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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)**

### **ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018**

#### **CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

**GEM has been positioned as a market designed to accommodate small and mid-sized 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. Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.**

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*This announcement, for which the directors (the “**Directors**”, each a “**Director**”) of Luk Hing Entertainment Group Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”), collectively and individually, accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on 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 aspects 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 of directors, I am pleased to report that the Group has achieved good performance in 2018. After years of effort to strengthen our competitiveness and market position as a leading clubbing business operator in Macau, I am encouraged by the growth we achieved for Club Cubic Macau in 2018 on the strength of foundations built over the years. Further to that, I am impressed by the growth momentum achieved by our newly start up restaurant business, HEXA.

Our result this year demonstrated that we are transforming into a stronger and better positioned company. In 2018, the Group's EBITDA was HK\$10.4 million, representing a substantial growth of 200% compared to the EBITDA of loss HK\$10.5 million in 2017. Most impressively, the Group managed to turn from a net loss of HK\$13.5 million in 2017 to net profit of HK\$3.2 million this year. The strong financial performance was mainly contributed by the first full year operation of our first restaurant, HEXA and the strong performance of the Group's core clubbing business, Club Cubic Macau.

## **BUSINESS ENVIRONMENT AND DEVELOPMENT**

### **Clubbing Business**

Club Cubic Macau maintained continued growth in sales performance despite that the competition in Macau clubbing industry was intensified due to the increase of the clubbing venues in Macau and the surrounding regions. We see our events playing an important role in differentiating us from our competitors and maintaining our competitiveness, as our events often attracting customers from Mainland China and Hong Kong. Over the past business years, we have successfully created sustainable growth from the crowd of club goers.

In 2018, we have generated a total of 62 events including ten top 100 world renowned international electronic music DJs, producers and artists, who were ranked in DJ Mag's Top 100 DJs poll. We had the top 3 talents such as Martin Garrix (DJ Mag Top 100 DJs #1), Dimitri Vegas & Like Mike (DJ Mag Top 100 DJs #2), Hardwell (DJ Mag Top 100 DJs #3) which were iconic shows to draw big crowds from Macau, Hong Kong and Mainland China as well as media interests.

#### *Regular events*

Club Cubic Macau carry on to introduce three weekday series featuring our resident DJs with music genre. Our existing regular events, "Ladies' Night" and "Girls' Night Out" parties, which were held every Wednesday and Friday night with our resident DJs, and a regular event hip-hop music night, Turn Up Hip Hop Night, which was held every Thursday, to offer varieties and different genre of electronic music to enjoy.

## **Weekday**

Every Wednesday  
Every Thursday  
Every Friday

## **Regular Events**

Ladies' Night  
Turn Up Hip Hop Night  
Girls' Night Out

### *Featured events*

Among the 62 events, we have organized a total of 33 events of internal themed parties and international live acts. Themed parties included Full Moon Party in September to celebrate mid-autumn festival, festival themed parties such as Halloween Party in October, Christmas Eve and New Year's Eve Party in December. Besides electronic dance music, other variety shows include live dance performances and partnering with global music festival brand such as Ultra Music Festival, Electric Daisy Carnival and ISY Music Festival to promote Asia music festivals.

## **Date**

4 March 2018  
11 May 2018  
4 August 2018  
29 September 2018  
12 October 2018  
29 December 2018

## **Themed Parties**

Hardwell (DJ Mag Top 100 DJs #3)  
Martin Garrix (DJ Mag Top 100 DJs #1)  
Wolfpack (DJ Mag Top 100 DJs #35)  
Tujamo (DJ Mag Top 100 DJs #46)  
Yellow Claw (DJ Mag Top 10 DJs #47)  
Dimitri Vegas & Like Mike  
(DJ Mag Top 100 DJs #2)

## **Restaurant Business**

HEXA, our first fine dining Cantonese Cuisine restaurant with mixed entertainment activities located at Harbour City, opened in the last quarter of 2017. With its sweeping 270-degree harbor view, impressed by its stylish interior design based on the scenes of 1960s Hong Kong. The world-renowned interior designer, Steve Leung utilized a variety of patterns, colors and textures of materials to create a stylish yet classical atmosphere which has been honoured with the "Asia Pacific Interior Design Awards (APIDA) 2018 — Food Space Category — Gold", the "a&d Trophy Awards 2018 — Best Bar & Restaurant (Professional) — Certificate of Excellence", and the "IIDA Best of Asia Pacific Design Awards 2018 — Restaurants, Lounges & Bars Category — Winner".

"Eating with all your senses. Flavorful food and fine wines bring you back to the good old days of Hong Kong." — HEXA brings unique dining experience to its diners. With fresh ingredients sourced from around the world integrated with innovative ideas, HEXA strives to serve the best quality of dishes offering authentic Cantonese cuisine with a contemporary twist.

HEXA is not just simply a dining restaurant, its outdoor areas surrounded by Victoria Harbour, and the spacious garden with installations allows diners to enjoy unforgettable moments away from the hustle and bustle of the city. Moreover, it is a fabulous venue for hosting events. In 2018, 74 events were hosted in HEXA including wedding parties, press conferences, product launch parties and movie shooting. Our corporate clients consist of international brands such as Mercedes-Benz.

On top of the recognition of its loyal customers, HEXA also receive awards and accolades from media and industry bodies, including the “Best-Ever Dining Awards 2018” by the Weekend Weekly Magazine, and listed as one of the Top Five restaurant for numerous times by OpenRice Hong Kong Top Chart.

## **OUTLOOK**

2019 promises to be a year of beginnings. The Group managed to turnaround from loss to profit making in 2018. Our Clubbing business continued to perform satisfactory showing year-on-year improvement in the backdrop of increasing competition arising from more clubbing venues in Macau and the surrounding regions. We will continue to strengthen our leading market position by brand building, improving our quality of customer service and attracting internationally renowned DJs to perform in Club Cubic Macau. Buttressed by the opening of the Hong Kong-Zhuhai-Macau Bridge making tourism more convenient and accessible, particularly from Mainland China, boosted visitation of Macau which will positively impact our business in the years to come. As the growth of the electronic music industry continues to move at a fast pace in the region, it goes to show the rising potential of the nightlife scene in Macau, where big acts we book will continue to draw increasing crowds to Macau. We have been expanding the scale of Club Cubic Macau to cope with the business expansion. The expansion will provide more space endowing customers with a wealth of sophisticated club luxury experience.

Since its opening in the last quarter of 2017, our first fine-dining restaurant HEXA has been playing a more and more important role to the Group’s revenue contribution. It’s stylish interior design crafted by the world-renowned interior designer, Steve Leung, has been bestowed with prestigious awards like the “Asia Pacific Interior Design Awards (APIDA) 2018 — Food Space Category — Gold”. We will continue to renovate and inject creativity to our menus, maintain our high quality services and event management capabilities to bring a more extensive dining and entertainment experience to our diners.

The remarkable performance of HEXA provides a solid foundation for the Group to establish a sub brand of HEXA, namely “SIXA” at Citygate Outlets of Tung Chung town center. Developed from the concept of HEXA, this new restaurant will provide contemporary Cantonese cuisine with a more casual set up. Tung Chung being a transportation hub for the Hong Kong-Zhuhai-Macau bridge provides convenient connections between Lantau and major cities situated on the Pearl River Delta region, will be further fueled to develop into a tourism and hospitality cluster for the upcoming decades. This marks an exciting step of the Group to expand the network leveraging on the established brand and experience of HEXA.

At the same time, we have deepened our focus to expand our business to Mainland China. Our investment in Club Cubic Zhuhai will be a good beginning for the Group to grasp the market of the Greater Bay Area beyond Macau, where we believe enormous business potential supported by the Government policies and infrastructure development. We are confident that our unique experience and network in the industry will definitely bring the Group promising business development in Mainland China.

In closing, I would like to express my appreciation for the management and all the staff for their efforts dedicated over the years and the ongoing support from the shareholders, Board of Directors and partners. Without their supports, we would not have been able to achieve what were done over the years. In the coming years, there is still much the Company must do to realize our long-term ambition to strengthen the leading market position. Nevertheless, we are confident that with your continued support, the Company will be able to continue the success in the year ahead.

**Mr. Choi Yiu Ying**

*Chairman and Chief Executive Officer*

Hong Kong, 22 March 2019

## 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 2018, together with the comparative figures for the preceding year ended 31 December 2017:

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	<i>Notes</i>	<b>Year ended 31 December 2018 HK\$'000</b>	<b>Year ended 31 December 2017 HK\$'000</b>
Revenue	4	<b>206,868</b>	137,384
Other income and gain	5	<b>4,370</b>	3,484
Cost of inventories sold		<b>(44,596)</b>	(26,591)
Staff costs		<b>(55,839)</b>	(39,881)
Property rentals and related expenses		<b>(26,285)</b>	(17,478)
Advertising and marketing expenses		<b>(27,440)</b>	(24,466)
Other operating expenses		<b>(46,670)</b>	(42,899)
Depreciation and amortisation		<b>(6,670)</b>	(2,848)
Finance costs		<b>(25)</b>	–
Profit/(loss) before taxation	7	<b>3,713</b>	(13,295)
Taxation	6	<b>(532)</b>	(217)
<b>Profit/(loss) for the year</b>		<b>3,181</b>	(13,512)
Other comprehensive (loss)/income:			
Exchange difference on translating of financial statements of overseas subsidiaries		<b>(234)</b>	82
<b>Total comprehensive income/(loss) for the year</b>		<b>2,947</b>	(13,430)
Profit/(loss) for the year attributable to:			
Owners of the Company		<b>2,201</b>	(9,275)
Non-controlling interests		<b>980</b>	(4,237)
		<b>3,181</b>	(13,512)
Total comprehensive income/(loss) for the year attributable to:			
Owners of the Company		<b>1,967</b>	(9,193)
Non-controlling interests		<b>980</b>	(4,237)
		<b>2,947</b>	(13,430)
Earnings/(losses) per share (in HK cents)			
— Basic	9	<b>0.12</b>	(0.52)
— Diluted	9	<b>0.12</b>	(0.52)

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 31 December 2018	As at 31 December 2017
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Assets</b>			
<b>Non-current assets</b>			
Plant and equipments		20,200	21,119
Intangible assets		836	820
Financial assets at fair value through other comprehensive income (“Financial assets at FVTOCI”)		5,932	–
Available-for-sale investments		–	6,160
Deposits	10	4,389	3,885
		<b>31,357</b>	31,984
<b>Current assets</b>			
Inventories		5,006	3,923
Account and other receivables	10	32,363	25,723
Loan receivables	11	8,612	2,000
Cash and cash equivalents		41,032	49,167
		<b>87,013</b>	80,813
<b>Liabilities</b>			
<b>Current liabilities</b>			
Account and other payables	12	30,042	28,300
Bank overdrafts		574	–
Income tax payables		391	226
		<b>31,007</b>	28,526
<b>Net current assets</b>		<b>56,006</b>	52,287
<b>Total assets less current liabilities</b>		<b>87,363</b>	84,271
<b>Non-current liabilities</b>			
Deferred rentals	12	1,600	1,833
Amounts due to non-controlling interests		4,112	4,112
Provision for reinstatement costs		715	715
		<b>6,427</b>	6,660
<b>Net assets</b>		<b>80,936</b>	77,611

	<b>As at 31 December 2018 HK\$'000</b>	As at 31 December 2017 HK\$'000
<b>Equity</b>		
Share capital	<b>18,000</b>	18,000
Reserves	<b>62,191</b>	59,846
	<hr/>	<hr/>
Equity attributable to owners of the Company	<b>80,191</b>	77,846
Non-controlling interests	<b>745</b>	(235)
	<hr/>	<hr/>
<b>Total equity</b>	<b>80,936</b>	77,611
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## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company						Sub-total HK\$'000	Attributable to non- controlling interests HK\$'000	Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Share- based compensation losses HK\$'000	Legal reserve HK\$'000 (Note a)	Exchange reserve HK\$'000	Retained earnings/ (Accumulated losses) HK\$'000			
As at 1 January 2017	18,000	66,235	-	12	-	2,792	87,039	-	87,039
Loss for the year	-	-	-	-	-	(9,275)	(9,275)	(4,237)	(13,512)
Other comprehensive income for the year	-	-	-	-	82	-	82	-	82
Capital contribution from non-controlling interests	-	-	-	-	-	-	-	4,002	4,002
As at 31 December 2017 and 1 January 2018	18,000	66,235	-	12	82	(6,483)	77,846	(235)	77,611
Profit for the year	-	-	-	-	-	2,201	2,201	980	3,181
Other comprehensive loss for the year	-	-	-	-	(234)	-	(234)	-	(234)
Equity-settled share option arrangement	-	-	378	-	-	-	378	-	378
As at 31 December 2018	<u>18,000</u>	<u>66,235</u>	<u>378</u>	<u>12</u>	<u>(152)</u>	<u>(4,282)</u>	<u>80,191</u>	<u>745</u>	<u>80,936</u>

*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 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”) 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 2017, the Company’s shares were listed on the 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 principal 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 Company and its subsidiaries (collectively referred as the “Group”) is principally engaged in the food and beverage and entertainment industry. The Group’s principal activities are operation of clubs and restaurants, organising music-related featured events as well as granting loans to entities in the food and beverage and entertainment industry (“Money Lending Business”).

Other than those subsidiaries established in the Macau whose functional currency is Macau Pataca (“MOP”) and some subsidiaries established in the People’s Republic of China (the “PRC”) whose functional currency is Renminbi (“RMB”), the functional currency of the Company and Hong Kong operating subsidiaries is Hong Kong dollars (HK\$).

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

### 2.1 Application of new and revised HKFRSs

#### *Application of new and revised HKFRSs — effective on 1st January 2018*

In the current year, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations (collectively referred to as the “new and revised HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”), which are effective for the Group’s financial year beginning from 1st January 2018. A summary of the new and revised HKFRSs applied by the Group is set out as follows:

HKAS 28 (Amendments)	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle
HKAS 40 (Amendments)	Transfers of Investment Property
HKFRS 2 (Amendments)	Classification and Measurement of Share-based Payment Transactions
HKFRS 4 (Amendments)	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK (IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration

Except as described below, the application of the New and Amendments to HKFRSs in the current year has had no material impact on the Group’s financial performance and positions for the current and prior periods and/or on the disclosures set out in the Consolidated Financial Statements.

The above new HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

(a) *Impact on the consolidated financial statements*

The following tables show the adjustments recognised for each individual line item. Line items that were not affected by the application of new HKFRSs have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided. The adjustments are explained in more detail by standard below:

Consolidated statement of financial position (extract)	31 December 2017 HK\$'000	HKFRS 9 HK\$'000	1 January 2018 HK\$'000
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**Non-current assets**

Financial assets at FVTOCI	–	6,160	6,160
Available for sales investments	<u>6,160</u>	<u>(6,160)</u>	<u>–</u>

(b) *HKFRS 9 Financial instruments*

In the current year, the Group has applied HKFRS 9 Financial Instruments and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses (“ECL”) for financial assets and 3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised at 1st January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised at 1st January 2018. The difference between carrying amounts at 31st December 2017 and the carrying amounts at 1st January 2018 are recognised in the opening retained earnings and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 Financial Instruments: Recognition and Measurement.

The following table give a summary of the opening balances adjustment recognised for each line item in the consolidated statement of financial position that has been affected by HKFRS 9.

	Available-for-sale investments HK\$'000	Financial assets at fair value through other comprehensive income HK\$'000
Closing balance at 31 December 2017 — HKAS 39	6,160	–
Effect arising from initial application of HKFRS 9:		
Reclassification from available-for-sale investments ( <i>Note</i> )	<u>(6,160)</u>	<u>6,160</u>
Opening balance at 1 January 2018	<u>–</u>	<u>6,160</u>

*Note:*

The Group elected to present in OCI for the fair value changes of all its equity investments previously classified as available-for-sale. These investments are not held for trading and not expected to be sold in the foreseeable future. At the date of initial application of HKFRS 9, HK\$6,160,000 related to unquoted equity investments previously measured at cost less impairment under HKAS 39 were reclassified from available-for-sale investments.

There was no material impact on the amounts recognized in relation to these assets from the application of HKFRS 9 on the Group’s consolidated statement of financial position and reserve as at 1 January 2018.

Except above, all recognised financial assets and financial liabilities that are within the scope of HKFRS 9 are subsequently measured at amortised cost.

#### Impairment under ECL model

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables. The ECL on these assets are assessed collectively using a provision matrix based on its historical observed default rates which is adjusted for forward-looking estimates.

ECL for other financial assets at amortised cost, including bank balances, loan receivables, other receivables and rental deposits paid, are assessed on 12-month ECL (“12m ECL”) basis as there had been no significant increase in credit risk since initial recognition.

As at 1 January 2018, the directors of the Company reviewed and assessed the Group’s existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9. No impairment allowance was recognised at 1 January 2018 and further assessment process is set out in notes to consolidated financial statement.

#### (c) *HKFRS 15 Revenue from Contracts with Customers and the related amendments*

As a result of the changes in the Group’s accounting policies, as explained below, HKFRS 15 was generally adopted without restating any other comparative information. The adoption of HKFRS 15 in the current period does not result in any impact on the amounts reported in the consolidated financial information and/or disclosures set out in the consolidated financial information except that, the Group has adopted the following accounting policies on revenues with effect from 1 January 2018.

HKFRS 15 requires that revenue from contracts with customers be recognised upon the transfer of control over goods or services to the customer. As such, upon adoption, this requirement under HKFRS 15 resulted in immaterial impact to the financial statements as the timing of revenue recognition on sale of goods is nearly unchanged. Thus there was no impact on the Group’s consolidated statement of financial position as of 1 January 2018.

#### ***New and revised HKFRSs that have been issued but are not yet effective***

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

HKAS 1 and HKAS 8 (Amendments)	Definition of Material <sup>3</sup>
HKAS 19 (Amendments)	Plan Amendment, Curtailment or Settlement <sup>1</sup>
HKAS 28 (Amendments)	Long-term interests in Associates and Joint Ventures <sup>1</sup>
HKFRS (Amendments)	Annual Improvements to HKFRSs 2015–2017 Cycle <sup>1</sup>
HKFRS 3 (Amendments)	Definition of a business <sup>2</sup>
HKFRS 9 (Amendments)	Prepayment Features with Negative Compensation <sup>1</sup>
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>5</sup>
HKFRS 16	Leases <sup>1</sup>
HKFRS 17	Insurance Contracts <sup>4</sup>
HK (IFRIC)–Int 23	Uncertainty over Income Tax Treatments <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1st January 2019.

<sup>2</sup> Effective for business combination or assets acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1st January 2020.

<sup>3</sup> Effective for annual periods beginning on or after 1st January 2020.

<sup>4</sup> Effective for annual periods beginning on or after 1st January 2021.

<sup>5</sup> Effective for annual periods beginning on or after a date to be determined.

## *HKFRS 16 Leases*

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 Leases and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. In addition, HKFRS 16 requires sales and leaseback transactions to be determined based on the requirements of HKFRS 15 as to whether the transfer of the relevant asset should be accounted as a sale. HKFRS 16 also includes requirements relating to subleases and lease modifications.

Distinctions of operating leases 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 recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use while other operating lease payments are presented as operating cash flows. Upon application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows by the Group.

Furthermore, extensive disclosures are required by HKFRS 16.

At 31 December 2018, the Group has non-cancellable operating lease commitments of approximately HK\$35,490,000. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

The application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. The Group intends to elect the modified retrospective approach for the application of HKFRS 16 as lessee and will recognise the cumulative effect of initial application to opening retained earnings without restating comparative information.

Except disclosed above, the directors of the Company do not anticipate that the application of other new and revised HKFRSs will have a material impact on the Group's financial performance and financial positions.

## **2.2 Statement of compliance**

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.

### 3. 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 engaged in food and beverage and entertainment industry. 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:

	<b>Year ended 31 December 2018 HK\$'000</b>	Year ended 31 December 2017 HK\$'000
Macau	123,163	110,801
Hong Kong	83,705	26,583
	<u>206,868</u>	<u>137,384</u>

The Group's locations of non-current assets are detailed as below:

	<b>As at 31 December 2018 HK\$'000</b>	As at 31 December 2017 HK\$'000
Macau	4,897	5,746
Hong Kong	20,528	20,078
The PRC	5,155	5,383
The US	777	777
	<u>31,357</u>	<u>31,984</u>

#### 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 (2017: HK\$nil).

### 4. REVENUE

Revenue represents the amounts received or receivable from the sales of food, beverage and other products, sponsorship income, revenue from club and restaurant operations and event organising (including entrance fees income, events rental income and cloakroom income) and loan interest income from Money Lending Business.

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

	<b>Year ended 31 December 2018 HK\$'000</b>	Year ended 31 December 2017 HK\$'000
<b>Revenue from contracts with customers:</b>		
<i>Recognised at a point in time</i>		
Sales of food, beverage and other products	<b>182,008</b>	108,852
Sponsorship income	<b>9,140</b>	6,734
Entrance fees income	<b>14,483</b>	20,326
Others ( <i>Note</i> )	<b>986</b>	1,431
	<u><b>206,617</b></u>	<u>137,343</u>
<b>Revenue from other sources:</b>		
Loan interest income	<u><b>251</b></u>	<u>41</u>
	<u><b>206,868</b></u>	<u>137,384</u>

*Note:* Others mainly represent events rental income, cloakroom income, royalty and franchising income.

## 5. OTHER INCOME AND GAIN

	<b>Year ended 31 December 2018 HK\$'000</b>	Year ended 31 December 2017 HK\$'000
Net foreign exchange gain	<b>1,094</b>	1,162
Consultancy fee income	<b>958</b>	–
Others ( <i>Note</i> )	<u><b>2,318</b></u>	<u>2,322</u>
	<u><b>4,370</b></u>	<u>3,484</u>

*Note:* Others mainly included the tips income.

## 6. TAXATION

	<b>Year ended 31 December 2018 HK\$'000</b>	Year ended 31 December 2017 HK\$'000
Income tax expense		
— Macau Complementary Tax	<b>416</b>	217
— PRC Enterprise Income Tax	<u><b>116</b></u>	<u>–</u>
	<u><b>532</b></u>	<u>217</u>

Macau Complementary Tax is calculated at 12% of the assessable profit for the years ended 31 December 2018 and 2017.

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “Bill”) which introduces the two-tiered profits tax rate regime. The Bill was signed into law on 28 March 2018 and was gazette on the following day. Under the two-tiered profits tax rate regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits tax above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

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 2018 and 2017.

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 2018 and 2017.

Under the Law of the People’s Republic of China on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years.

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

## 7. PROFIT/(LOSS) BEFORE TAXATION

	<b>Year ended 31 December 2018 HK\$’000</b>	Year ended 31 December 2017 HK\$’000
Profit/(loss) before taxation has been arrived at after charging:		
Staff costs:		
Director’s emoluments (included retirement scheme contributions)	2,702	2,702
Salaries and other benefits	51,879	36,602
Retirement benefits scheme contributions	1,258	577
	<u>55,839</u>	<u>39,881</u>
Auditors’ remuneration		
— HLB Hodgson Impey Cheng Limited		
Audit services	700	700
— Other auditor	102	102
	<u>802</u>	<u>802</u>
Cost of inventories sold	44,596	26,591
Impairment of account and other receivables	858	373
Lease payments under operating leases		
— Minimum lease payments	20,104	13,422
— Profit sharing for lease payment ( <i>Note (i)</i> )	6,182	4,056
	<u>26,286</u>	<u>17,478</u>
Equity-settled share option expense	378	—
Depreciation of plant and equipment	6,556	2,734
Amortisation of intangible assets	114	114
	<u>6,670</u>	<u>2,848</u>

Notes:

- (i) 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.

## 8. 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 2018 (2017: nil).

## 9. EARNINGS/(LOSSES) PER SHARE

The calculation of the basic and diluted earnings/(losses) per share attributable to owners of the Company is based on the following data:

	<b>Year ended 31 December 2018 HK\$'000</b>	Year ended 31 December 2017 HK\$'000
Earnings/(losses) for the purpose of basic and diluted earnings per share	<u>2,201</u>	<u>(9,275)</u>
	'000	'000
Weighted average number of ordinary shares for the purpose of basic earnings per share	<b>1,800,000</b>	1,800,000
Effect of dilutive potential ordinary shares:		
— Share option ( <i>Note</i> )	<u>268</u>	<u>—</u>
Weighted average number of ordinary shares for the purpose of diluted earnings/per share	<u><b>1,800,268</b></u>	<u>1,800,000</u>

*Note:* The diluted earnings/(losses) per share for the years ended 31 December 2018 and 31 March 2017 was calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. For the year ended 31 December 2018, the outstanding share options were assumed to have been converted into ordinary shares. For the year ended 31 December 2017, diluted losses per share is the same as basic losses per share as there were no potential dilutive ordinary shares in issue.

## 10. ACCOUNT AND OTHER RECEIVABLES

	As at 31 December 2018 <i>HK\$'000</i>	As at 31 December 2017 <i>HK\$'000</i>
Account receivables	9,784	9,834
Less: allowance for credit losses/doubtful debts	(794)	(373)
	<u>8,990</u>	<u>9,461</u>
Sponsorship receivables	1,400	3,100
Less: allowance for credit losses/doubtful debts	(43)	—
	<u>1,357</u>	<u>3,100</u>
Other receivables	974	283
Less: allowance for credit losses/doubtful debts	(21)	—
	<u>953</u>	<u>283</u>
Prepayments	7,143	4,965
Deposits	18,309	11,799
	<u>36,752</u>	<u>29,608</u>
Portion classified as non-current		
— Deposits	(4,389)	(3,885)
Current portion	<u>32,363</u>	<u>25,723</u>

For account 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 180 days which are agreed with each of its sponsors.

The Group seeks to maintain strict control over its outstanding receivables. Long outstanding balances are reviewed regularly by senior management. In view of the aforementioned and the fact that account receivables of the Group relate to a large number of diversified customers, there is no significant concentration of credit risk. Account receivables are non-interest-bearing.

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 2018 <i>HK\$'000</i>	As at 31 December 2017 <i>HK\$'000</i>
0 to 30 days	5,694	5,935
31 to 60 days	1,018	388
61 to 90 days	1,092	390
91 to 120 days	398	973
Over 120 days	788	1,775
	<u>8,990</u>	<u>9,461</u>

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

## 11. LOAN RECEIVABLES

Loan receivables arise from the Group's money lending business which grants loans to entities in the food and beverage and entertainment industry. The loan receivables of approximately HK\$5,450,000 were carrying interest at 10% per annum and the remaining of approximately HK\$3,426,000 were interest-free. The loan receivables were repayable according to repayment schedules, normally with contractual maturity within one year as at 31 December 2018 and 2017. Included in loan receivables, there was approximately HK\$1,000,000 as at 31 December 2018 (2017: HK\$2,000,000) represented a loan to a related party which was unsecured, carried interest 10% per annum and repayable within one year. The following is an ageing analysis of loan receivables at the end of each reporting period, presented based on the remaining period to contractual maturity date:

	<b>As at 31 December 2018 HK\$'000</b>	As at 31 December 2017 HK\$'000
Loan receivables, gross	8,876	2,000
Less: allowance for credit losses	<u>(264)</u>	<u>–</u>
Loan receivables, net	<u><b>8,612</b></u>	<u>2,000</u>
	<b>As at 31 December 2018 HK\$'000</b>	As at 31 December 2017 HK\$'000
Within one year	<u><b>8,612</b></u>	<u>2,000</u>

The amount is neither past due nor impaired for whom there was no recent history of default.

## 12. ACCOUNT AND OTHER PAYABLES

	<b>As at 31 December 2018 HK\$'000</b>	As at 31 December 2017 HK\$'000
Account payables	4,344	6,158
Rental payables	6,343	3,154
Deferred rentals	1,964	1,968
Other payables	11,118	11,988
Accruals	<u>7,873</u>	<u>6,865</u>
	<b>31,642</b>	30,133
Portion classified as non-current		
— Deferred rentals	<u>(1,600)</u>	<u>(1,833)</u>
Current portion	<u><b>30,042</b></u>	<u>28,300</u>

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:

	<b>As at 31 December 2018 HK\$'000</b>	As at 31 December 2017 HK\$'000
0 to 30 days	<b>4,052</b>	4,288
31 to 60 days	<b>216</b>	1,858
61 to 90 days	<b>20</b>	12
90 to 120 days	–	–
Over 120 days	<b>56</b>	–
	<hr/> <b>4,344</b> <hr/>	<hr/> 6,158 <hr/>

## MANAGEMENT DISCUSSION AND ANALYSIS

During the year ended 31 December 2018, the Group continued engaged in the operation of clubbing and organizing music-related featured events, as well as our newly operation of restaurant business. The Group also engaged in money lending operation targeting borrowers in the food, beverage and entertainment-related industry.

### BUSINESS REVIEW

Sales of beverage and entrance fees from retail customers of our clubbing business remained as the Group's the primary stream of revenue while we saw a significant growth and contribution to the Group's total sales revenue from our restaurant, HEXA. Revenue contribution from the money lending operation is insignificant as the business is in small scale.

#### Operation of clubbing business and organizing featured events

Club Cubic Macau maintained stable on-going growth in sales income. Sales of beverage and entrance fees from retail customers used to be the primary revenues generated from our clubbing business and event organizing. We also received sponsorship income from corporate customers and beverage suppliers, comprising fee for displaying their logos and products during events and incentive based on our purchase amount from the beverage suppliers. We organized music-related featured events<sup>1</sup> to offer music entertainment to our customers. We see our events playing an important role in differentiating us from our competitors and maintaining our competitiveness. In 2018, we have generated a total of 62 events including ten top 100 world renowned international electronic music DJs, producers and artists, who were ranked in DJ Mag's Top 100 DJs poll. Among the 62 events, we have organized a total of 33 events of internal themed parties and international live acts. Themed parties included Full Moon Party in September to celebrate mid-autumn festival, festival themed parties such as Halloween Party in October, Christmas Eve and New Year's Eve Party in December which had attracted big crowds from Macau, Hong Kong and Mainland China as well as media interests. Customer visit<sup>2</sup> increased slightly in 2018 as compared to that of 2017. Nevertheless, we managed to drive up the average customer spending<sup>3</sup> to approximately HK\$750 per head by promoting more middle to high price champagne products to customers.

Our annual music festival event held on 9 June 2018 at AsiaWorld-Expo, though the attendees were lower than expected which might be due to the first time moving from conventionally outdoor to indoor performance, yet the event still attracted overseas attendees from Asia and around the world offering music lovers a multisensory experience with state-of-the-art audiovisual production.

<sup>1</sup> Featured events refer to events which we specifically organize and not our regular events, and are usually held on Fridays, Saturdays, or during festivals and major functions.

<sup>2</sup> Customer visit refers to the number of entries into the club premises. 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.

<sup>3</sup> Average customer spending is calculated by dividing our total income from retail customers including (i) sales of beverage, food and other products; (ii) entrance fees income; and (iii) cloakroom income by our customer visit.

## **Operation of Restaurant Business**

Our first restaurant, HEXA maintained strong momentum in growth in sales income and customer visit since its opening in the last quarter of 2017. Its stylish yet classic interior design has garnered numerous awards including the “Asia Pacific Interior Design Awards (APIDA) 2018 — Food Space Category — Gold”, the “a&d Trophy Awards 2018 — Best Bar & Restaurant (Professional) — Certificate of Excellence”, and the “IIDA Best of Asia Pacific Design Awards 2018 — Restaurant, Lounges & Bars Category — Winner”. With full year operations in 2018, HEXA has achieved approximately 80% growth in average monthly customer visits compared to that of last year, with average customer spending of approximately HK\$400 to HK\$500 per head.

On the solid foundation of success model of our first HEXA, the Group has engaged to set up a sub-brand of HEXA, namely “SIXA” at Citygate Outlets of Tung Chung town center which is expected to be opened in the second half of 2019. Tung Chung being a transportation hub for the Hong Kong-Zhuhai-Macau bridge provides convenient connections between Lantau and major cities situated on the Pearl River Delta region, will be further fueled to develop into a tourism and hospitality cluster for the upcoming decades. This marks an exciting step of the Group to extend the network leveraging on the established brand and experience of HEXA.

Further to that, we have launched our new roast-geese outlet, namely “Oh-My-Goose” in May 2018. Different to the style of HEXA, Oh-My-Goose was designed as a trendy, fast and casual dining place targets on trend-seeking young consumers.

## **FINANCIAL REVIEW**

### **Revenue and Other Income and Gain**

Total revenue of the Group increased by 51% from HK\$137.4 million in 2017 to HK\$206.9 million in 2018 despite the negative impact of the drop of HK\$7.4 million from the total revenue of our annual music festival event as compared to that of last year. The increase in revenue was primarily attributable to the revenue contribution from the restaurant business, HEXA and Oh-My-Goose. Besides, our clubbing business performed better than last year and achieved an increase of HK\$12.2 million, representing 11% growth in total revenue of the clubbing business. This was explained by the increase in sales of beverages in Club Cubic Macau driven by the effort to promote middle to high price champagne products to customers. In addition, sponsorship income increased by HK\$2.5 million, up 43% year-over-year benefited from the large-scale events held in 2018.

Other income and gain increased by HK\$0.9 million, up 25% year-over-year. This was mainly contributed by the consultation fee charged on the joint-venture company of the Group.

## Expenses

Cost of inventories sold mainly represented the costs of beverage, food and tobacco products sold. It increased by 68% from HK\$26.6 million in 2017 to HK\$44.6 million in 2018. This was mainly attributable to the cost of food sold of the newly operated HEXA and Oh-My-Goose, and the increased cost of beverage in proportion to the sales revenue increment of Club Cubic Macau, partially offset by the decrease of cost of our annual music festival event.

Staff costs represented one of the major components of the Group's operating expenses, which mainly consisted of Directors' emoluments, salaries, retirement benefit scheme contribution and other benefits. Staff cost increased by 40% from HK\$39.9 million in 2017 to HK\$55.8 million in 2018. The increase was primarily caused by additional staff cost incurred for the newly operated HEXA and Oh-My-Goose, and the notional expense share-based compensation loss of the granted share options.

Property rentals and related expenses increased by 50% from HK\$17.5 million in 2017 to HK\$26.3 million in 2018. The increase was mainly due to the additional rentals and related expenses for the newly operated HEXA and Oh-My-Goose, and increase in contingent rentals paid to the owners of Club Cubic Macau partially offset by the lower rental cost of indoor venue for our annual music festival event.

Advertising and marketing expenses increased by 12% from HK\$24.5 million in 2017 to HK\$27.4 million in 2018. This was mainly due to the combined effect of (i) higher performer fees incurred for Club Cubic Macau for the larger scale of featured events held in 2018 as compared to 2017; (ii) increase in promotion and marketing expenses from our newly operated HEXA and Oh-My-Goose; (iii) partially offset by the decline of marketing expense for our annual music festival event.

Other operating expenses increased by 9% from HK\$42.9 million in 2017 to HK\$46.7 million in 2018. The increase was mainly due to (i) the additional operating expense incurred in HEXA and the start-up costs of Oh-My-Goose (ii) the provision for impairment of account receivables of HK\$0.5 million related to an individual account receivable of Club Cubic Macau which Club Cubic Macau has taken legal action against the individual to recover the outstanding receivable and (iii) partially offset by the savings of performers fee related to our annual music festival event and the decrease of legal and professional fee for post-listing compliance.

Depreciation and amortization increased by 139% from HK\$2.8 million in 2017 to HK\$6.7 million in 2018. The increase was explained by depreciation of plant and equipments of the newly operated HEXA and Oh-My-Goose.

## Profit Attributable to Owners of the Company

The Group made positive result in 2018. Profit attributable to Owners of the Company was HK\$2.2 million for the year ended 31 December 2018 while we recorded a loss of HK\$9.3 million attributable to Owners of the Company in 2017. The turnaround from loss to profit was mainly contributed by the strong performance of HEXA in its first full year of operations and the increase in customer visit and average customer spending leading to positive impact on the performance of Club Cubic Macau which were partially offset by the negative impact from the loss incurred in our annual music festival event caused by lower attendees due to the change from conventionally outdoor to indoor performance this year and the start-up costs of Oh-My-Goose outlet opened in May 2018.

## LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Below is a summary of the key financial ratio:

	<i>Notes</i>	<b>As at 31 December 2018</b>	2017
Current ratio	<i>1</i>	<b>2.8</b>	2.8
Quick ratio	<i>2</i>	<b>2.6</b>	2.7
Gearing ratio	<i>3</i>	<b>31.6%</b>	31.2%

*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 Group continues to maintain healthy position in liquidity and gearing. The Company shares were listed on GEM on 11 November 2016 and 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 Group financed its business expansion and new business opportunities of the clubbing business mainly from the net proceeds. The remaining unused net proceeds as at 31 December 2018 were placed as interest bearing deposits with licensed bank in Hong Kong and Macau. The Group financed the operation of restaurant business and its daily operations from internally generated cash flows.

As at 31 December 2018, the Group had cash and cash equivalents of HK\$41.0 million (31 December 2017: HK\$49.2 million) and did not have any outstanding amounts of long-term bank borrowings or any loan arrangement containing any covenant, except an outstanding amount of HK\$0.6 million from the overdraft facility and an unutilized overdraft facility of HK\$5.4 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 2018, a significant portion 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 but we normally specify a more favourable exchange rate in the respective contracts with overseas suppliers and customers. The management will consider hedging against significant foreign exchange exposure should the need arise.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY**

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 2018.

## **COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE**

The Group has recognized the importance of transparency and accountability, and the Board believes that shareholders can benefit from good corporate governance. Therefore, the Group strives to achieve sound corporate governance standards in order to maintain the trust and confidence of customers, suppliers and employees, as well as other stakeholders. We believe that this can create long term value for the shareholders of the Company and is beneficial for the Group's sustainable growth.

The Company adopted and complied 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 promote 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.

## **SCOPE OF WORK OF AUDITORS**

The figures in respect of the preliminary announcement of the Group's result for the year ended 31 December 2018 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 Consolidated financial statements of the Group for the year ended 31 December 2018 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 (now known as COD Resorts 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 shall hold less than 20% interest, details of which are disclosed in the Company's announcement dated 12 December 2016, 10 February 2017, 11 April 2017, 11 May 2017 and 2 June 2017
"COD"	COD Resorts Limited, which merged with Melco Resorts (COD) Retail Services Limited (formerly known as Melco Crown (COD) Retail Services Limited), owner of the club premises of Club Cubic Macau
"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

“Controlling Shareholders”	has the meaning ascribed thereto in the GEM Listing Rules and in the case of our Company, means Welmen Investment Co. Ltd, Yui Tak Investment Limited, Ocean Concept Holdings Limited, Toprich Investment (Group) Limited, Perfect Succeed Limited, Mr. Choi Yiu Ying, Mr. Choi Siu Kit, Mr. Au Wai Pong, Eric, Mr. Au Ka Wai, Mr. Yeung Bernard Sie Hong and Mr. Yeung Chi Shing. Mr. Choi Yiu Ying, Mr. Choi Siu Kit, Mr. Au Wai Pong Eric, Mr. Au Ka Wai, Mr. Yeung Bernard Sie Hong and Mr. Yeung Chi Shing are regarded as parties acting in concert and a group of concerted shareholders by virtue of an acting in concert confirmation dated 2 March 2016
“Directors”	the directors of the Company
“DJ”	disc jockey
“GEM”	GEM operated by the Stock Exchange
“GEM Listing Rules”	The Rules Governing the Listing of Securities on GEM
“Group”	the Company and/or any of its subsidiaries
“HEXA”	a modern Chinese restaurant operated by the Group under the name of HEXA which was opened in October 2017 and located at shop OTE 101, ground floor, Ocean Terminal, Harbour City, Tsim Sha Tsui, Hong Kong
“HK\$” or “HKD”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	any person(s) or company(ies) and their respective ultimate beneficial owner(s), to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are not connected persons of the Company and are third parties independent of the Company and its connected persons in accordance with the GEM Listing Rules
“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
“M&A”	memorandum of association and articles of association
“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 result announcement, exclude Hong Kong, Macau and Taiwan)
“Prospectus”	the prospectus of the Company dated 27 October 2016
“RMB”	Renminbi, the lawful currency of the PRC
“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
“United States” or “US”	the United States of America
“US\$” or “USD”	United States dollar, the lawful currency of the United States

## **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 Ka Wai

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, 22 March 2019

*This announcement will remain on the Stock Exchange's website at [www.hkexnews.hk](http://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](http://www.lukhing.com).*