



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

2016

THIRD QUARTERLY REPORT

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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

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This report, for which the directors (the “Directors”) of Luk Hing Entertainment Group Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

THIRD QUARTERLY RESULTS

The board (the "Board") of Directors of the Company is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the three-month and nine-month periods ended 30 September 2016, together with the unaudited comparative figures for the respective corresponding periods in 2015, as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Three-month period ended 30 September		Nine-month period ended 30 September	
		2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Revenue	2	41,966	28,813	94,002	86,364
Other income and gain		1,274	750	2,450	2,481
Cost of inventories sold		(7,095)	(5,198)	(17,679)	(15,227)
Staff costs		(7,784)	(5,707)	(22,521)	(16,892)
Depreciation		(454)	(537)	(1,481)	(1,457)
Property rentals and related expenses		(4,959)	(1,205)	(8,694)	(6,284)
Advertising and marketing expenses		(7,127)	(5,532)	(16,202)	(14,957)
Other operating expenses		(12,560)	(9,693)	(22,773)	(27,295)
Finance costs		(8)	-	(8)	-
Listing expenses		(4,054)	-	(7,128)	-
(Loss)/profit before taxation		(801)	1,691	(34)	6,733
Taxation	3	-	(140)	-	(525)
(Loss)/profit and total comprehensive (loss)/income for the period attributable to the owners of the Company		(801)	1,551	(34)	6,208
		HK Cents	HK Cents	HK Cents	HK Cents
(Losses)/earnings per share					
Basic and diluted	4	(0.059)	0.115	(0.003)	0.460

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine-month period ended 30 September 2016

	Share capital HK\$'000 (Unaudited)	Share premium HK\$'000 (Unaudited)	Legal reserve HK\$'000 (Unaudited)	Retained earnings HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
At 1 January 2015	24	–	12	13,195	13,231
Profit and total comprehensive income for the period	–	–	–	6,208	6,208
Dividends (Note 5)	–	–	–	(7,832)	(7,832)
At 30 September 2015	24	–	12	11,571	11,607
At 1 January 2016	24	–	12	14,783	14,819
Loss and total comprehensive loss for the period	–	–	–	(34)	(34)
Effect of reorganisation	(24)	–	–	–	(24)
Dividends (Note 5)	–	–	–	(5,807)	(5,807)
At 30 September 2016	–	–	12	8,942	8,954

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The condensed consolidated quarterly financial information of the Group has not been audited. The unaudited condensed consolidated quarterly financial statements of the Group for the nine-month period ended 30 September 2016 have been prepared under historical cost convention and in accordance with accounting principles generally accepted in Hong Kong and the applicable disclosure requirements of the GEM Listing Rules.

The unaudited condensed consolidated quarterly financial statements of the Group for the nine-month period ended 30 September 2016 do not include all the information and disclosure required in the annual financial statements and should be read in conjunction with the audited financial statements included in the prospectus of the Company dated 27 October 2016 (the "Prospectus"). The accounting policies adopted are consistent with those applied in the Group's audited financial statements for the year ended 31 December 2015, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), except the new and revised HKFRSs which are effective for the financial year beginning from 1 January 2016. The adoption of these new and revised HKFRSs has not had material impact on the unaudited condensed consolidated financial statements for the nine-month ended 30 September 2016. The Group has not early applied the new and revised HKFRSs that have been issued by the HKICPA but are not yet effective.

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

2. REVENUE

Revenue represents amounts received and receivable from club operations and event organization. An analysis of revenue is as follows:

	For the three-month period ended 30 September		For the nine-month period ended 30 September	
	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Sales of beverage and other products	27,911	23,423	71,619	67,514
Sponsorship income	3,416	2,427	7,049	9,590
Entrance fees income	10,163	2,225	14,125	6,841
Others (note)	476	738	1,209	2,419
	41,966	28,813	94,002	86,364

note: others mainly represent events rental income and cloakroom income.

3. INCOME TAX EXPENSES

	For the three-month period ended 30 September		For the nine-month period ended 30 September	
	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Current tax — Macau complementary tax	—	140	—	525

Macau complementary tax is calculated at 12% of the estimated assessable profit for the nine-month period ended 30 September 2015. No provision for Macau complementary tax is made for the nine-month period ended 30 September 2016 since the Macau subsidiary has no estimated assessable profit. No provision for Hong Kong profits tax is made since the Hong Kong subsidiary has no estimated assessable profit for the nine-month period ended 30 September 2016 and 2015, respectively.

4. (LOSSES)/EARNINGS PER SHARE

	For the three-month period ended 30 September		For the nine-month period ended 30 September	
	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
(Loss)/profit for the period attributable to the owners of the Company	(801)	1,551	(34)	6,208
Number of ordinary shares for the purpose of calculating basic (losses)/earnings per share	1,350,000	1,350,000	1,350,000	1,350,000

The number of ordinary shares for the purpose of calculating basic (losses)/earnings per share has been determined on the assumption that the reorganisation and the capitalisation issue as disclosed in the Prospectus had been effective throughout the period under review.

No adjustment has been made to the basic (losses)/earnings per share presented for the nine-month period ended 30 September 2016 and 2015 in respect of a dilution as the Group did not have any potentially dilutive ordinary shares in issue during those periods.

5. DIVIDEND

During the nine-month period ended 30 September 2015, prior to the reorganisation as disclosed in the Prospectus, a member of the Group declared a dividend of approximately HK\$7.8 million to its then shareholder, Star Century Investments Limited ("Star Century"). The amounts were settled with amounts due from related parties.

Before the Company became the holding company of the Group on 25 January 2016, a member of the Group declared a dividend of approximately HK\$5.8 million on 8 January 2016 to its then shareholder, Star Century. The said dividend was fully settled prior to the listing of the Company's shares on the GEM (the "Listing") on 11 November 2016.

No dividend has been paid or proposed by the Company since its date of incorporation on 30 November 2015. The Board does not recommend the payment of an interim dividend by the Company for the nine-month period ended 30 September 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group is a premium clubbing and entertainment business operator. During the first three quarters of 2016, the Group continued to engage in the operation of clubbing business and organising music-related featured events.

BUSINESS REVIEW

Clubbing Business

During the period under review, the Group operated its clubbing business through Club Cubic in Macau. Since its opening in Macau in 2011, we have strived to develop Club Cubic as a brand to offer premium and clubbing and entertainment experience by providing a sensational clubbing venue and live entertainment space of stylish art lighting coupled with music and live performances for its customers.

Revenue generated from our clubbing business was primarily sale of beverage in the club from retail customers and sponsorship income received from corporate customers and beverage suppliers, comprising fee for displaying their logos and products during the events and incentive based on our purchase amount from the beverage suppliers. Amongst different types of beverage sales, Champagne was the best selling one, with Perrier-Jouët Champagne being the most popular item.

Event Organisation

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

During the period under review, we continued to strategically focus on organizing featured events with DJs and artists of high popularity and media interest. In both the nine months ended 30 September 2016 and 2015, we held 35 featured events¹ at Club Cubic in Macau. In addition, having successfully organized last year's Road to Ultra event at Club Cubic in Macau in June 2015, which was the first Road to Ultra event hosted in the Greater China region (excluding Taiwan), we organized this year's Road to Ultra event in the Nursery Park at the West Kowloon Cultural District in Hong Kong on 17 September 2016. The 2016 Road to Ultra Hong Kong event was of a larger scale and with larger venue capacity than that held in Club Cubic in Macau in last year, with approximately 6,800 tickets sold.

FINANCIAL REVIEW

Revenue and Other Income and Gain

Total revenue of the Group increased by 8.9% from approximately HK\$86.3 million for the first three quarters of 2015 to approximately HK\$94.0 million for that of 2016. The increase was mainly contributed by the 2016 Road to Ultra Hong Kong, which was of a larger scale than the 2015 Road to Ultra held in Club Cubic in Macau. The 2016 Road to Ultra Hong Kong event significantly boosted our entrance fees income and sales of beverage and other products by approximately HK\$8.4 million and approximately HK\$3.6 million respectively. However, the increases in entrance fees income and sales of beverage and other products were partially offset by the drop in sponsorship income of approximately HK\$2.5 million in 2016. It was mainly because sponsorship for 2016 Road to Ultra event decreased by approximately HK\$2.6 million when compared to 2015 Road to Ultra event, as the event was first held outside our established Club Cubic brand in Macau. In addition, our events rental income from Taboo Show held in Club Cubic in Macau dropped by approximately HK\$1.6 million in 2016, as Taboo Show ceased to be performed since April 2016.

Other income and gain remained stable at approximately HK\$2.5 million for both periods of 2015 and 2016.

Expenses

Costs of inventories sold mainly represented the costs of beverage, food and tobacco products sold. It increased by 16.4% from approximately HK\$15.2 million for the first three quarters of 2015 to approximately HK\$17.7 million for that of 2016, whereas the gross profit margin decreased by 2.1 percentage points from approximately 77.4% in 2015 to approximately 75.3% in 2016. It is because the 2016 Road to Ultra Hong Kong event, which was held outside our established Club Cubic brand in Macau, had a relatively lower gross profit margin at around 70%.

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

Staff costs notably increased by 33.1% from approximately HK\$16.9 million for the first three quarters of 2015 to approximately HK\$22.5 million for that of 2016. It was mainly because, in the preparation of the listing of the Company's shares on the GEM, certain employees who had been previously employed by a related company to provide operation, marketing and administrative services to the Group, were hired by the Group directly since January 2016. The relevant consulting fee, which was classified under other operating expenses in 2015, amounted to approximately HK\$6.3 million for the nine month period ended 30 September 2015. We ceased to pay such consulting fee in 2016. Excluding such effect, we incurred less staff costs in 2016 as we saved the relevant staff costs for the Taboo Show which ceased performance since April 2016.

Depreciation remained stable at approximately HK\$1.5 million for both periods of 2015 and 2016.

Property rentals and related expenses increased by 38.1% from approximately HK\$6.3 million for the first three quarters of 2015 to approximately HK\$8.7 million for that of 2016. The increase was mainly due to (i) we rented our Hong Kong office directly from the landlord since 1 March 2016 and incurred approximately HK\$0.7 million; and (ii) we incurred approximately HK\$1.3 million on venue rentals and related expenses for the 2016 Road to Ultra Hong Kong event.

Advertising and marketing expenses increased by 8.0% from approximately HK\$15.0 million for the first three quarters of 2015 to approximately HK\$16.2 million for that of 2016, which was in line with the increase in our turnover.

Other operating expenses decreased by 19.7% from approximately HK\$27.3 million for the first three quarters of 2015 to approximately HK\$22.8 million for that of 2016. It was mainly because we ceased to pay the aforesaid consulting fee to a related company.

We incurred non-recurring listing expenses of approximately HK\$7.1 million for the nine months ended 30 September 2016 in the preparation of the listing of the Company's shares on the GEM in 2016.

Loss Attributable to the Owners of the Company

As disclosed in the Prospectus, the non-recurring listing expenses have a significant financial impact on our financial performance. We recorded a net loss of approximately HK\$34,000 for the nine month period ended 30 September 2016, whereas we recorded a net profit of approximately HK\$6,208,000 for the corresponding period of last year. Excluding the abovementioned non-recurring listing expenses and without taking into account the relevant impact of taxation, our adjusted net profit for the nine months period ended 30 September 2016 would be approximately HK\$7.1 million, which is higher than that of 2015 and its movement was in line with the increase in turnover.

OUTLOOK

Although the Macau economy and tourist arrivals both declined in 2015, there are signs that its economy has bottomed out during 2016. There was also a steady growth in local private consumption expenditure since 2010. Major clubbing venues in Macau are still drawing large crowds of tourists. This is likely due to the increase in the proportion of tourists for other non-gambling related activities such as concerts and entertainment events, who also have a high propensity to visit clubbing venues. With Macau government's priority to develop non-gaming entertainment, development of Cotai area and new attractions, as well as improvement in infrastructure such as the Hong Kong-Zhuhai-Macau Bridge and the Macau Light Rapid Transit System, we believe that there is ample room for growth and expansion of Club Cubic in Macau. The successful completion of placing and listing of the Company's shares on GEM on 11 November 2016, with a total of 450,000,000 new ordinary shares of the Company issued at the placing price of HK\$0.21 per share, could equip the Group for enlarging its operation. In March 2016, we have exercised the option to extend the operating agreement of Club Cubic in Macau to March 2020. According to the new supplemental agreement made in August 2016, in order to renew for a further extended term to March 2025, the Group has to commit not less than MOP 20 million to complete the first and second phase expansions. We have served the further renewal notice in September 2016, with effect conditional upon the listing, and we intend to apply approximately 49.2% of the net proceeds from the placing for such expansions.

Following the organising of the 2016 Road to Ultra in Hong Kong, we have accumulated valuable experience to organise events outside Macau's Club Cubic. The Group has been licensed to organise the Road to Ultra event annually until 2019. The Group has also entered into strategic cooperation agreements with a local music magazine and a renowned event production house based in Hong Kong respectively, pursuant to which each of them will invite the Group to co-invest in event which it invests or organises in Hong Kong or Macau. We will continue to devote more attention and resources and explore possibilities of engaging in suitable events. We intend to apply approximately 21.0% of the net proceeds from the placing for organising events in venues other than Macau's Club Cubic.

Leveraging on our success in clubbing business in Macau and the established brand name of Club Cubic, we look for opportunities to expand in regions other than Macau. We are exploring opportunities to act as a clubbing venue operator or investor in mainland China. Terms of this potential project are still subject to analysis and studies, and no binding and non-binding memorandum of understanding or agreement has been signed as at the date of this report. We intend to apply approximately 19.8% of the net proceeds from the placing for the research of expansion in regions other than Macau.

Going forward, the management will prudently identify any suitable business opportunities to diversify our sources of revenue, taking into account the funding requirement and the associated business risk.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

The Company's shares were not listed on the GEM as at 30 September 2016. Immediately following the Listing on 11 November 2016, the interests and short positions of the Directors and chief executives in shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required to be notified to the Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including any interests or short positions which they are taken or deemed to have under such provisions of the SFO), or as recorded in the register maintained by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of listed issuers as referred to in Rule 5.46 to 5.67 of the GEM Listing Rules were as follows:

Name of Director/Chief Executive	Name of Group member/associated corporation	Nature of interest	Number and class of securities ⁽¹⁾	Approximate percentage of shareholding interest immediately after the Listing
Mr. Choi Yiu Ying (Notes 2 and 3)	The Company	Interest of a controlled corporation, interest held jointly with another person	1,093,500,000 ordinary shares of the Company (L)	60.75%
	Welmen Investment Co. Ltd ("Welmen")	Interest of a controlled corporation	3,031.11 ordinary shares of Welmen (L)	30.3111%
		Beneficial owner	706.67 ordinary shares of Welmen (L)	7.0667%
Mr. Choi Siu Kit (Notes 2 and 3)	The Company	Interest of a controlled corporation, interest held jointly with another person	1,093,500,000 ordinary shares of the Company (L)	60.75%
	Welmen	Interest of a controlled corporation	3,031.11 ordinary shares of Welmen (L)	30.3111%
		Beneficial owner	706.67 ordinary shares of Welmen (L)	7.0667%

Name of Director/Chief Executive	Name of Group member/associated corporation	Nature of interest	Number and class of securities ⁽¹⁾	Approximate percentage of shareholding interest immediately after the Listing
Mr. Yeung Chi Shing (Note 2)	The Company	Interest held jointly with another person	1,093,500,000 ordinary shares of the Company (L)	60.75%
	Welmen	Beneficial owner	1,233.44 ordinary shares of Welmen (L)	12.3444%
Mr. Au Wai Pong Eric (Note 2)	The Company	Interest held jointly with another person	1,093,500,000 ordinary shares of the Company (L)	60.75%
	Welmen	Beneficial owner	1,605.56 ordinary shares of Welmen (L)	16.0556%

Notes:

- (1) The letter "L" denotes the person's long position in the shares of the Company or the relevant associated corporation.
- (2) On 2 March 2016, 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 entered into an acting in concert confirmation whereby each of them confirmed that since 31 January 2011, they acted in concert with each other when dealing with matters concerning operation management, accounts, finance and treasury and human resources management of the Group, details of which are set out in the Prospectus. As such, pursuant to the acting in concert arrangement, each of 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 is deemed to be interested in 60.75% of the issued share capital of the Company held by Welmen.
- (3) Welmen is owned as to 30.3111% by Yui Tak Investment Limited ("Yui Tak") and Yui Tak is wholly owned by Ocean Concept Holdings Limited ("Ocean Concept"). Ocean Concept is owned as to 88.29% by Toprich Investment (Group) Limited ("Toprich") and Toprich is wholly owned by Perfect Succeed Limited ("Perfect Succeed"), which is in turn owned as to 50% by Mr. Choi Yiu Ying and as to 50% by Mr. Choi Siu Kit. By virtue of the SFO, each of Mr. Choi Yiu Ying and Mr. Choi Siu Kit is deemed to be interested in 30.3111% of the issued share capital of Welmen held by Yui Tak and 60.75% of the issued share capital of the Company held by Welmen.

Save as disclosed above and so far as is known to the Directors, immediately following the Listing on 11 November 2016, none of the Directors and chief executives of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including any interests or short positions which they are taken or deemed to have under such provisions of the SFO), or as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of listed issuers as referred to in Rule 5.46 to 5.67 of the GEM Listing Rules.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

The Company's shares were not listed on the GEM as at 30 September 2016. Immediately following the Listing on 11 November 2016, the person (other than the Directors or chief executives of the Company) or company who or which had an interest and short position in the shares and underlying shares of the Company which were required to be notified to the Company under Divisions 2 and 3 of Part XV of the SFO or as recorded in the register of the Company required to be kept under Section 336 of the SFO were as follows:

Name of shareholder	Nature of interest	Number and class of securities ⁽¹⁾	Approximate percentage of shareholding interest immediately after the Listing
Welmen	Beneficial owner	1,093,500,000 ordinary shares (L)	60.75%
Yui Tak (Note 3)	Interest of a controlled corporation	1,093,500,000 ordinary shares (L)	60.75%
Ocean Concept (Note 3)	Interest of a controlled corporation	1,093,500,000 ordinary shares (L)	60.75%
Toprich (Note 4)	Interest of a controlled corporation	1,093,500,000 ordinary shares (L)	60.75%
Perfect Succeed (Note 4)	Interest of a controlled corporation	1,093,500,000 ordinary shares (L)	60.75%

Name of shareholder	Nature of interest	Number and class of securities ⁽¹⁾	Approximate percentage of shareholding interest immediately after the Listing
Mr. Au Ka Wai (Note 2)	Interest held jointly with another person	1,093,500,000 ordinary shares (L)	60.75%
Mr. Yeung Bernard Sie Hong (Note 2)	Interest held jointly with another person	1,093,500,000 ordinary shares (L)	60.75%
Kenbridge Limited ("Kenbridge")	Beneficial owner	121,500,000 ordinary shares (L)	6.75%
Mr. Poon Ching Tong Tommy (Note 5)	Interest of a controlled corporation	121,500,000 ordinary shares (L)	6.75%
Ms. Chan Ting Fai (Note 6)	Interest of spouse	1,093,500,000 ordinary shares (L)	60.75%
Ms. Lee Wan (Note 7)	Interest of spouse	1,093,500,000 ordinary shares (L)	60.75%
Ms. Mak Kai Fai (Note 8)	Interest of spouse	1,093,500,000 ordinary shares (L)	60.75%
Ms. Lau Sze Mun Charmaine (Note 9)	Interest of spouse	121,500,000 ordinary shares (L)	6.75%

Notes:

- (1) The letter "L" denotes the person's long position in the shares of the Company.
- (2) On 2 March 2016, 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 entered into an acting in concert confirmation whereby each of them confirmed that since 31 January 2011, they acted in concert with each other when dealing with matters concerning operation management, accounts, finance and treasury and human resources management of the Group, details of which are set out in the Prospectus. As such, pursuant to the acting in concert arrangement, each of Mr. Choi Yiu Ying, Mr. Choi Siu Kit, Mr. Au Wai Pang Eric, Mr. Au Ka Wai, Mr. Yeung Bernard Sie Hong and Mr. Yeung Chi Shing is deemed to be interested in 60.75% of the issued share capital of the Company held by Welmen.

- (3) Welmen is owned as to 30.3111% by Yui Tak and Yui Tak is wholly owned by Ocean Concept. By virtue of the SFO, each of Yui Tak and Ocean Concept is deemed to be interested in 60.75% of the issued share capital of the Company held by Welmen.
- (4) Ocean Concept is owned as to 88.29% by Toprich and Toprich is wholly owned by Perfect Succeed, which is in turn owned as to 50% by Mr. Choi Yiu Ying and as to 50% by Mr. Choi Siu Kit. By virtue of the SFO, each of Toprich, Perfect Succeed, Mr. Choi Yiu Ying and Mr. Choi Siu Kit is deemed to be interested in 60.75% of the issued share capital of the Company held by Welmen.
- (5) Kenbridge is wholly owned by Mr. Poon Ching Tong Tommy. By virtue of the SFO, Mr. Poon Ching Tong Tommy is deemed to be interested in 6.75% of the issued share capital of the Company held by Kenbridge.
- (6) Ms. Chan Ting Fai is the spouse of Mr. Choi Siu Kit. By virtue of the SFO, Ms. Chan Ting Fai is deemed to be interested in 60.75% of the issued share capital of the Company in which Mr. John Choi is interested.
- (7) Ms. Lee Wan is the spouse of Mr. Au Wai Pong Eric. By virtue of the SFO, Ms. Lee Wan is deemed to be interested in 60.75% of the issued share capital of the Company in which Mr. Au Wai Pong Eric is interested.
- (8) Ms. Mak Kai Fai is the spouse of Mr. Yeung Bernard Sie Hong. By virtue of the SFO, Ms. Mak Kai Fai is deemed to be interested in 60.75% of the issued share capital of the Company in which Mr. Yeung Bernard Sie Hong is interested.
- (9) Ms. Lau Sze Mun Charmaine is the spouse of Mr. Poon Ching Tong Tommy. By virtue of the SFO, Ms. Lau Sze Mun Charmaine is deemed to be interested in 6.75% of the issued share capital of the Company in which Mr. Poon Ching Tong Tommy is interested.

Save as disclosed above and so far as is known to the Directors, immediately following the Listing on 11 November 2016, no other interests or short positions in the shares or underlying shares of the Company which were required to be notified to the Company under Divisions 2 and 3 of Part XV of the SFO or were recorded in the register required to be kept by the Company under section 336 of the SFO.

PURCHASES, SALES OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the nine-month period ended 30 September 2016.

INTEREST IN A COMPETING BUSINESS

As disclosed in the Prospectus, our controlling shareholders are interested in certain restaurant businesses in Macau (the "Retained Macau Restaurant Business") and our executive Directors, Mr. Choi Yiu Ying and Mr. Choi Sui Kit, are engaged in certain restaurant and bar business in Hong Kong (the "Retained HK Restaurant and Bar Business"). In view of the difference in industry nature, the opening business hours and the target customers of the Retained Macau Restaurant Business and the geographical difference of the Retained HK Restaurant and Bar Business, our Directors are of the view that these businesses are clearly delineated from our current clubbing business in Macau and will not compete (either directly or indirectly) or are not likely to compete with the clubbing business of our Group in Macau.

As also disclosed in the Prospectus, our independent non-executive Director, Mr. Tse Kar Ho Simon ("Mr. Tse"), is engaged in the business of musical events and performances organization and other promotional and/or marketing events in Hong Kong, the PRC and other countries.

Below are the details of his interests in companies involved in such business during the nine-month period ended 30 September 2016:

Name of entity	Nature of interests
Best Shine Entertainment Limited	Director and interest in approximately 92.5% of its issued share capital
Best Shine (China) Entertainment Limited	Director and interest in approximately 99.9% of its issued share capital
Sky Treasure Entertainment Limited	Director and interest in approximately 83.3% of its issued share capital

The events organized by Mr. Tse are not limited to music-related events, and even as to music-related events and performances, the music genre is broad and not limited to clubbing music such as electronic music which is the focus of our Group. In addition, Mr. Tse expects that Macau will not be a material market for his event or performance organization business in the foreseeable future. During the nine-month period ended 30 September 2016, our Group did not have any transactions with Mr. Tse or his above businesses. Hence, our Directors are of the view that the pool of potential customers and audience attending the events are different between the events organized by us and Mr. Tse and accordingly potential competition is relatively low and limited.

Saved as disclosed, during the nine-month period ended 30 September 2016, none of the Directors or the controlling shareholders of the Company, neither themselves nor their respective close associates (as defined in the GEM Listing Rules) engaged in any business that competes or may compete, directly or indirectly, with the business of the Group or had any other conflicts of interest with the Group nor are they aware of any other conflicts of interest which any such person has or may have with the Group.

INTERESTS OF THE COMPLIANCE ADVISER

As notified by the Company's compliance adviser, China Everbright Capital Limited (the "Compliance Adviser"), as at 30 September 2016, except for (i) the Compliance Adviser's participation as the sole sponsor in relation to the Listing; and (ii) the compliance adviser agreement entered into between the Company and the Compliance Adviser dated 11 March 2016, neither the Compliance Adviser nor its directors, employees or close associates (as defined under the GEM Listing Rules) had any interest in the Group or in the share capital of any member of the Group which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

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 Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules. The audit committee consists of two independent non-executive Directors being Mr. Chan Ting Bond Michael and Mr. Lam Wai Chin Raymond and our non-executive Director, Mr. Au Wai Pong Eric. Mr. Chan Ting Bond Michael serves as the chairman of the audit committee. The primary responsibilities of the audit committee include but without limitation the following: (i) assisting the Board in providing an independent view of the effectiveness of our Group's financial reporting process, internal control and risk management systems; (ii) overseeing the audit process; and (iii) performing other duties and responsibilities as assigned by the Board.

The audit committee has reviewed the unaudited condensed consolidated financial statements of the Group for the nine-month period ended 30 September 2016.

BOARD OF DIRECTORS

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

Executive Directors:

Mr. Choi Yiu Ying (*Chairman and Chief Executive Officer*)

Mr. Choi Siu Kit

Mr. Yeung Chi Shing

Non-executive Directors:

Mr. Au Wai Pong Eric

Mr. Au Ion Weng

Ms. Poon Kam Yee Odilia

Independent non-executive Directors:

Mr. Lam Wai Chin Raymond

Mr. Chan Ting Bond Michael

Mr. Tse Kar Ho Simon

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

Hong Kong, 11 November 2016