

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.

FIRST 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 period ended 31 March 2017, together with the unaudited comparative figures for the respective corresponding period in 2016, as follows:

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

	Notes	Three-month period ended 31 March	
		2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Revenue	2	21,790	23,351
Other income and gain		390	501
Cost of inventories sold		(4,605)	(4,614)
Staff costs		(8,111)	(7,583)
Depreciation and amortisation		(529)	(571)
Property rentals and related expenses		(1,680)	(1,361)
Advertising and marketing expenses		(2,545)	(4,194)
Other operating expenses		(7,048)	(5,223)
Listing expenses		-	(2,870)
Loss before taxation		(2,338)	(2,564)
Taxation	3	-	-
Loss and total comprehensive loss for the period attributable to the owners of the Company		(2,338)	(2,564)
		HK Cents	HK Cents
Loss per share			
Basic and diluted	4	(0.13)	(0.19)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three-month period ended 31 March 2017

	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 2016	24	-	12	14,783	14,819
Loss and total comprehensive loss for the period	-	-	-	(2,564)	(2,564)
Effect of reorganisation	(24)	-	-	-	(24)
Dividends (Note 5)	-	-	-	(5,807)	(5,807)
At 31 March 2016	-	-	12	6,412	6,424
At 1 January 2017	18,000	66,235	12	2,792	87,039
Loss and total comprehensive loss for the period	-	-	-	(2,338)	(2,338)
At 31 March 2017	18,000	66,235	12	454	84,701

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 three-month period ended 31 March 2017 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 three-month period ended 31 March 2017 do not include all the information and disclosure required in the annual financial statements and should be read in conjunction with the audited annual financial statements included in the annual report of the Company dated 28 March 2017. The accounting policies adopted are consistent with those applied in the Group's audited annual financial statements for the year ended 31 December 2016, 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 2017. The adoption of these new and revised HKFRSs has not had material impact on the unaudited condensed consolidated financial statements for the three-month ended 31 March 2017. 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 31 March	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Sales of beverage and other products	19,411	19,628
Sponsorship income	97	946
Entrance fees income	1,631	2,080
Others (note)	651	697
	21,790	23,351

note: others mainly represent events rental income, cloakroom income, royalty and franchising income.

3. INCOME TAX EXPENSES

	For the three-month period ended 31 March	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Current tax	-	-

No provision for Macau complementary tax is made since the Macau subsidiary has no estimated assessable profit for the three-month period ended 31 March 2017 and 2016, respectively. No provision for Hong Kong profits tax is made since the Hong Kong subsidiary has no estimated assessable profit for the three-month period ended 31 March 2017 and 2016, respectively.

4. LOSS PER SHARE

	For the three-month period ended 31 March	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Loss for the period attributable to the owners of the Company	(2,338)	(2,564)
	'000	'000
Number of ordinary shares for the purpose of calculating basic loss per share	1,800,000	1,350,000

The calculation of basic loss per share for the three-month period ended 31 March 2017 and 2016 is based on the loss and total comprehensive loss for the period attributable to the owners of the Company and the weighted average number of shares for the relevant period.

For the three-month period ended 31 March 2016, the weighted average number of ordinary shares for the purpose of calculating basic loss per share is calculated based on the assumption that 1,350,000,000 ordinary shares had been in issue, comprising 10,000 ordinary shares in issue and 1,349,990,000 ordinary shares to be issued pursuant to the capitalisation issue as detailed in the sub-section headed "Share Capital" set out in the prospectus of the Company dated 27 October 2016 as if the shares had been outstanding throughout the period.

No adjustment has been made to the basic loss per share presented for the three-month period ended 31 March 2017 and 2016 in respect of a dilution as the Group did not have any potentially dilutive ordinary shares in issue during those periods.

5. DIVIDEND

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 former shareholder, Star Century Investments Limited. The said dividend was fully settled prior to the listing of the Company's shares on the GEM 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 three-month period ended 31 March 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group is a premium clubbing and entertainment business operator. During the first quarter of 2017, the Group continued to engage in the operation of clubbing business and organizing music-related featured events.

BUSINESS REVIEW

Clubbing Business

During the period under review, the Group derived most of its revenue from Club Cubic Macau. Since its opening in 2011, we have strived to develop Club Cubic as a brand to offer premium and high end clubbing and entertainment experience by providing sensational clubbing venue and live entertainment space of stylish and lighting coupled with music and live performances for its customers. Revenue generated from Club Cubic Macau 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.

Leveraging on the established brand name of Club Cubic, we will establish a company with other business partners for the operation of Club Cubic in Zhuhai. The Group shall strategically invest in the company and license our Cubic trademarks and in return we will receive a monthly royalty fee. The arrangement enables us to mitigate our risk exposure while we can accumulate experience in mainland China. Club Cubic Zhuhai is expected to be opened in around late 2017 to early 2018.

In addition to our own Cubic brand name, we have explored the premium clubbing and entertainment market in mainland China by bringing the Monkey Museum brand, a brand of prestigious and fascinating night club. We have entered into an exclusive master franchising agreement in December 2016 in respect of the franchising of the Monkey Museum brand in mainland China, Hong Kong and Macau for an initial term of ten years. We have successfully identified a sub-franchisee for the opening and operation of Monkey Museum Changsha in January 2017. Pursuant to the relevant agreements, the Group in return received a portion of the franchising fee, which included a start-up joining fee and monthly fees based on the night club's revenue.

Event Organising

During the period under review, we continued to organise music-related featured events in Club Cubic Macau to offer music entertainment to our customers. 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. We normally 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.

In general, our customer visits and revenue experienced a sluggish start in the first quarter and reached the peak in the fourth quarter. Such fluctuations over the quarters were primarily because there were more festival days, such as Halloween and Christmas, vacation days, such as National Day golden week, and functions, such as Macau Grand Prix, during the fourth quarter, whereas there were fewer customers during the Chinese New Year in the first quarter. In the first quarter of 2017, we strategically focus on organising more featured events but with relatively smaller scale when compared to that of 2016, such that we can significantly reduce the performance fee to well-known disc jockeys and artists while maintaining the number of customer visits. In the first quarter of 2016, we organised 8 featured events in Club Cubic Macau, including 2 of 2016 top ten featured events with revenue over HK\$1 million. We organised 14 featured events in the first quarter of 2017 and each of them generated revenue less than HK\$0.6 million.

FINANCIAL REVIEW

Revenue and Other Income and Gain

Total revenue of the Group decreased by about HK\$1.6 million or 6.8% from approximately HK\$23.4 million for the first quarter of 2016 to approximately HK\$21.8 million for that of 2017. The aforementioned strategic focus to smaller scale featured events in low season to cope with the seasonality effect on customer traffic led to the drops in sales of beverage and other products, entrance fees income and in particular the sponsorship income. These revenues decreased by HK\$1.5 million in aggregate in the first quarter of 2017, when compared to the same period of 2016. In addition, our events rental income from Taboo Show held in Club Cubic Macau dropped by approximately HK\$0.6 million in 2017, as Taboo Show ceased to be performed since April 2016. The decrease in revenue was partially offset by the share of franchising fee income in relation to Money Museum Changsha in 2017, amounting to approximately HK\$0.6 million.

Other income and gain remained fairly stable at approximately HK\$0.4 million and HK\$0.5 million for the first quarter of 2017 and 2016, respectively.

Expenses

Costs of inventories sold mainly represented the costs of beverage, food and tobacco products sold. It remained at approximately HK\$4.6 million for the first quarter of both 2017 and 2016, whereas the gross profit margin decreased slightly by 0.2 percentage point from approximately 76.5% in 2016 to 76.3% in 2017.

Staff costs increased by about HK\$0.5 million or 6.6% from approximately HK\$7.6 million for the first quarter of 2016 to approximately HK\$8.1 million for that of 2017. It was mainly because the emoluments paid to the directors increased by approximately HK\$0.3 million in 2017 following the listing of the Company in late 2016.

Depreciation and amortisation remained fairly stable at approximately HK\$0.5 million and HK\$0.6 million for the first quarter of 2017 and 2016, respectively.

Property rentals and related expenses increased by about HK\$0.3 million or 21.4% from approximately HK\$1.4 million for the first quarter of 2016 to approximately HK\$1.7 million for that of 2017. The increase was mainly because we incurred additional rentals when we rented our Hong Kong office directly from the landlord since 1 March 2016.

Advertising and marketing expenses notably decreased by about HK\$1.7 million or 40.5% from approximately HK\$4.2 million for the first quarter of 2016 to approximately HK\$2.5 million for that of 2017. The drop was mainly because we saved about HK\$1.6 million performers and agency fees as we strategically focus to smaller scale featured events in slack season to preserve our resources.

Other operating expenses significantly increased by about HK\$1.8 million or 34.6% from approximately HK\$5.2 million for the first quarter of 2016 to approximately HK\$7.0 million for that of 2017. The increase was mainly due to the increase in legal and professional fees in relation to post-listing compliance and the business travelling and entertainment expenses for business expansion and exploration of potential business opportunities in regions other than Macau.

Loss Attributable to the Owners of the Company

Our net loss decreased by about HK\$0.3 million or 11.5% from approximately HK\$2.6 million for the first quarter of 2016 to approximately HK\$2.3 million for that of 2017. We incurred listing expenses of approximately HK\$2.9 million in 2016 whereas we did not incur such expenses after listing. Excluding such non-recurring listing expenses and without taking into account the relevant impact of taxation, our adjusted net profit for the three months period ended 31 March 2016 would be approximately HK\$0.3 million. The change from adjusted net profit to net loss, amounted to approximately HK\$2.6 million, was mainly attributable to the aforementioned increase in other operating expenses for post-listing compliance and exploring business opportunities in regions other than Macau.

OUTLOOK

Our Club Cubic Macau is located in City of Dreams in Cotai, Macau. The owner of City of Dreams has announced the re-branding of the existing Hard Rock Hotel, which will be operated under the name "Countdown" from July 2017 until March 2018. We will closely monitor the progress of our expansion plan of Club Cubic Macau and continue to negotiate with the owner to speed up the approval of the layout plan. We intend to apply approximately HK\$32.3 million of the net proceeds from the placing and listing of the Company on 11 November 2016 for the expansion. We will also continue to review and evaluate the business objective and strategy and may fine-tune the timing of execution and utilization of the net proceeds when necessary, taking into account the business risks and market uncertainties.

In addition to the expansion plan of Club Cubic Macau, we believe that there are also ample opportunities in regions other than Macau and explore the opportunities to expand the Group's coverage to markets with business potential such as mainland China and Hong Kong. We intend to apply approximately HK\$13.0 million from the net proceeds for such expansions.

We believe that our revenue can be boosted and further diversified with the introduction of more brands and increasing geographic coverage. Going forward, the management will continue to prudently identify any suitable business opportunities, 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

As at 31 March 2017, the interests and short positions of the Directors and the Company's chief executives in the shares, underlying shares and debentures of the Company and 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
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
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, as at 31 March 2017, none of the Directors and the Company's chief executives 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

As at 31 March 2017, the person (other than the Directors or the Company's chief executives) 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
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%
Mr. Au Ka Wai (Note 2)	Interest held jointly with another person	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
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, as at 31 March 2017, 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 three-month period ended 31 March 2017.

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 three-month period ended 31 March 2017:

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 three-month period ended 31 March 2017, 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 three-month period ended 31 March 2017, 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 disclosed in the Company's announcement dated 9 February 2017, our compliance adviser agreement with China Everbright Capital Limited ("China Everbright") was terminated with effect from 11 February 2017. Innovax Capital Limited ("Innovax") was appointed as our new compliance adviser with effect from 12 February 2017.

As notified by China Everbright, except for (i) China Everbright's participation as the sole sponsor in relation to the Listing; and (ii) the compliance adviser agreement entered into between the Company and China Everbright dated 11 March 2016, neither China Everbright nor its directors, employees involved in providing advice to the Group or their close associates (as defined under the GEM Listing Rules) had any interest in the Group (including options or rights to subscribe for the securities of the Group) which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules up to 11 February 2017.

As notified by Innovax, during 12 February 2017 to 31 March 2017, except for the compliance adviser agreement entered into between the Company and Innovax dated 9 February 2017, neither Innovax nor its directors, employees involved in providing advice to the Group or their close associates (as defined under the GEM Listing Rules) had any interest in the Group (including options or rights to subscribe for the securities 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 one 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 three-month period ended 31 March 2017.

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, 10 May 2017