year ended 31 December 2016, the weighted average number of ordinary shares for the purpose of calculating basic losses per share have been adjusted for the effect of placing completed on 11 November 2016.

For the year ended 31 December 2015, the weighted average number of ordinary shares for the purpose of calculating basic earnings per share is calculated based on the assumption that 1,350,000,000 ordinary shares had been in issue, comprising 10,000 ordinary shares in issue and 1,349,990,000 ordinary shares to be issued pursuant to the capitalisation issue as detailed in the sub-section headed "Share Capital" set out in the Prospectus as if the shares had been outstanding throughout the period.

No diluted (losses)/earnings per share for the years ended 31 December 2016 and 2015 was presented as there were no potential dilutive ordinary shares in issue during the years ended 31 December 2016 and 2015.

11. ACCOUNT AND OTHER RECEIVABLES

	As at 31 December 2016	As at 31 December 2015
	HK$'000	*HK$'000*
Account receivables	**7,904**	4,703
Less: allowance for doubtful debts	**–**	(353)
	7,904	4,350
Sponsorship receivables	**5,150**	1,966
Events rental receivables	**–**	2,444
Prepayments	**6,099**	213
Deposits	**6,059**	768
Other receivables	**532**	1,364
	25,744	11,105
Portion classified as non-current		
— Deposit	**(103)**	(120)
Current portion	**25,641**	10,985

For account receivables and events rental receivables, the Group allows credit period of within 60 days which are agreed with its debtors. For sponsorship receivables, the Group allows credit period of within 30 days which are agreed with each of its sponsors.

The following is an aged analysis of account receivables, net of allowance for doubtful debts, presented based on the invoice date at the end of the reporting period:

	As at 31 December 2016	As at 31 December 2015
	HK$'000	*HK$'000*
0 to 30 days	**4,569**	3,339
31 to 60 days	**897**	492
61 to 90 days	**1,130**	471
91 to 120 days	**676**	–
Over 120 days	**632**	48
	7,904	4,350

The Group's account receivables mainly represented VIP customer receivables and the credit card sales receivables from financial institutions.

Past due but not impaired

Before accepting any new VIP customer, the Group assesses the potential VIP customer's credit quality and defines credit limits by each VIP customer. The majority of the Group's account receivables that are past due but not impaired have good credit quality with reference to respective settlement history.

As at 31 December 2016 and 2015, account receivables of approximately HK$2,438,000 and HK$519,000 were past due but not impaired, as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral as security over these debtors. The ageing analysis of these receivables presented based on due date is as follows:

	As at 31 December 2016	As at 31 December 2015
	HK$'000	*HK$'000*
Overdue by:		
0 to 30 days	**1,130**	471
Over 30 days	**1,308**	48
	2,438	519

Movement in the allowance for doubtful debts

	HK$'000
As at 1 January 2015	970
Amounts written off as uncollectible	(617)
As at 31 December 2015 and 1 January 2016	353
Reversal of provision for impairment on account receivable	(353)
As at 31 December 2016	**–**

In determining the recoverability of account receivables, the Group considers any change in the credit quality of the account receivables from the date credit was initially granted up to the end of each reporting period.

The reversal of provision for impairment on account receivable of approximately HK$353,000 recognised due to the recovery of debts during the year ended 31 December 2016.

As at 31 December 2016 and 2015, the Group's prepayments mainly represents prepayments for performance fee of featured events of approximately HK$3,981,000 and nil and prepayments for legal and professional fees of HK$1,751,000 and nil respectively. As at 31 December 2016 and 2015, the Group's deposits mainly represents deposits for acquisition of plant and equipments and decoration of approximately HK$4,655,000 and HK$499,000, respectively, rental deposits of approximately HK$280,000 and HK$269,000, respectively, and deposits for holding featured events of approximately HK$888,000 and nil, respectively. As at 31 December 2016 and 2015, the amounts of the Group's other receivables mainly represents refund for deposit for featured events of approximately HK$231,000 and HK$739,000 respectively.

12. ACCOUNT AND OTHER PAYABLES

	As at 31 December 2016	As at 31 December 2015
	HK$'000	*HK$'000*
Account payables	**2,232**	2,520
Rental payables	**3,582**	7,768
Other payables	**13,022**	11,449
Accruals	**4,807**	5,783
	23,643	27,520

The credit period on account payables are generally within 45 days.

Included in account payables are creditors with the following ageing analysis, based on the invoice date, as of the end of the reporting period:

	As at 31 December 2016	As at 31 December 2015
	HK$'000	*HK$'000*
0 to 30 days	**2,148**	2,518
31 to 60 days	**76**	2
61 to 90 days	**8**	–
	2,232	2,520

As at 31 December 2016 and 2015, other payables mainly represented the amount due to Melco Crown (COD) Retail Services Limited of approximately HK$8,680,000 and HK$8,939,000 respectively. The amount is unsecured, interest free and repayable on demand.

13. EVENTS AFTER THE REPORTING PERIOD

Subsequent to the end of the reporting period, the Group and Yuri Holdings Co. Ltd., entered into a sub-franchising agreement with a sub-franchisee in the PRC which is an independent third party and an operator of night clubs and bars in Hunan Province of the PRC, regarding the opening and operation of a monkey museum night club in Changsha City. For further details, please refer to the Company's announcement dated 24 January 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

During the year ended 31 December 2016, the Group continued to engage in the operation of clubbing and organising music-related featured events.

BUSINESS REVIEW

Revenue generated from our clubbing business and event organisation was primarily sale of beverage and entrance fees from retail customers. Amongst different types of beverage sales, champagne remained the best selling one in 2016, with Perrier-Jouët Champagne being the most popular item. Despite the increase in competition in Macau's clubbing industry, we have differentiated ourselves from our competitors and achieved positive results by strategically focusing on organising featured events. We organised 52 featured events in Club Cubic Macau in 2016, which is 5 more than 2015. Accordingly, we managed to record customer visits[1] of approximately 134 thousands in 2016, which remained roughly stable as compared to approximately 132 thousands in 2015. The average spending per approximate number of customer visit[2] remained at around eight hundred Hong Kong dollars in 2015 and 2016. We generally charge a higher entrance fee per guest and a higher minimum charge for reserving a table or private karaoke room. We organised 2016 Road to Ultra event in the Nursery Park at the West Kowloon Cultural District in Hong Kong in September 2016, which was of larger scale and with larger capacity than that held in Club Cubic Macau in 2015. We sold approximately 7 thousand tickets in the 2016 Road to Ultra event, which included general admission tickets and VIP tickets ranged from around HK$700 to HK$2,600 per ticket, as well as table packages (inclusive of entrance tickets and beverages) ranged from around HK$40,000 to HK$90,000 per table.

We received our sponsorship income from corporate customers and beverage suppliers, comprising fee for displaying their logos and products during the events and incentive based on our purchase amount from the beverage suppliers. For attracting customer traffic to Club Cubic Macau and City of Dreams, COD has organised the Taboo show and rented Club Cubic Macau as the venue to host the show. The Taboo show ended in March 2016 and such events rental relationship and the associated events rental income has ended accordingly.

During the year ended 31 December 2016, we have been exploring opportunities to introduce our own Club Cubic brand and Monkey Museum brand to the PRC and signed two memorandum of understanding with our business partners in late 2016. However, we have not yet recorded any income in 2016 regarding such business opportunities.

1 Customer visit refers to the number of entries into the club premises of Club Cubic Macau. For the avoidance of doubt, if a guest entered into and left the club several times in one night, it will be counted as multiple number of customer visits.

2 Average spending per approximate number of customer visits is calculated by dividing our total income from retail customers including (i) sales of beverage and other products; (ii) entrance fees income; and (iii) cloakroom income by our customer visits at Club Cubic Macau.

FINANCIAL REVIEW

Revenue and Other Income and Gain

Total revenue of the Group increased by about HK$3.8 million or 3.0% from approximately HK$125.5 million in 2015 to approximately HK$129.3 million in 2016. The increase was mainly contributed by the aforementioned 2016 Road to Ultra Hong Kong, which was of a larger scale than the 2015 Road to Ultra held in Club Cubic Macau and significantly boosted our entrance fees income and our sales of beverage and other products. Sales of beverage and other products and entrance fees income contributed by the 2016 Road to Ultra Hong Kong event were approximately HK$1.6 million and approximately HK$6.7 million more than that contributed by the 2015 Road to Ultra event, respectively. However, such increases were partially offset by the drop in sponsorship income of approximately HK$2.7 million, which was mainly due to the decrease in sponsorship for 2016 Road to Ultra event when compared to the 2015 Road to Ultra event, as the event was first held outside our established Club Cubic brand in Macau. In addition, our events rental income from the abovementioned Taboo show held in Club Cubic Macau dropped by approximately HK$2.3 million in 2016, as the Taboo show ceased to be performed since April 2016.

Other income and gain remained roughly stable at around three million Hong Kong dollars for both 2015 and 2016.

Expenses

Cost of inventories sold mainly represented the costs of beverage, food and tobacco products sold. It increased by about HK$2.0 million or 9.2% from approximately HK$21.7 million in 2015 to approximately HK$23.7 million in 2016, whereas the gross profit margin decreased by about 1.4 percentage points from approximately 77.6% in 2015 to approximately 76.2% in 2016. It is because we offered free drinks in certain featured events to attract more customers. In addition, the 2016 Road to Ultra Hong Kong event, which was held outside our established Club Cubic brand in Macau, had a relatively lower gross profit margin at around 70%.

Staff costs notably increased by about HK$6.9 million or 29.9% from approximately HK$23.1 million in 2015 to approximately HK$30.0 million in 2016. It was mainly because, in the preparation for the Listing, certain employees who had been previously employed by a related company, at a consulting fee, to provide operation, marketing and administrative services to the Group, were hired by the Group directly since 2016. The relevant consulting fee, which was classified under other operating expenses in 2015, amounted to approximately HK$7.4 million for the year ended 31 December 2015. We ceased to pay such consulting fee in 2016. Excluding such effect, we incurred less staff costs in 2016 as we saved the relevant staff costs for the aforementioned Taboo Show which ceased performance since April 2016.

Depreciation and amortisation remained stable at approximately HK$2.0 million for both 2015 and 2016.

Property rentals and related expenses increased slightly by about HK$0.1 million from approximately HK$13.3 million in 2015 to approximately HK$13.4 million in 2016. Unlike 2015, we saved contingent rental in 2016 when the Ultra event was not held inside Club Cubic Macau. However, such savings were offset by the increase in venue rentals and related expenses for the event in 2016, which was held in Hong Kong West Kowloon, amounted to approximately HK$1.2 million, and the additional rentals of approximately HK$1.0 million for our Hong Kong office as we rented directly from the landlord since 1 March 2016.

Advertising and marketing expenses increased by about HK$2.4 million or 11.4% from approximately HK$21.0 million in 2015 to approximately HK$23.4 million in 2016 as we strategically held more events to differentiate ourselves from our competitors. In 2016, we held 1 outdoor event in Hong Kong and 52 featured events in Club Cubic Macau, which was 5 more than 2015.

Other operating expenses decreased by about HK$5.6 million or 16.0% from approximately HK$35.1 million in 2015 to approximately HK$29.5 million in 2016. It was mainly because we ceased to pay the aforesaid consulting fee to a related company.

During the year ended 31 December 2016, we have utilized our overdraft facility of approximately HK$3 million and incurred finance cost of approximately HK$15 thousands. As at 31 December 2016, the overdraft was fully repaid and we had unutilized facility of HK$3 million, for which the Company provided its corporate guarantee.

Listing Expenses and Loss Attributable to the Owners of the Company

We recorded a net loss of approximately HK$6.2 million in 2016, whereas we recorded a net profit of approximately HK$9.4 million in 2015. As disclosed in the Prospectus, the listing expenses would have a significant financial impact on our financial performance. In respect of the Listing on 11 November 2016, we recognized non-recurring listing expenses of approximately HK$2.5 million and approximately HK$16.2 million in 2015 and 2016 respectively. Following the Listing, we also incurred additional compliance costs[1] of approximately HK$1.2 million in 2016. Excluding these expenses and without taking into account the relevant impact of taxation, our adjusted net profit would remain at a similar level at approximately HK$11.9 million and HK$11.2 million in 2015 and 2016, respectively.

[1] The costs included 2016 listing fee, audit fee to Group auditors, retainer fees to compliance advisor, legal advisor and secretarial firm, production fee to financial printer for result announcements, additional director fees and compliance staff cost.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Below is a summary of the key financial ratio:

	Notes	**As at 31 December 2016**	2015
Current ratio	*1*	4.4	1.3
Quick ratio	*2*	4.2	1.2
Gearing ratio	*3*	21.4%	66.9%

Notes:

1. Current ratio is calculated by dividing total current assets by total current liabilities as at the respective period end

2. Quick ratio is calculated by dividing total current assets less inventories by total current liabilities as at the respective period end

3. Gearing ratio is calculated by dividing total liabilities by total assets as at the respective period end

The above key financial ratio demonstrated that the liquidity and gearing of the Group remained healthy in 2016. The Group generally financed its daily operations from internally generated cash flows. The shares were listed on GEM on 11 November 2016 and the capital structure of the Company comprised ordinary shares. Upon Listing, we obtained net proceeds of approximately HK$65.6 million from the issue of a total of 450,000,000 new ordinary shares of the Company at the placing price of HK$0.21 per share under the placing as set out in the Prospectus. The remaining unused net proceeds as at 31 December 2016 were placed as interest bearing deposits with licensed bank in Hong Kong and Macau. As at 31 December 2016, the Group had cash and cash equivalents of approximately HK$73.9 million (2015: HK$21.0 million) and did not have any outstanding amounts of short-term or long-term bank borrowings or any loan arrangement containing any covenant, except the aforementioned unutilized overdraft facility of HK$3 million, for which the Company provided its corporate guarantee. The level of cash and cash equivalents and the recurring cash inflows from our core business can equip the Group to develop and expand its operation.

FOREIGN EXCHANGE EXPOSURE

During the year ended 31 December 2016 and 2015, most of the Group's transactions are denominated and settled in its functional currency, MOP and reporting currency, HK$. As historically there has been very limited exchange fluctuation between MOP and HK$, the Company considered that the Group was not exposed to material foreign currency exchange risk. The Group currently has not implemented any foreign currency hedging policy and the management will consider hedging against significant foreign exchange exposure should the need arise.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

The Shares have been listed on the GEM since the Listing on 11 November 2016. Save as to the Listing, neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2016.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

As a company which was newly listed on the GEM on 11 November 2016, the Company took the initiative to adopt and comply with the principles and code provisions in the Corporate Governance Code and Corporate Governance Report (the "CG Code") as set out in Appendix 15 to the GEM Listing Rules since its Listing, except for paragraph A.2.1 of the CG Code which provides that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The roles of the chairman of the Board and the chief executive officer of the Company are both performed by Mr. Choi Yiu Ying (Mr. Simon Choi). The Company considers that having Mr. Simon Choi acting as both the chairman and chief executive officer can provide a strong and consistent leadership to the Group and allow for more effective strategic planning and management of the Group. Further in view of Mr. Simon Choi's experience in the industry, personal profile and role in the Group and historical development of the Group, the Company considers that it is to the benefit of the Group in the business prospects that Mr. Simon Choi continues to act as both the chairman and chief executive officer and the Company currently has no intention to separate the functions of chairman and chief executive officer. Following the Listing, the chairman shall at least annually hold meetings with the non-executive Directors, including the independent non-executive Directors, without the executive Directors present and he shall promote a culture of openness and debate by facilitating the effective contribution of non-executive Directors in particular and ensuring constructive relations between executive and non-executive Directors.

According to paragraph A.1.1 of the CG Code, the Board should meet regularly and the Board meeting should be held at least four times a year at approximately quarterly intervals. Since the Listing in November 2016, the Board held one meeting in 2016 to review and discuss the 2016 third quarterly results of the Group and all the nine Directors had attended the meeting. No general meeting had been held since the Listing. The first annual general meeting after Listing will be held on 16 June 2017. According to paragraph A.5.2(a) of the CG Code, the nomination committee should review the structure, size and composition of the Board at least annually and its terms of reference states that its meeting shall be held at least once a year. Although the nomination committee did not hold any meetings in 2016 as the period from the date of Listing to year end was relatively short, the Board held two meetings in 2016 to select and appoint candidates to the Board, considering the candidate's achievements and experience in our industry, and the relevant management skills and professional background and the time the candidate can devote to the matters of the Group. After year end, the nomination committee held a meeting on 28 March 2017 to recommend to the Board with respect to the retirement and re-election of Directors at the forthcoming annual general meeting. According to paragraph C.3.3 of the CG Code, the audit committee must meet at least twice a year with the Company's auditors. It may also consider to meet with the auditors, at least annually, in the absence of management, to discuss matters relating to its audit fees, any issues arising from the audit and any other matters that the auditor may wish to raise. As the period from the date of Listing to year end was relatively short, the audit committee just held one meeting in 2016 to review and discuss the 2016 third quarterly results of the Group. All the three audit committee members had attended the meeting. After year end, the audit committee held two meetings to discuss the 2016 audit scope and arrangement with the auditors prior to audit and review and discuss the 2016 final results of the Group.

SCOPE OF WORK OF AUDITORS

The figures in respect of the preliminary announcement of the Group's result for the year ended 31 December 2016 have been agreed by the Group's auditors, HLB Hodgson Impey Cheng Limited ("HLB"), to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by HLB in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently, no assurance has been expressed by HLB on the preliminary announcement.

AUDIT COMMITTEE

The audit committee has reviewed the audited financial statements of the Group for the year ended 31 December 2016 and recommended approval to the Board.

DEFINITIONS AND GLOSSARY

"Board"	the board of Directors
"City of Dreams"	an integrated resort located on two adjacent pieces of land in Cotai, Macau, which was opened in June 2009 and owned by Melco Crown (COD) Developments Limited
"Club Cubic Macau"	a clubbing venue operated by the Group under the name of Cubic which was opened in April 2011 and located at 2nd and 3rd floor, The Boulevard, City of Dreams, Cotai, Macau
"Club Cubic Zhuhai"	a proposed clubbing venue in Zhuhai to be operated by a joint venture company in which the Group is expected to hold less than 20% interest, details of which are disclosed in the Company's announcement dated 12 December 2016 and 10 February 2017
"COD"	Melco Crown (COD) Retail Services Limited, an affiliate of Melco Crown (COD) Developments Limited
"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
"Directors"	the directors of the Company
"GEM"	the Growth Enterprise Market of Stock Exchange

"GEM Listing Rules"	The Rules Governing the Listing of Securities on GEM
"Group"	the Company and/or any of its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	The Hong Kong Special Administrative Region of the PRC
"Listing"	the listing of the Shares on GEM on 11 November 2016
"Macau"	The Macau Special Administrative Region of the PRC
"Monkey Museum Changsha"	a night club under the name of monkey museum operated by an independent third party sub-franchisee identified and recruited by the Group pursuant to an exclusive master franchising agreement and a sub-franchising agreement, details of which are disclosed in the Company's announcements dated 28 December 2016 and 24 January 2017
"MOP"	Macau Pataca(s), the lawful currency of Macau
"Operating Agreement"	an operating agreement dated 28 April 2010 entered into between COD (as the owner) and Star Century Investments Limited (as the operator), novated by a novation agreement dated 14 January 2011 entered into between COD (as the owner), Star Century Investments Limited (as the old operator) and Luk Hing Investment Limited (as the new operator), and supplemented by a supplemental agreement dated 28 November 2012 and further supplemented by a second supplemental agreement dated 5 August 2016, concerning the operation of Club Cubic Macau
"PRC"	the People's Republic of China (for the purpose of this annual report, exclude Hong Kong, Macau and Taiwan)
"Prospectus"	the prospectus of the Company dated 27 October 2016
"Shares"	the ordinary shares of HK$0.01 each in the issued share capital of the Company
"Shareholders"	the holders of the Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited

BOARD OF DIRECTORS

As at the date of this announcement, the Directors are:

Executive Directors:
Mr. Choi Yiu Ying *(Chairman and Chief Executive Officer)*
Mr. Choi Siu Kit
Mr. Yeung Chi Shing

Non-executive Directors:
Mr. Au Wai Pong Eric
Mr. Au Ion Weng
Ms. Poon Kam Yee Odilia

Independent non-executive Directors:
Mr. Lam Wai Chin Raymond
Mr. Chan Ting Bond Michael
Mr. Tse Kar Ho Simon

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

Hong Kong, 28 March 2017

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 at least 7 days from the day of its posting. This announcement will also be published on the Company's website at www.lukhing.com.