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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 UNAUDITED ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

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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 present the performance of Luk Hing Entertainment Group Holdings Limited for the year ended 31 December 2019. Over the course of the year, we continued to strengthen our competitiveness and market position as a leading clubbing business operator in Macau, and expanding the clubbing business in Zhuhai City of the PRC which is named “Club Cubic Zhuhai”. We also expanded our restaurant business gradually by opening a new restaurant in Citygate Outlet of Tung Chung Town Centre, Hong Kong which is named “SIXA”.

For the year ended 31 December 2019, the Group recorded total revenue of approximately HK\$225.4 million, representing an increase of 9% from approximately HK\$206.9 million in 2018. The Group recorded net loss of HK\$42.8 million in 2019, compared to net profit of HK\$3.2 million in 2018.

BUSINESS ENVIRONMENT AND DEVELOPMENT

Clubbing Business

Affected by the uncertainties in global economy, Macau economy experienced a slowdown. The drop in tourist footfall in Macau tourism industry in the fourth quarter of 2019 affected the Group’s clubbing business.

In the Macau clubbing business, the Company has renewed the Operating Agreement with City of Dreams’ operator for a term until March 2027. Despite the slowdown in growth of the global economy, it is expected that the competition of Macau clubbing industry remains strong and therefore, the Company decided to refurbish Club Cubic Macau, and continue to introduce new concepts to increase the appeal to customers. The Company believes that this approach can retain repeat customers and get new customers.

Expanding the clubbing business to the Pearl River Delta is one of the Company’s major strategies. In the third quarter of 2019, the Company has cooperated with different new business partners and set up Club Cubic Zhuhai in the PRC. Localization is one the best methods to put the startup business on track, in particular customer oriented business. So the Company engaged “Space plus+” to manage Club Cubic Zhuhai in December 2019. The Company modified the business model to fit the values, culture, attitudes and behavior patterns of the potential customers of Club Cubic Zhuhai. The Company also renamed Club Cubic Zhuhai and used a localize new brand named “cubicspace+” to enter into this new market. The management considered that “cubicspace+” has a stronger brand identity and can improve brand recall. The Company is confident that these changes can effectively boost the sales and can put the business on right track.

Restaurant Business

Hong Kong economic growth slowed down in 2019. In addition, the social incidents in Hong Kong throughout the second half of the year had an immediate adverse impact on the Group's restaurant business.

The business of HEXA remained stable because of its stable loyal customer base. The Company will continue to introduce some new menu to retain and attract more customers.

SIXA which is a sub-brand of HEXA, has commenced business operation at the end of August 2019. The intermittent closure of shops and restaurants brought by the social incidents resulted in a sharp drop in the number of visitors to Hong Kong. SIXA cannot benefit from the Hong Kong tourism industry at this moment. Therefore, the Company changed its menu to attract more local customer and joined food delivery platform in order to broaden its customer base.

OUTLOOK

The global economy in early 2020 have been adversely affected by concerns over the novel coronavirus pneumonia ("COVID-19") outbreak. It may have an impact on consumer confidence in 2020. In addition, all the Macau gaming premises suspended operation for 15 days as a result of the COVID-19 outbreak. Our Club Cubic Macau was also temporarily suspended of operation for some time. According to the PRC government policy in relation to emergency public health, our cubicspace+ was required to temporarily suspend its operation. In the time of COVID-19, Hong Kong people avoid going to crowded places and avoid dining outside. Our restaurant business has been facing an even more difficult business environment. The crisis may have a material impact on our 2020 financial results and our development plan.

2020 was an exceptionally challenging year. Our management team stepped up its efforts during these difficult times. The Company will continue to focus on its core business and manage to stabilize its business through adopting a prudent finance management approach with proactive implementation of cost control initiatives improving the operating performances.

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. I would also like to give my heartfelt thanks to all the Company's stakeholders for their generous assistance during this challenging time.

Choi Yiu Ying

Chairman and Chief Executive Officer

Hong Kong, 23 March 2020

UNAUDITED ANNUAL RESULTS

For the reasons explained below under “Review of Unaudited Annual Results and Delay in Despatch of the Annual Report for the year ended 31 December 2019”, the auditing process for the annual results of Luk Hing Entertainment Group Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) has not been completed. In the meantime, the board of directors (the “Board”) of the Company is pleased to announce the unaudited consolidated results of the Group for the year ended 31 December 2019 as follows:

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December 2019 Unaudited HK\$'000	Year ended 31 December 2018 Audited HK\$'000
	<i>Notes</i>		
Revenue	4	225,403	206,868
Other income and gain	5	5,157	4,370
Fair value change of financial assets at fair value through profit or loss		61	–
Fair value change of derivative financial liabilities		1,116	–
Cost of inventories sold		(53,900)	(44,596)
Staff costs		(77,449)	(55,839)
Property rentals and related expenses		(15,524)	(26,285)
Advertising and marketing expenses		(31,378)	(27,440)
Other operating expenses		(64,507)	(46,670)
Depreciation and amortisation	8	(25,748)	(6,670)
Finance costs	6	(5,375)	(25)
(Loss)/profit before taxation	8	(42,144)	3,713
Taxation	7	(627)	(532)
(Loss)/profit for the year		(42,771)	3,181
Other comprehensive income/(loss):			
Exchange difference on translating of financial statements of overseas subsidiaries		79	(234)
Total comprehensive (loss)/income for the year		(42,692)	2,947
(Loss)/profit for the year attributable to:			
Owners of the Company		(30,633)	2,201
Non-controlling interests		(12,138)	980
		(42,771)	3,181
Other comprehensive income/(loss) for the year attributable to:			
Owners of the Company		127	(234)
Non-controlling interests		(48)	–
		79	(234)
Total comprehensive (loss)/income for the year attributable to:			
Owners of the Company		(30,506)	1,967
Non-controlling interests		(12,186)	980
		(42,692)	2,947
(Loss)/earnings per share (in HK cents)			
— Basic	10	(1.70)	0.12
— Diluted	10	(1.70)	0.12

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 31 December 2019 Unaudited HK\$'000	As at 31 December 2018 Audited HK\$'000
Assets			
Non-current assets			
Plant and equipment		85,549	20,200
Intangible assets		722	836
Financial assets at fair value through profit or loss ("Financial assets at FVTPL")		6,061	–
Financial assets at fair value through other comprehensive income ("Financial assets at FVTOCI")		2,798	5,932
Right-of-use assets	11	110,906	–
Goodwill	16	9,152	–
Deposits	12	8,136	4,389
		223,324	31,357
Current assets			
Inventories		8,178	5,006
Account and other receivables	12	55,894	32,363
Loan receivables	13	5,400	8,612
Amounts due from non-controlling interests	14	4,528	–
Cash and cash equivalents		23,311	41,032
		97,311	87,013
Liabilities			
Current liabilities			
Account and other payables	17	58,523	30,042
Lease liabilities	11	23,011	–
Bank overdrafts		5,995	574
Derivative financial liabilities		45	–
Income tax payables		302	391
Bank loans	20	1,200	–
		89,076	31,007
Net current assets		8,235	56,006
Total assets less current liabilities		231,559	87,363

		As at 31 December 2019 Unaudited HK\$'000	As at 31 December 2018 Audited HK\$'000
	<i>Notes</i>		
Non-current liabilities			
Other payables	17	33,822	–
Deferred rentals	17	–	1,600
Bank loans	20	9,900	–
Lease liabilities	11	105,386	–
Convertible loans	18	8,880	–
Convertible promissory notes	19	17,344	–
Amounts due to non-controlling interests		14,165	4,112
Provision for reinstatement costs		1,565	715
Derivative financial liabilities		21	–
		<u>191,083</u>	<u>6,427</u>
Net assets		<u>40,476</u>	<u>80,936</u>
Equity			
Share capital		18,000	18,000
Reserves		<u>30,466</u>	<u>62,191</u>
Equity attributable to owners of the Company		48,466	80,191
Non-controlling interests		<u>(7,990)</u>	<u>745</u>
Total equity		<u>40,476</u>	<u>80,936</u>

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company								Attributable to non- controlling interests	Total
	Share capital	Share premium	Share- based compensation losses	Legal reserve	Exchange reserve	Accumulated losses	Other reserve	Sub-total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 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										
as originally presented (Audited)	18,000	66,235	378	12	(152)	(4,282)	-	80,191	745	80,936
Changes in accounting policies	-	-	-	-	-	(1,689)	-	(1,689)	(1,013)	(2,702)
Restated balance as at 1 January 2019	18,000	66,235	378	12	(152)	(5,971)	-	78,502	(268)	78,234
Loss for the year	-	-	-	-	-	(30,633)	-	(30,633)	(12,138)	(42,771)
Other comprehensive income/(loss)										
for the year	-	-	-	-	127	-	-	127	(48)	79
Equity-settled share option arrangement	-	-	378	-	-	-	-	378	-	378
Acquisition of subsidiaries (Note 15)	-	-	-	-	-	-	-	-	3,329	3,329
Change in ownership interest										
in subsidiaries	-	-	-	-	-	-	92	92	1,135	1,227
As at 31 December 2019 (Unaudited)	<u>18,000</u>	<u>66,235</u>	<u>756</u>	<u>12</u>	<u>(25)</u>	<u>(36,604)</u>	<u>92</u>	<u>48,466</u>	<u>(7,990)</u>	<u>40,476</u>

Note: 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 UNAUDITED 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 unaudited consolidated financial statements are presented in 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 AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) AND SIGNIFICANT ACCOUNTING POLICIES

2.1 Application of new and amendments to HKFRSs

New and amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to HKFRSs (the “New and Amendments to HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time in the current year:

HKFRSs (Amendments)	Annual Improvements to HKFRSs 2015-2017 Cycle
HKFRS 9 (Amendments)	Prepayment Features with Negative Compensation
HKFRS 16	Leases
HKAS 19 (Amendments)	Plan Amendment, Curtailment or Settlement
HKAS 28 (Amendments)	Long-term Interests in Associates and Joint Ventures
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments

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 years and/or on the disclosures set out in these unaudited consolidated financial statements.

HKFRS 16 Lease

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded HKAS 17 *Leases*, and the related interpretations.

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019.

As at 1 January 2019, the Group recognised additional lease liabilities and measured right-of-use assets at the carrying amounts as if HKFRS 16 had been applied since commencement dates, but discounted using the incremental borrowing rates of the relevant group entities at the date of initial application by applying HKFRS 16.C8(b)(i) transition. Any difference at the date of initial application is recognised in the opening accumulated losses and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

- (i) relied on the assessment of whether leases are onerous by applying HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* as an alternative of impairment review;
- (ii) elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;
- (iii) excluded initial direct costs from measuring the right-of-use assets at the date of initial application;
- (iv) applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment. Specifically, discount rate for certain leases of club premises, restaurant, staff quarters and warehouses in Hong Kong and the PRC was determined on a portfolio basis; and
- (v) used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rate applied is 5.07%.

	1 January 2019 Unaudited HK\$'000
Operating lease commitments disclosed as at 31 December 2018	<u>35,490</u>
Lease liabilities discounted at relevant incremental borrowing rates	32,703
Less: Recognition exemption — short-term leases	<u>(7,740)</u>
Lease liabilities as at 1 January 2019	<u><u>24,963</u></u>
Analysed as:	
— Current	7,264
— Non-current	<u>17,699</u>
Lease liabilities as at 1 January 2019	<u><u>24,963</u></u>

The carrying amount of right-of-use assets for own use as at 1 January 2019 comprises the following:

	1 January 2019 Unaudited HK\$'000
	<i>Notes</i>
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16	<i>(a)</i> 22,261
Less: Accrued lease liabilities	<i>(b)</i> <u>(1,965)</u>
	<u><u>20,296</u></u>

Notes:

- (a) The right-of-use assets in relation to leases previously classified as operating leases have been recognised at the carrying amounts as if HKFRS 16 had been applied since commencement dates, but discounted using the incremental borrowing rates of the relevant group entities at the date of initial application.
- (b) These relate to deferred rentals for leases of properties in which the lessors provided rent-free period. The deferred rentals was recognised in “Account and other payables” under current liabilities and “Deferred rentals” under non-current liabilities of approximately HK\$365,000 and HK\$17,699,000 respectively as at 31 December 2018. The carrying amount of these lease incentive liabilities as at 1 January 2019 was adjusted to right-of-use assets at transition.

The following table summarises the impact of transition to HKFRS 16 on accumulated losses at 1 January 2019:

	<i>HK\$'000</i>
Accumulated losses as at 31 December 2018	(4,282)
Adjustments under HKFRS 16	(1,689)
	<hr/>
Accumulated losses as at 1 January 2019 (restated)	(5,971)
	<hr/> <hr/>

The following adjustments were made to the amounts recognised in the unaudited consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	As at 31 December 2018 Audited <i>HK\$'000</i>	Recognition of leases Unaudited <i>HK\$'000</i>	As at 1 January 2019 Unaudited <i>HK\$'000</i>
Assets			
Right-of-use assets (<i>Note</i>)	–	20,296	20,296
Current Liabilities			
Account and other payables	30,042	(365)	29,677
Lease liabilities	–	7,264	7,264
Non-current Liabilities			
Deferred rentals	1,600	(1,600)	–
Lease liabilities	–	17,699	17,699
Equity			
Accumulated loss	(4,282)	(1,689)	(5,971)
Non-controlling interests	745	(1,013)	(268)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Note: The application of HKFRS 16 to leases previously classified as operating leases under HKAS 17 resulted in the recognition of right-of-use assets of HK\$20,296,000 and lease liabilities of HK\$24,963,000 at the initial adoption of HKFRS 16.

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following New and Amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 3 (Amendments)	Definition of a Business ⁴
HKFRS 9, HKAS 39 and HKFRS 7 (Amendments)	Interest Rate Benchmark Reform ¹
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
HKFRS 17	Insurance Contracts ²
HKAS 1 and HKAS 8 (Amendments)	Definition of Material ¹

¹ Effective for annual periods beginning on or after 1 January 2020.

² Effective for annual periods beginning on or after 1 January 2021.

³ Effective for annual periods beginning on or after a date to be determined.

⁴ Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

The Group has already commenced an assessment of the impact of these New and Amendments to HKFRSs, certain of which are relevant to the Group's operations. According to the preliminary assessment made by the Directors of the Company, no significant impact on the financial performance and position of the Group is expected when they become effective except for HKFRS 3. Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group expects to adopt the amendments prospectively from 1 January 2020.

In addition to the above new and amendments to HKFRSs, a revised *Conceptual Framework for Financial Reporting* was issued in 2018. Its consequential amendments, the *Amendments to References to the Conceptual Framework* in HKFRS Standards, will be effective for annual periods beginning on or after 1 January 2020. The directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

2.2 Statement of compliance

The unaudited 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 unaudited 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, the PRC, the United States of America (the “US”) and Macau. The Group’s revenue from external customers based on the location of the customers is detailed as below:

	As at 31 December 2019 Unaudited HK\$’000	As at 31 December 2018 Audited HK\$’000
Macau	121,229	123,163
Hong Kong	85,704	83,705
The PRC	18,470	–
	<u>225,403</u>	<u>206,868</u>

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

	As at 31 December 2019 Unaudited HK\$’000	As at 31 December 2018 Audited HK\$’000
Macau	48,154	4,897
Hong Kong	102,255	20,528
The PRC	72,138	5,155
The US	777	777
	<u>223,324</u>	<u>31,357</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 (2018: 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:

	As at 31 December 2019 Unaudited HK\$'000	As at 31 December 2018 Audited HK\$'000
Revenue from contracts with customers:		
Recognised at a point in time		
Sales of food, beverage and other products	207,648	182,008
Sponsorship income	9,979	9,140
Entrance fees income	6,394	14,483
Others (<i>Note</i>)	837	986
	<u>224,858</u>	<u>206,617</u>
Revenue from other sources:		
Loan interest income	545	251
	<u>225,403</u>	<u>206,868</u>

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

5. OTHER INCOME AND GAIN

	Year ended 31 December 2019 Unaudited HK\$'000	Year ended 31 December 2018 Audited HK\$'000
Net foreign exchange gain	1,068	1,094
Reversal of allowance for credit losses of sponsorship receivables	9	–
Reversal of allowance for credit losses of loan receivables	214	–
Consultancy fee income	2,721	958
Others (<i>Note</i>)	1,145	2,318
	<u>5,157</u>	<u>4,370</u>

Note: Others mainly included the tips income.

6. FINANCE COSTS

	Year ended 31 December 2019 Unaudited HK\$'000	Year ended 31 December 2018 Audited HK\$'000
Interest on convertible promissory notes	719	–
Interest on convertible loans	457	–
Interest on bank loans	112	–
Interest on bank overdrafts	105	25
Interest on lease liabilities	3,982	–
	<u>5,375</u>	<u>25</u>

7. TAXATION

	Year ended 31 December 2019 Unaudited HK\$'000	Year ended 31 December 2018 Audited HK\$'000
Income tax expense		
— Macau complementary Tax	493	416
— PRC Enterprise Income Tax	134	116
	<u>627</u>	<u>532</u>

Macau Complementary Tax is calculated at 12% of the assessable profit for the years ended 31 December 2019 and 2018.

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%.

The two-tiered profits tax rates regime is applicable to the Company for the years ended 31 December 2019 and 2018.

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 2019 and 2018.

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.

8. (LOSS)/PROFIT BEFORE TAXATION

	Year ended 31 December 2019 Unaudited HK\$'000	Year ended 31 December 2018 Audited HK\$'000
(Loss)/profit before taxation has been arrived at after charging/(crediting):		
Staff costs:		
Director's emoluments (included retirement scheme contributions)	2,686	2,702
Salaries and other benefits	72,420	51,879
Retirement benefits scheme contributions	2,343	1,258
	<u>77,449</u>	<u>55,839</u>
Auditors' remuneration		
Audit services		
— HLB Hodgson Impey Cheng Limited	950	700
— Other auditor	171	102
Non-audit services		
— HLB Hodgson Impey Cheng Limited	400	—
	<u>1,521</u>	<u>802</u>
Cost of inventories sold	53,900	44,596
Allowance for credit losses of account and other receivables (<i>Note 12</i>)	619	858
Reversal of allowance for credit losses of sponsorship receivables (<i>Note 12</i>)	(9)	—
Allowance for credit losses of loan receivables (<i>Note 13</i>)	—	264
Reversal of allowance for credit losses of loan receivables (<i>Note 13</i>)	(214)	—
Fair value change of financial assets at FVTPL	61	—
Fair value change of derivative financial liabilities	1,116	—
Total minimum lease payments for rented premises		
— Previously classified as operating leases under HKAS 17	—	20,104
— Rental expenses arising from short-term lease	9,760	—
— Contingent Rental	5,764	6,181
	<u>15,524</u>	<u>26,285</u>
Equity-settled share option expense	<u>378</u>	<u>378</u>
Depreciation of plant and equipment	11,036	6,556
Depreciation of right-of-use assets (<i>Note 11</i>)	14,598	—
Amortisation of intangible assets	114	114
	<u>25,748</u>	<u>6,670</u>

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 2019 (2018: nil).

10. (LOSS)/EARNINGS PER SHARE

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

	Year ended 31 December 2019 Unaudited HK\$'000	Year ended 31 December 2018 Audited HK\$'000
(Loss)/earning for the purpose of basic and diluted earnings per share	<u>(30,633)</u>	<u>2,201</u>
	<i>'000</i>	<i>'000</i>
Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share	1,800,000	1,800,000
Effect of diluted potential ordinary shares:		
— Share option (<i>Note</i>)	<u>—</u>	<u>268</u>
Weighted average number of ordinary shares for the purpose of diluted (loss)/earnings per share	<u>1,800,000</u>	<u>1,800,268</u>

Note: The diluted loss per share for the year ended 31 December 2019 was calculated by adjusting the loss for the year attributable to the owners of the Company to assume the conversion of all convertible loans and convertible promissory notes. For the share option, the computation of diluted earnings per share does not assume the exercise of the Company's share options because the exercise price of those share options was higher than the average market price of shares for the year ended 31 December 2019. The amount of diluted loss per share is same as the basic loss per share as the effect is antidilutive.

The diluted earnings per share for the year ended 31 December 2018 was calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

11. RIGHT-OF-USE ASSETS/LEASE LIABILITIES

Right-of-use assets

	2019 Unaudited HK\$'000
As at 1 January	20,296
Acquisition of subsidiaries	20,721
Addition during the year	84,881
Depreciation provided during the year	(14,598)
Exchange alignment	(394)
As at 31 December	<u>110,906</u>

Lease liabilities

The right-of-use assets represent the Group's rights to use underlying leased premises under operating lease arrangements over the lease terms, which are stated at cost less accumulated depreciation and accumulated impairment losses, and adjusted for any remeasurement of the lease liabilities.

	2019 Unaudited HK\$'000
Analysed as	
— Current	23,011
— Non-current	105,386
	<u>128,397</u>
Minimum lease payments due	
— Within one year	29,852
— More than one year but not later than two years	27,309
— More than two years but not later than five years	63,434
— Over five years	34,225
	<u>154,820</u>
Less: Future finance charges	(26,423)
Present value of lease liabilities	<u>128,397</u>

12. ACCOUNT AND OTHER RECEIVABLES

	As at 31 December 2019 Unaudited HK\$'000	As at 31 December 2018 Audited HK\$'000
Account receivables	8,916	9,784
Less: Allowance for credit losses	(928)	(794)
	<u>7,988</u>	<u>8,990</u>
Sponsorship receivables	3,664	1,400
Less: Allowance for credit losses	(34)	(43)
	<u>3,630</u>	<u>1,357</u>
Other receivables	8,732	974
Less: Allowance for credit losses	(169)	(21)
	<u>8,563</u>	<u>953</u>
Prepayments	11,346	7,143
Deposits	32,840	18,309
Less: Allowance for credit losses	(337)	—
	<u>32,503</u>	<u>18,309</u>
	64,030	36,752
Portion classified as non-current		
— Deposits	(8,136)	(4,389)
Current portion	<u>55,894</u>	<u>32,363</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 credit losses, presented based on the invoice date at the end of the reporting period:

	As at 31 December 2019 Unaudited HK\$'000	As at 31 December 2018 Audited HK\$'000
0 to 30 days	4,996	5,694
31 to 60 days	1,394	1,018
61 to 90 days	698	1,092
91 to 120 days	564	398
Over 120 days	336	788
	<u>7,988</u>	<u>8,990</u>

13. 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 gross loan receivables of approximately HK\$5,450,000 were carrying interest at 10% per annum. The loan receivables were repayable according to repayment schedules, normally with contractual maturity within one year as at 31 December 2019 and 2018. Included in loan receivables, there was approximately HK\$1,000,000 as at 31 December 2019 (2018: HK\$1,000,000) represented a loan to a related party which was unsecured, carried interest 10% per annum and repayable within one year.

	As at 31 December 2019 Unaudited HK\$'000	As at 31 December 2018 Audited HK\$'000
Loan receivables, gross	5,450	8,876
Less: Allowance for credit losses	<u>(50)</u>	<u>(264)</u>
Loan receivables, net	<u>5,400</u>	<u>8,612</u>

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:

	As at 31 December 2019 Unaudited HK\$'000	As at 31 December 2018 Audited HK\$'000
Within one year	<u>5,400</u>	<u>8,612</u>

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

14. AMOUNTS DUE FROM NON-CONTROLLING INTERESTS

	<i>Note</i>	As at 31 December 2019 Unaudited HK\$'000
Zhuhai Wei Chong Culture Broadcasting Company Limited	<i>(i)</i>	446
New Jin Yi Investment Company Limited	<i>(i)</i>	2,233
Guangzhou Baohui Culture Development Company Limited	<i>(i)</i>	161
Zhuhai City Zhisheng Commercial Consultancy Company Limited	<i>(i)</i>	<u>1,688</u>
		<u>4,528</u>

Note:

- (i) As at 31 December 2019, the amounts mainly represent the outstanding balance of the capital injection to Zhuhai Ruiye Bar Management Company Limited (“Club Cubic Zhuhai”) from investors. The amounts were unsecured, interest-free and repayable on demand.

15. ACQUISITION OF SUBSIDIARIES

Acquisition of Oasis Capital International Limited (“Oasis Capital”)

On 10 June 2019, Luk Hing Capital Limited, a wholly owned subsidiary of the Company completed the subscription of 9,080,000 shares of Oasis Capital, represented 72.73% of the total issued shares of Oasis Capital upon completion of the share subscription. On 10 June 2019, Oasis Capital which holds 48.33% effective interest of Club Cubic Zhuhai. Club Cubic Zhuhai is the direct subsidiary of Oasis Capital. The Group also directly holds 19.47% effective interest of Club Cubic Zhuhai through a wholly owned subsidiary. In effect, Club Cubic Zhuhai became an indirect non-wholly owned subsidiary of the Group. Club Cubic Zhuhai principally engages in the operation and management of Club Cubic Zhuhai in the PRC. The Group has acquired Oasis Capital because it expands the Group’s clubbing business development portfolio.

The acquisition has been accounted for using the acquisition method. The unaudited consolidated financial statements include the results of Club Cubic Zhuhai for the period from the acquisition date.

The fair values of the identifiable assets and liabilities of Oasis Capital as at the date of acquisition were:

	Fair value recognised on acquisition Unaudited HK\$'000
Assets	
Plant and equipment	12,701
Right-of-use assets	20,721
Account and other receivables	5,856
Amounts due from non-controlling interests	3,414
Cash and cash equivalents	9,140
	<u>51,832</u>
Liabilities and Shareholders' Equity	
Lease liabilities	(28,203)
Account and other payables	(12,291)
Amounts due to non-controlling interests	(3,427)
Non-controlling interests	(3,329)
	<u>(47,250)</u>
Total identifiable net assets at fair value	<u>4,582</u>
Goodwill arising on acquisition	<u>9,152</u>
Consideration transferred	<u>13,734</u>
Consideration satisfied by:	
Financial assets at FVTOCI	4,654
Subscription of registered share capital by cash	9,080
	<u>13,734</u>
Cash inflow arising on acquisition:	
Cash and cash equivalent acquired	9,140
Less: Cash transferred	(9,080)
	<u>60</u>

16. GOODWILL

Goodwill is allocated to the Group's cash-generating units identified according to business segment as follows:

	2019 Unaudited HK\$'000
Clubs and restaurants operation	<u><u>9,152</u></u>

17. ACCOUNT AND OTHER PAYABLES

	As at 31 December 2019 Unaudited HK\$'000	As at 31 December 2018 Audited HK\$'000
Account payables	10,259	4,344
Rental payables	6,797	6,343
Deferred rentals	–	1,964
Other payables	62,467	11,118
Accruals	<u>12,822</u>	<u>7,873</u>
	92,345	31,642
Portion classified as non-current		
— Other payables (<i>Note</i>)	(33,822)	–
— Deferred rentals	<u>–</u>	<u>(1,600)</u>
Current portion	<u><u>58,523</u></u>	<u><u>30,042</u></u>

Note: The other payables classified as non-current liabilities represent the design and renovation fee of Club Cubic Zhuhai which were unsecured, interest-free and not repayable within 12 months.

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 2019 Unaudited HK\$'000	As at 31 December 2018 Audited HK\$'000
0–30 days	6,166	4,052
31–60 days	2,257	216
61–90 days	933	20
91 to 120 days	903	–
Over 120 days	<u>–</u>	<u>56</u>
	<u><u>10,259</u></u>	<u><u>4,344</u></u>

18. CONVERTIBLE LOANS

	Unaudited HK\$'000
As at 1 January 2019	–
Issue of convertible loans	8,881
Effective interest expenses charged	457
Interest expenses paid and payable	(458)
	<hr/>
As at 31 December 2019	8,880
	<hr/> <hr/>

19. CONVERTIBLE PROMISSORY NOTES

	Unaudited HK\$'000
As at 1 January 2019	–
Issue of convertible promissory notes	17,218
Effective interest expenses charged	719
Interest expenses paid and payable	(593)
	<hr/>
As at 31 December 2019	17,344
	<hr/> <hr/>

20. BANK LOANS

	As at 31 December 2019 Unaudited HK\$'000
Bank loans repayable as follows:	
Within 1 year	1,200
More than one year but not later than two years	1,200
More than two years but not later than five years	8,700
	<hr/>
	11,100
Portion classified as non-current	9,900
	<hr/>
Current portion	1,200
	<hr/> <hr/>

As at 31 December 2019, the secured bank loans bear interest rate range from 2.45% to 4.25% per annum.

The weighted average effective interest rate of bank loans as at 31 December 2019 was approximately 3.40%.

At 31 December 2019, the bank loans of approximately HK\$5,100,000 was pledged by the financial assets at FVTPL and of approximately HK\$6,000,000 was guaranteed by the corporate guarantee of the Company.

21. CAPITAL COMMITMENTS

The Group served a renewal notice with effect on 11 November 2016 to the owner of the club premise (“COD”) in Macau to extend the right to operate the club to March 2025. Pursuant to the relevant terms, the Group shall open and fund all fit-out and related works in respect of the first phase expansion (“Expansion”) of not less than MOP15.0 million (equivalent to approximately HK\$14.6 million) by 1 October 2017, which was agreed to be extended.

However, as no agreement was reached between the Company and COD on the final commercial terms, the Board of the Company has resolved to suspend the Expansion and to reallocate the resources to the renovation of Club Cubic Macau (“Renovation”) (please refer to the Company’s announcement dated 26 September 2019 for details).

As at 31 December 2019, the amount authorised but not contracted for was approximately HK\$10.6 million (2018: nil). Capital commitments outstanding at the end of the reporting period contracted but not provided for in the unaudited consolidated financial statements in respect of the Renovation were as follows:

	As at 31 December 2019 Unaudited HK\$’000	As at 31 December 2018 Audited HK\$’000
Plant and equipment	<u>1,052</u>	<u>–</u>

Other capital commitments outstanding at the end of the reporting period contracted but not provided for in the unaudited consolidated financial statements were as follows:

	As at 31 December 2019 Unaudited HK\$’000	As at 31 December 2018 Audited HK\$’000
Unpaid balance of capital contribution to a subsidiary in the PRC	40,175	7,414
Plant and equipment	<u>–</u>	<u>26</u>

22. EVENTS AFTER THE REPORTING PERIOD

As disclosed in the Company’s announcement dated 4 February 2020, the Company noted that all the casinos in the Macau Special Administrative Region of the People’s Republic of China (“Macau”) had been closed for two weeks to help control the spread of the novel coronavirus pneumonia (COVID-19) epidemic and the closures might have a material impact on the sales performance of Club Cubic Macau located at the Boulevard, City of Dreams, Macau. The Company had temporarily suspended the operation of Club Cubic Macau from 5 February 2020. As disclosed in the Company’s announcement dated 12 March 2020, the operation of Club Cubic Macau had been resumed. Apart from that, our cubicspace+ (formerly named “Club Cubic Zhuhai”) was required to suspend its operation to cooperate with the emergency public health policy according to the PRC government policy. The Group’s revenue income from the clubbing and restaurant business has been significantly impacted by the outbreak of COVID-19. The Company had implemented home office arrangement to the greatest extent to preserve health of the staff and sustainability of business operation. Cost control measures such as salary saving scheme and temporary suspension of marketing and traveling expenses were adopted to minimize operating costs. The Company will closely monitor the development of the situation from time to time and make further announcement regarding the situation as and when appropriate.

The management will continue to monitor the development of COVID-19 and react actively to its impact on the financial position and operating results of the Company. Due to the dynamic nature of the circumstances, management considers that the financial effects on the Group’s consolidated financial statements cannot be reasonably estimated as at the date of these financial statements are authorised for issue. The related financial impacts will be reflected in the Group’s 2020 financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS

During the year ended 31 December 2019, while the Group continued to engage in the operation of clubbing business “Club Cubic Macau” and the operation of our restaurant “HEXA” and the roast-geese outlet “Oh-My-Goose”, we have our newly operated clubbing business in Zhuhai City of the PRC which is named “Club Cubic Zhuhai” and has commenced business operation at the end of August 2019, as well as a newly operated restaurant namely “SIXA” in Citygate Outlets of Tung Chung town center, Hong Kong, which has commenced business operation at the end of August 2019.

BUSINESS REVIEW

During the period under review, sales of beverage from retail customers of our clubbing business remained as the Group’s primary stream of revenue while sales of food from HEXA played an important role in the contribution to the Group’s total sales revenue. We also received sponsorship income from beverage suppliers for incentive based on our purchase amount from beverage suppliers.

Operation of Clubbing Business

Our clubbing business includes the operation of Club Cubic Macau which is the wholly-owned subsidiary of the Group and the newly operated clubbing business in Zhuhai City of the PRC, “Club Cubic Zhuhai” which the Group holds effective equity interests of 62.22%.

The market condition and consumer sentiment of Macau has been affected by numerous headwinds including ongoing trade tensions, slowing global economy and the social incidents of Hong Kong, particularly the impact on the fourth quarter of 2019 in which the inbound tourists dropped by 8% year-on-year according to Macau Tourism Statistics. The weaker market sentiment in the fourth quarter dragged down the sales performance of Club Cubic Macau leading to a slight drop in total sales revenue of 2019, despite that Club Cubic Macau recorded a 4% growth year-on-year in sales revenue in the first three quarter of 2019. Accordingly, Club Cubic Macau has taken actions to control costs and tightened operational expenses through effective manpower deployment. Besides, it will further enhance the service and focus on its strength to organize featured and regular events entertainment to customers. In 2019, Club Cubic Macau has organized a total of 53 events including our internal themed party and international live acts, among which our themed party held in April 2019 for celebration of Club Cubic Macau’s 8th anniversary brought the most attention. Tiësto, the Dutch godfather of electronic dance music, was invited to rock the night, together with Australian multi-platinum recording artist, singer and producer, Vassy, as special guest to perform in the party. Furthermore, Club Cubic Macau has launched the new EDM Rave Ladies Night Havana Nights, themed parties including Full Moon Party (4th edition) and the first ever indoor splash party Song Cool Go Hydro. Renowned international music DJs such as Tiësto, Quintino, Vinai, Bassjackers and Wolfpack who were ranked in DJ Mag’s Top 100 DJs poll, were invited to perform the events. Club Cubic Macau will continue to invite biggest electronic music talents worldwide offering a wide variety of genres of electronic music and entertaining programs to attract crowds locally and international tourists.

On 26 September 2019, the Company has renewed the Operating Agreement with City of Dreams' operator for a term until March 2027 and the operation of Club Cubic Macau continues to be a long-term business of the Group. In view of the intensive competition of clubbing business in Macau and the suspension of Club Cubic Macau Expansion (please refer to the Company's announcement dated 26 September 2019 for details), the Company considers that HK\$20 million of the unutilized net proceeds through the listing on GEM on 11 November 2016 shall be allocated to the renovation of Club Cubic Macau including refurbishment of facilities to renew the existing premises and upgrading the equipments, the interior designs and image of the venue. In consideration of the weaker market condition and consumer sentiment in Macau, the renovation work might be delayed and expected to be completed in the fourth quarter of 2022 which we believe will strengthen the high-end experience of customers and solidify Club Cubic Macau's position as one of the best clubbing hotspots in the heart of Cotai area.

The balance of the unutilized net proceeds of HK\$6.2 million through the listing on GEM on 11 November 2016 will be allocated to the establishment of the clubbing business in Guangzhou namely "Club Cubic Guangzhou" which the Company has identified the location in Four Seas Plaza at Panyu District, Guangzhou. The unutilized net proceeds as at 31 December 2019 was HK\$2.2 million with expected completion in December 2020.

Our new clubbing business, Club Cubic Zhuhai commenced operation at the end of August 2019 and still in its ramp up period. Leveraging on the rich experience of operating Club Cubic Macau, we are transforming the business model by integrating the local characteristics to offer customers diversified leisure and entertainment experiences. As part of localization of the business, we have engaged "Space plus+" to manage Club Cubic Zhuhai in December 2019. "Space plus+" possess vast experience of managing local clubbing business. Investment in Club Cubic Zhuhai extends the Group's clubbing business development portfolio to regions other than Macau which is in line with the Company's business strategy to mitigate risk exposure through working with local business partners.

Operation of Restaurant Business

For the year ended 31 December 2019, our restaurant HEXA achieved 7% increase year-on-year in sales revenue despite Hong Kong retail sales suffered worst decline on record amid the whammy of local social incidents. HEXA has received awards and accolades from the media and industry bodies, including the "100 Top Tables 2019" by South China Morning Post, and listed as one of the Masterchef Recommendation restaurants by Asia Art of Cuisine Society. HEXA continues to drive high recognition in the industry and has been invited by a numerous of appreciable organisation for collaborations and interviews. We are proud to be invited by Hong Kong Tourism Board x FeedMe Guru to promote Hong Kong Great November Feast — A Gourmet Celebration in November 2019; only 30 restaurants were selected in the city and the campaign turned out to be a great success and earned free media exposures in various of platforms such as Hong Kong Economic Times Group and New Media Group.

In addition, we were asked for participating in “Seafood Loves Sake” promotion campaign 2019 hosted by JFOODO (the Japan Food Product Overseas Promotion Centre) which will be featured in different media platforms such as TV commercials and infomercial TV programmes on ViuTV, Digital and Social Platforms including but not limited to TimeOut Hong Kong, Facebook and so on. At the same time, we had also been featured as one of the ‘TO GO’ restaurants in Hong Kong in a special TV travel programme hosted by Nippon Television Network Corporation (NTV) in August 2019. We are more than happy that our restaurant is gaining more exposure to the overseas markets and we strive to grow our business continually.

Our new restaurant, namely “SIXA” which is a wholly-owned subsidiary of HEXA, located at Citygate Outlets of Tung Chung town center, was unveiled at the end of August 2019. The restaurant is still in its ramp up period and the sales performance was affected by the disruption to inbound tourism and consumption-related activities caused by the local social incidents since the third quarter of 2019. Despite the impact from the weak market sentiment in the second half of 2019, SIXA maintained satisfying reputation within Tung Chung community. We earned excellent word of mouth about our food and service qualities across social media platforms from diners. Number of publications have made their visits at the restaurants since September 2019, including and not limited to OpenRice, U Food, AM730, Sing Tao, U Magazine, The Standard, etc. We have been reconstructing our menu and tailor made set menus to meet the needs of nearby residents and diners which had further boosted our reputation. In parallel, we have implemented short term and long term measures to control costs and drive efficiency. We believe the high level of our flexibility is one of our keys towards success and we look forward to maintaining the prominence in the market.

FINANCIAL REVIEW

Revenue

Total revenue of the Group increased by 9% from HK\$206.9 million in 2018 to HK\$225.4 million in 2019 though we have the negative impact from the drop of sales revenue of HK\$12.2 million for not hosting the annual music festival event in 2019 in Hong Kong as compared to that of 2018. The growth was mainly contributed by: (i) HEXA achieved 7% growth in sales revenue from HK\$67.5 million in 2018 to HK\$72.4 million in 2019; (ii) Sales of food and beverages generated from Club Cubic Zhuhai of HK\$18.5 million and SIXA of HK\$7.4 million, which were opened at the end of August 2019; and (iii) partially offset by 2% drop of sales revenue of Club Cubic Macau from HK\$123.0 million in 2018 to HK\$121.1 million in 2019.

Expenses

Cost of inventories sold mainly represented the costs of beverage, food and tobacco products sold. It increased by 21% from HK\$44.6 million in 2018 to HK\$53.9 million in 2019. This was mainly attributed to the increase in costs of food from HEXA and the costs of food and beverage from the newly operated SIXA and Club Cubic Zhuhai, partially offset by the decrease of beverage costs in Club Cubic Macau and our annual music festival event as it was not held in 2019.

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 39% from HK\$55.8 million in 2018 to HK\$77.4 million in 2019. This was mainly due to (i) the additional staff recruited in HEXA to cope with the increase in sales; (ii) increase in staff cost in Club Cubic Macau caused by staff salary adjustment; and (iii) additional staff costs incurred for the newly operated SIXA and Club Cubic Zhuhai.

Property rentals and related expenses decreased by 41% from HK\$26.3 million in 2018 to HK\$15.5 million in 2019. This is mainly due to the adoption of HKFRS 16 Leases which has become effective from 1 January 2019. Under the application of HKFRS 16, the Group's operating leases were removed and replaced by the model where a right-of-use asset and a corresponding liability were recognised for all leases, except for short-term leases and leases of low value assets. The right-of-use asset was initially measured at cost and subsequently measured at cost less accumulated depreciation. The lease liability is initially measured at the present value of the lease payments that are not paid and subsequently adjusted for interest and lease payments. The application of new requirements resulted in the changes in measurement and presentation from under property rentals to depreciation and interest for lease payments. Excluding the accounting effect of adopting HKFRS16 Leases, the Group's actual rentals and related expenses increased by 12% to HK\$29.5 million in 2019. This was primarily caused by the additional rentals and related expenses incurred for the newly operated SIXA and Club Cubic Zhuhai.

For the same reason explained above, the application of HKFRS 16 Leases has resulted in the increase in depreciation and amortization by 286% from HK\$6.7 million in 2018 to HK\$25.7 million in 2019. Excluding the accounting effect of adopting HKFRS 16 Leases, the actual depreciation expense increased by 68% to HK\$11.2 million in 2019. This was mainly caused by the additional depreciation expenses incurred by the newly operated SIXA and Club Cubic Zhuhai.

Advertising and marketing expenses increased by 14% from HK\$27.4 million in 2018 to HK\$31.4 million in 2019. This was attributed to the additional marketing expenses incurred for the newly operated SIXA and Club Cubic Zhuhai, partially offset by the decrease in performer fees incurred for Club Cubic Macau and reduction in promotion and marketing expenses as we did not host our annual music festival event in 2019.

Other operating expenses increased by 38% from HK\$46.7 million in 2018 to HK\$64.5 million in 2019. The increase was mainly caused by: (i) the write-off of HK\$2.1 million for the preliminary planning and design costs for the expansion model of Club Cubic Macau due to the suspension of Club Cubic Macau expansion (please refer to the Company's announcement dated 26 September 2019 for details); (ii) additional HK\$13.1 million operating expenses incurred by the newly operated Club Cubic Zhuhai among which HK\$6.7 million was the consultancy fee to a local company for event planning and organizing services; and (iii) additional HK\$2.9 million operating expenses incurred for our newly operated SIXA and (iv) increase of HK\$6.4 million professional fee for corporate transactions, sales coupon expense and miscellaneous expenses such as uniform, consumables, repair and maintenance; (iv) partially offset by the reduce in HK\$7.7 million expenses for not hosting our annual music festival event in 2019 compared to that of 2018.

Loss Attributable to Owners of the Company

Our loss for the year attributable to owners of the Company was HK\$30.6 million while we recorded a profit of HK\$2.2 million attributable to owners of the Company in 2018. The loss was primarily attributable to:

- (i) The effects of the application of Hong Kong Financial Reporting Standard 16 “Leases” (“HKFRS 16”, effectively from 1 January 2019) on the expenditures spent on the leases of the clubbing and restaurants;
- (ii) The pre-opening and startup costs of our newly operated clubbing business in Zhuhai City of the PRC which is named “Club Cubic Zhuhai” and renamed to “cubicspace+” in December 2019. It has commenced business operation at the end of August 2019;
- (iii) The pre-opening and startup costs of our newly operated restaurant, namely “SIXA” in Citygate Outlets of Tung Chung town center, which has commenced business operation at the end of August 2019; and
- (iv) The weak sales performance of “SIXA” hit by sharp decline in inbound visitors and the continuous weak economic environment and consumer sentiments of the society.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Below is a summary of the key financial ratio:

	<i>Notes</i>	As at 31 December 2019	As at 31 December 2018
Current ratio	<i>1</i>	1.1	2.8
Quick ratio	<i>2</i>	1.0	2.6
Gearing ratio	<i>3</i>	<u>87.4%</u>	<u>31.6%</u>

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 has cash and cash equivalents of HK\$23.3 million as at 31 December 2019 (31 December 2018: HK\$41.0 million).

In 2019, the Group has conducted fundraisings to finance our new business of Club Cubic Zhuhai and SIXA including:

- (i) issue of Convertible Loans with aggregate principal amount of approximately HK\$9.1 million at interest rate of 9% per annum with the term commencing from 10 June 2019 until 36 months from opening of Club Cubic Zhuhai on 23 August 2019. The Company guarantees that the minimum interest payable to Lenders shall be 9% per annum of the convertible Loans in accordance with the Interest Period. The proceeds were used for the acquisition of Oasis Capital which were then injected to Zhuhai JV Company for the purchase of fixed assets and renovation of Club Cubic Zhuhai;
- (ii) issue of Convertible Promissory Notes with aggregate principal amount of approximately HK\$18.2 million at interest rate of 9% per annum with the term commencing from 3 July 2019 until 36 months from opening of Club Cubic Zhuhai on 23 August 2019. The Proceeds were used by the Group as the additional investment in Zhuhai JV Company;
- (iii) issue of Convertible Promissory Notes with principal amount of approximately HK\$27.2 million subjects to completion on/before 30 June 2020 for financing our investment in Club Cubic Guangzhou; and
- (iv) a HK\$5.1 million revolving loan for life insurance policy premium financing from China Citic Bank International Limited which was pledged by the financial assets at FVTPL. The Group purchased the life insurance policy (the “Policy”) and the Company is the beneficiary and policy holder. In addition, corporate guarantee of the Company was provided to a revolving loan facility of HK\$6 million for the subsidiary of the Company, Betula Profit Holdings Limited which operates HEXA and SIXA. The loan facility was used for the renovation of SIXA which is wholly-owned by Betula Profit Holdings Limited.

As such, the Group has an aggregate long-term outstanding amount of approximately HK\$38.4 million as at 31 December 2019. Apart from that, the Group has outstanding amount of HK\$6 million from the bank overdraft facility for which the Company provided its corporate guarantee. The increase of long-term and short-term liabilities led to the decrease of the Group’s key financial ratio.

The Group financed its renovation of Club Cubic Macau from the net proceeds through the listing on GEM on 11 November 2016. The Group’s operations are financed principally by revenue generated from its business operation as well as bank borrowings.

FUNDRAISINGS THROUGH ISSUE OF CONVERTIBLE PROMISSORY NOTES AND CONVERTIBLE LOANS FOR SHARES IN SUBSIDIARY/AFFILIATE OF THE COMPANY

	Convertible Loans	Convertible Promissory Notes
Principal amount	approximately RMB8 million (equivalent to approximately HK\$9.08 million)	approximately RMB16.0 million (equivalent to approximately HK\$18.16 million)
Fixed Interest Rate	9% per annum	
Term of the Convertible Promissory Notes	Commencing from 10 June 2019 until 36 months from opening of Club Cubic Zhuhai on 23 August 2019.	Commencing from 3 July 2019 until 36 months from opening of Club Cubic Zhuhai on 23 August 2019.
Exercise of Conversion	<p>At the end of the term of the Convertible Loan Agreements, Lenders shall have the right to convert the Convertible Loans to shares of an affiliated company of Luk Hing Capital Limited, provided that such affiliate shall be designated by Luk Hing Capital Limited.</p> <p>Assuming all Convertible Loan lenders exercised the conversion, the conversion would have the effect of disposing 5.34% of the Company's effective equity interests in Zhuhai JV Company</p> <p><i>(Please refer to the announcement of the Company dated 10 June 2019)</i></p>	<p>Any time after the date of issue of this Note and up to and including the Maturity Date, Convertible Promissory Notes holders shall have the right to convert the entire principal amount of the Convertible Promissory Notes in USD to such percentage of shareholding of Luk Hing Group Development (China) Limited which shall be calculated based on the Conversion Ratio of USD100,000 of the principal amount to 1.03% of shares of Luk Hing Development (China) Limited. Assuming all the Convertible Promissory Notes holders exercised the conversion, the conversion would have the effect of disposing 10.67% of the Company's effective equity interests in Zhuhai JV Company.</p> <p><i>(Please refer to the circular of the Company dated 22 August 2019)</i></p>

Convertible Loans

Use of Proceeds

The Convertible Loans shall be used for the acquisition of Oasis Capital which holds 48.33% of Zhuhai JV Company. The proceeds of acquisition will then be injected to Zhuhai JV Company for the purchase of fixed assets and renovation of Club Cubic Zhuhai and other daily business activities of the Zhuhai JV Company.

The proceeds have been completely used according to the intended purpose as at 31 December 2019.

Convertible Promissory Notes

The proceeds are intended to be used by the Group as the additional investment in Zhuhai JV Company.

The proceeds have been completely used according to the intended purpose as at 31 December 2019.

CHARGES ON ASSETS

As at 31 December 2019, the Group did not have any charges on its assets except the pledge of the life insurance policy to China Citic Bank International Limited for the revolving loan facility of HK\$5.1 million for the life insurance policy premium financing.

CHANGE IN USE OF PROCEEDS

On 26 September 2019, the Board has resolved to change the use of approximately HK\$26.2 million out of the remaining unutilized Net Proceeds (the “unutilized Net Proceeds” from the listing of GEM on 11 November 2016). Breakdown of the planned use of net proceeds as stated in the Prospectus, the actual use of Net Proceeds utilized up to the date on 26 September 2019, unutilized Net Proceeds as at 26 September 2019, the proposed change of use of unutilized Net Proceeds and the unutilized Net Proceeds as at 31 December 2019 are summarized as follows:

	Planned use of Net Proceeds as stated in the Prospectus (adjusted on a pro-rata basis according to the actual Net Proceeds) (HK\$ million)	Utilized Net Proceeds up to the date on 26 September 2019 (HK\$ million)	Unutilized Net Proceeds up to the date on 26 September 2019 (HK\$ million)	Proposed Change of use of unutilized Net Proceeds (HK\$ million)	Unutilized Net Proceeds as at 31 December 2019 (HK\$ million)
Expansion of the scale of Club Cubic Macau (the “Club Cubic Macau Expansion”)	32.3	6.1	26.2	–	–
Organizing events in venues other than Club Cubic Macau	13.8	13.8	–	–	–
Expansion in regions other than Macau	13.0	13.0	–	6.2	2.2
Working capital and general corporate use	6.5	6.5	–	–	–
Renovation of Club Cubic Macau	–	–	–	20.0	11.7

REASONS FOR CHANGE IN USE OF PROCEEDS

Suspension of the Club Cubic Macau Expansion

The Group originally allocated approximately HK\$32.3 million from the Net Proceeds for the Club Cubic Macau Expansion and as at 26 September 2019, approximately HK\$6.1 million has been utilized mainly for the design fee of expansion model, project control and management, and the engagement of professional consultants.

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

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

Renovation of Club Cubic Macau

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

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

Stage	Renovation plan and activity	Unutilized Net Proceeds as at		Expected completion
		Reallocated Net Proceeds (HK\$ million)	31 December 2019 (HK\$ million)	
Stage 1	Renovation and fitting out works in the VIP rooms, public toilet and main hall	7.7	–	Completed
Stage 2	Renovation and fitting out works in main hall and arrival hall, upgrade of lightings and equipment in main hall	8.7	8.1	April 2022
Stage 3	Renovation and fitting out works in the junior hall	3.6	3.6	December 2022
Total		20.0	11.7	

The renovation works were expected to be delayed in consideration of the weak market condition and consumer sentiment in Macau.

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

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

In light of the above, HK\$6.2 million of the unutilized Net Proceeds has been reallocated to the establishment of Club Cubic Guangzhou. The unutilized net proceeds as at 31 December 2019 was HK\$2.2 million with expected completion in December 2020.

For details of the change in use of proceeds, please refer to the announcement of the Company dated 26 September 2019.

Principal risks and uncertainties

Measures

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| <p>(i) A major portion of our revenue was derived from Club Cubic Macau. Any significant operational or other difficulties in the business at or from Club Cubic Macau, including those matters affecting the execution of Operating Agreement, may reduce, disrupt or halt our operation and business at the premises, which would materially and adversely affect our business, prospects, reputation, financial condition and results of operation. The competition in Macau clubbing industry is expected to intensify due to the increase in the number of the clubbing venues. The performance of Club Cubic Macau is also affected by the macro environment of Macau.</p> <p>(ii) We made our purchases mainly from our largest supplier and our five largest suppliers. The purchases from these suppliers either under annual contract or individual purchase order, and have not entered into any long-term contracts. We also recorded sponsorship income from our largest supplier. In the event that our business relationship with these suppliers is terminated, we may not be able to have sufficient supply of products of similar quality and brand name, at sufficient quantity and on similar terms. We may also not be able to find another supplier which could provide similar level of sponsorship.</p> <p>(iii) Compliance with Relevant Laws and Regulations.</p> | <p>(1) The Company will continue to review and fine-tune its strategy when organizing music-related featured events in Club Cubic Macau, including the number of events held, the scale of the events and resources required (such as DJ/artist fee and other marketing expenses), as well as the timing, such that our resources could be optimized to stimulate the sales of Club Cubic Macau at the appropriate time.</p> <p>(2) We have carried out renovation to maintain the competitiveness of Club Cubic Macau.</p> <p>(3) We have explored opportunities to diversify our operation such that we can reduce our reliance on Club Cubic Macau and our largest suppliers. We have successfully operating HEXA. We achieved remarkable progress in 2019 having our new restaurant “SIXA” opened at Citygate Outlet of Tung Chung Town and “Club Cubic Zhuhai” in Zhuhai.</p> <p>The Group has in place compliance and risk management procedures and policies monitor adherence with all significant legal and regulatory requirements. The Group has observed strict compliance with the applicable laws and regulations and implemented a comprehensive safety management system for the kitchens of the Group, with an objective to continuously improving the Group’s food quality and hygiene standards.</p> |
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Principal risks and uncertainties

(iv) We plan to diversify our sources of revenues and mitigate our risks of over-reliance on Club Cubic Macau. When expanding our clubbing business to regions other than Macau, we are relatively not familiar with the local business environment. We may not be able to detect, deter and prevent all instances of infringement, illegal activities or other misconducts committed in such jurisdictions which may harm our reputation and affect our brand name. We may incur substantial start-up and pre-opening costs, such as additional staff costs, rentals, professional fees and promotion expenses, before the opening of new outlets.

- (1) The outbreak of COVID-19 suspending or limiting services in Macau, Hong Kong and PRC, the business activities of the Company generally been suspended or slowed down. The Directors expect the Company to record a significant decrease in sales and may have an adverse Impact on the Group's financial performance for the first quarter of 2020.
- (2) The continuing spread and prolonged occurrence of COVID-19 could have an adverse effect on the tourism Industry in Macau, Hong Kong and the PRC as well as the overall economy in worldwide. All these factors may have adverse impact on our business, operation, financial condition and prospects.

Measures

When expanding our clubbing business to regions other than Macau, we may also continue to work with business partners or investors which are more familiar with local environment to mitigate our risk exposure and ease our financial burden.

- (1) The Group is closely observing the development of the outbreak of the COVID-19 while carrying out cost control measures to alleviate the overall impact of the outbreak on the business operations and financial position of the Group.
- (2) The Group is closely observing the development of the outbreak of the COVID-19 and the effect on the tourism industry. The management will closely monitor the development and change its policy and/or menu to match both the tourists and local customers.

FOREIGN EXCHANGE EXPOSURE

During the year ended 31 December 2019, 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 and the management will consider hedging against significant foreign exchange exposure should the need arise.

DIVIDEND

The Board does not recommend the payment of dividend by the Company for the year ended 31 December 2019.

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 2019.

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.

AUDIT COMMITTEE

The Company established an audit committee with written terms of reference in compliance with Rules 5.28 and 5.29 of the GEM Listing Rules and paragraph C.3.3 and C.3.7 of the CG Code. The audit committee is chaired by our independent non-executive Director, Mr. Chan Ting Bond Michael, who holds the appropriate professional qualifications as required under Rules 5.05(2) and 5.28 of the GEM Listing Rules, and consists of another independent non-executive Director Mr. Lam Wai Chin Raymond and a non-executive Director, Mr. Au Wai Pong Eric.

ANNUAL GENERAL MEETING

It is proposed that the forthcoming annual general meeting of the Company (the “AGM”) will be held on Friday, 19 June 2020. A notice convening the AGM will be published and despatched to the shareholders of the Company in the manner required by the GEM Listing Rules in due course.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Tuesday, 16 June 2020 to Friday, 19 June 2020, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the AGM, all transfers of shares documents, accompanied by the relevant share certificates, must be lodged with the Company’s branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong, not later than 4:30 p.m. on Monday, 15 June 2020.

REVIEW OF UNAUDITED ANNUAL RESULTS AND DELAY IN DESPATCH OF THE ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

Due to the recent travel and other restrictions imposed by the Chinese government and the Hong Kong government to contain the COVID-19 outbreak, the reporting and audit processes of the Group’s financial statements for the year ended 31 December 2019 has been disrupted, and the Company is unable to publish an audited annual results announcement and annual report for the year ended 31 December 2019 by 31 March 2020 in accordance with Rules 18.49 and 18.03 of the GEM Listing Rules. The unaudited results contained herein have not been agreed by the Company’s auditors.

The unaudited annual results contained herein have been reviewed by the audit committee of the Company.

An announcement relating to the audited results announcement and the annual report will be made when the auditing process is completed in accordance with Hong Kong Standards on Auditing issued by Hong Kong Institute of Certified Public Accountants, together with the material differences (if any) as compared with the unaudited annual results contained herein.

It is expected that the auditors' audit will resume as soon as practicable once the travel restrictions to the PRC and the quarantine arrangements are relieved. The Company will despatch the annual report as and when appropriate, according to the GEM Listing Rules and, in any event, not later than Friday, 15 May 2020.

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 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 (“Welmen”), 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. Choi Kuen Kwan (on 20 August 2019, Mr. Yeung Bernard Sie Hong sold all his shares in Welmen to Mr. Choi Kuen Kwan (father of Mr. Choi Yiu Ying and Mr. Choi Siu Kit)) and Mr. Yeung Chi Shing. Mr. Choi Yiu Ying, Mr. Choi Siu Kit, Mr. Au Wai Pong Eric, Mr. Au Ka Wai, Mr. Choi Kuen Kwan 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
“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. The operating agreement was renewed to a term until March 2017. On 26 September 2019, the Company renewed the Operating Agreement with COD for a term until March 2027

“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
“SIXA”	a modern Chinese restaurant wholly-owned by HEXA which was opened in August 2019 and located at Shop 601, 6/F, Citygate, 1820 Tat Tung Road, Tung Chung, Lantau, Hong Kong
“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

The financial information contained herein in respect of the annual results of the Group have not been audited and have not been agreed with the auditors. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

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

Hong Kong, 23 March 2020

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.