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LUK HING ENTERTAINMENT GROUP



## THIRD QUARTERLY REPORT 2017

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

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

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

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

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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 2017, together with the unaudited comparative figures for the respective corresponding periods in 2016, 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	
		2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
<b>Revenue</b>	2	<b>47,787</b>	41,966	<b>98,845</b>	94,002
Other income and gain		1,704	1,274	2,593	2,450
Cost of inventories sold		(7,145)	(7,095)	(17,590)	(17,679)
Staff costs		(10,401)	(7,784)	(27,535)	(22,521)
Depreciation and amortisation		(683)	(454)	(1,750)	(1,481)
Property rentals and related expenses		(6,612)	(4,959)	(10,130)	(8,694)
Advertising and marketing expenses		(12,219)	(7,127)	(19,593)	(16,202)
Other operating expenses		(16,980)	(12,560)	(30,964)	(22,773)
Finance costs		-	(8)	-	(8)
Listing expenses		-	(4,054)	-	(7,128)
<b>Loss before taxation</b>		<b>(4,549)</b>	(801)	<b>(6,124)</b>	(34)
Taxation	3	-	-	-	-
<b>Loss and total comprehensive loss for the period</b>		<b>(4,549)</b>	(801)	<b>(6,124)</b>	(34)
<b>Loss and total comprehensive loss for the period attributable to:</b>					
Owners of the Company		(3,115)	(801)	(4,690)	(34)
Non-controlling interests		(1,434)	-	(1,434)	-
		<b>(4,549)</b>	(801)	<b>(6,124)</b>	(34)
		HK Cents	HK Cents	HK Cents	HK Cents
<b>Losses per share</b>					
Basic and diluted	4	<b>(0.17)</b>	(0.059)	<b>(0.26)</b>	(0.003)

# UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine-month period ended 30 September 2017

	Attributable to owners of the Company				Sub-total HK\$'000 (Unaudited)	Attributable to non-controlling interests HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
	Share capital HK\$'000 (Unaudited)	Share premium HK\$'000 (Unaudited)	Legal reserve HK\$'000 (Unaudited)	Retained earnings/ (Accumulated losses) HK\$'000 (Unaudited)			
At 1 January 2016	24	-	12	14,783	14,819	-	14,819
Loss and total comprehensive loss for the period	-	-	-	(34)	(34)	-	(34)
Effect of reorganisation	(24)	-	-	-	(24)	-	(24)
Dividends (Note 5)	-	-	-	(5,807)	(5,807)	-	(5,807)
At 30 September 2016	-	-	12	8,942	8,954	-	8,954
At 1 January 2017	18,000	66,235	12	2,792	87,039	-	87,039
Capital contribution from non-controlling interests	-	-	-	-	-	4,002	4,002
Loss and total comprehensive loss for the period	-	-	-	(4,690)	(4,690)	(1,434)	(6,124)
At 30 September 2017	18,000	66,235	12	(1,898)	82,349	2,568	84,917

# 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 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 nine-month period ended 30 September 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 nine-month ended 30 September 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 30 September		For the nine-month period ended 30 September	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Sales of beverage and other products	30,037	27,911	73,889	71,619
Sponsorship income	3,017	3,416	5,181	7,049
Entrance fees income	14,250	10,163	18,503	14,125
Others (note)	483	476	1,272	1,209
	<b>47,787</b>	<b>41,966</b>	<b>98,845</b>	<b>94,002</b>

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

## 3. INCOME TAX EXPENSES

	For the three-month period ended 30 September		For the nine-month period ended 30 September	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)	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 and nine-month period ended 30 September 2017 and 2016, respectively. No provision for Hong Kong profits tax is made since the Hong Kong subsidiaries have no estimated assessable profit for the three-month and nine-month period ended 30 September 2017 and 2016, respectively.

## 4. LOSSES PER SHARE

	For the three-month period ended 30 September		For the nine-month period ended 30 September	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Loss for the period attributable to the owners of the Company	(3,115)	(801)	(4,690)	(34)
Number of ordinary shares for the purpose of calculating basic losses per share	1,800,000	1,350,000	1,800,000	1,350,000

The calculation of basic losses per share for the three-month and nine-month periods ended 30 September 2017 and 2016 is based on the loss and total comprehensive losses 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 and nine-month periods ended 30 September 2016, the weighted average number of ordinary shares for the purpose of calculating basic losses 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 (the "Prospectus") as if the shares had been outstanding throughout the period.

No adjustment has been made to the basic losses per share presented for the three-month and nine-month periods ended 30 September 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 nine-month period ended 30 September 2017.



## MANAGEMENT DISCUSSION AND ANALYSIS

The Group is a premium clubbing and entertainment business operator. During the first three quarters of 2017, the Group continued to engage in the operation of clubbing business and organising music-related featured events and also started to engage in food and beverage business in Hong Kong.

### BUSINESS REVIEW

#### Clubbing and Restaurant Business

During the period under review, the Group continued to offer premium and high end clubbing and entertainment experience to its customers.

For the expansion of Club Cubic Macau, we anticipate the opening of the first phase expansion is likely to be further delayed, due to the fact that our expansion layout plan is in the process of obtaining formal approval by the owner of the club premises. Meanwhile, with the acknowledgment of the owner of the club premises, we are preparing the statutory submission for the licenses and construction permit but both take longer processing time to get approval from the relevant Macau authorities currently. Regarding Club Cubic Zhuhai, we are negotiating the commercial terms with our cooperation partners and revised opening will be further updated. The Group will further extend our footprint for Club Cubic and Monkey Museum brand to the PRC.

After the reporting period, the Group has expanded its operation to the Hong Kong restaurant business by operating a modern Chinese restaurant under the trade name of "HEXA" in Harbour City, one of the Hong Kong's most iconic landmarks and largest shopping, dining and entertainment centres.

"HEXA" has been opened in the fourth quarter of 2017 and it is located in the new extension building at Ocean Terminal commanding a fascinating panorama of Victoria Harbour. With exquisite Chinese culinary offering with bar concept and clubbing element, outdoor area exhibiting the stunning sunset and night views of Hong Kong, "HEXA" is aimed to create new and unique gastronomic experience and setting a new standard of dining experience to the customers.

#### Event Organising

During the period under review, the Group continued to organize music-related featured events in Club Cubic Macau to offer music entertainment to its customers. The Group has organised a total of 42 featured events during the nine months ended 30 September 2017 (September 2016: 35).

Following the completion of 2017 Road to Ultra event and on behalf of the brand owner, the Group is deeply saddened about the incident happened in the event and the organisation of the event next year will be subject to the negotiation with the brand owner.

## FINANCIAL REVIEW

### Revenue and Other Income and Gain

Total revenue of the Group increased by about HK\$4.8 million or 5.1% from approximately HK\$94.0 million for the first three quarters of 2016 to approximately HK\$98.8 million for that of 2017. The growth was mainly contributed by the larger scale of event held outside Club Cubic Macau in September 2017, which recorded an increase of 50% in the number of tickets sold when compared to the event held in September 2016. Accordingly, the Group's entrance fees income and sales of beverage and other products increased by about HK\$4.4 million and HK\$2.3 million respectively in 2017. However, such increases in entrance fees income and sales of beverage and other products were partially offset by the drop in sponsorship income of approximately HK\$1.9 million in 2017, which was mainly because (i) the suppliers provided less sponsorship but more favourable pricing to the event held outside Club Cubic Macau in 2017 when compared to last year; and (ii) the strategic focus to smaller scale featured events held in Club Cubic Macau in 2017, resulting in less sponsorship.

Other income and gain remained stable at approximately HK\$2.6 million and HK\$2.5 million for the first three quarters of 2017 and 2016 respectively.

### Expenses

Cost of inventories sold mainly represented the costs of beverage, food and tobacco products sold. It remained fairly stable at approximately HK\$17.6 million and HK\$17.7 million for the first three quarters of 2017 and 2016 respectively, whereas the gross profit margin increased by 0.9 percentage point from approximately 75.3% in 2016 to 76.2% in 2017, as a result of improvement in gross profit margin of the event held outside Club Cubic Macau in 2017 due to the abovementioned favourable pricing offered by the suppliers.

Staff costs notably increased by about HK\$5.0 million or 22.2% from approximately HK\$22.5 million for the first three quarters of 2016 to approximately HK\$27.5 million for that of 2017. The increase was mainly attributable to (i) staff recruited for post-listing compliance, business expansion and exploration of business opportunities, including project teams for event held outside Club Cubic Macau and the new operation of Chinese restaurant and bar in Harbour City, HEXA; (ii) the increase in the emoluments paid to the directors following the listing of the Company in late 2016; and (iii) more helpers and temporary workers needed for the larger scale of event held outside Club Cubic Macau in 2017.

Depreciation and amortization increased by about HK\$0.3 million from approximately HK\$1.5 million for the first three quarters of 2016 to approximately HK\$1.8 million for that of 2017. The increase was mainly due to (i) amortization of intangible assets acquired in September 2016; and (ii) depreciation of newly acquired plant and equipments.

Property rentals and related expenses increased by approximately HK\$1.4 million or 16.1% from approximately HK\$8.7 million for the first three quarters of 2016 to approximately HK\$10.1 million for that of 2017, which was mainly due to the combined effect of (i) additional rentals and related expenses for the new operation of HEXA; (ii) additional rentals for our Hong Kong office as we rented directly from the landlord since March 2016; and (iii) decrease in rentals paid to the owner of the club premises of Club Cubic Macau as a result of the drop in contingent rentals, partially offset by the increase in base rentals since April 2017.

Advertising and marketing expenses increased by about HK\$3.4 million or 21.0% from approximately HK\$16.2 million for the first three quarters of 2016 to approximately HK\$19.6 million for that of 2017. The increase was mainly due to higher performer fees incurred for the larger scale of event held outside Club Cubic Macau in 2017 as compared to last year.

Other operating expenses increased significantly by about HK\$8.2 million or 36.0% from approximately HK\$22.8 million for the first three quarters of 2016 to approximately HK\$31.0 million for that of 2017. The increase was mainly due to (i) the increase in legal and professional fees in relation to post-listing compliance and the new operation of HEXA; (ii) the increase in business travelling and entertainment expenses for business expansion and exploration of potential business opportunities in regions other than Macau; (iii) start-up and pre-opening costs for the new operation of HEXA; and (iv) higher production costs for the larger scale of event held outside Club Cubic Macau in 2017 as compared to last year.

## Loss Attributable to the Owners of the Company

We incurred listing expenses of approximately HK\$7.1 million for the first three quarters of 2016 whereas we did not incur such expenses in 2017 after our listing. Excluding such listing expenses and without taking into account the relevant impact of taxation, our adjusted net profit for the first three quarters of 2016 would be approximately HK\$7.1 million whereas we recorded a net loss attributable to the owners of the Company of approximately HK\$4.7 million for the first three quarters of 2017. The change from adjusted net profit to net loss, amounted to approximately HK\$11.8 million, was mainly attributable to the aforementioned increase in staff costs and other operating expenses for post-listing compliance and exploring business opportunities in regions other than Macau, as well as the rentals and pre-opening startup costs in relation to the new operation of HEXA.

As the Group enters the Chinese restaurant and bar business in Hong Kong through HEXA, the Group incurred and expects to continue to incur substantial start-up and pre-opening costs, including but not limited to additional staff costs, rentals, commission and professional fees, as well as promotion expenses. It is also expected that the aforementioned increase in staff costs and other operating expenses for post-listing compliance and exploring other business opportunities will continue to increase significantly and negatively affect our 2017 financial results.

## OUTLOOK

### Clubbing and Restaurant Business

During the period under review, the Group is actively seeking for business opportunities to introduce our own Club Cubic brand and Monkey Museum brand to the PRC. When expanding to regions other than Macau, the Group needs more time and attention to familiar with the local business environments, legal and regulatory matters and instances of infringement, etc.

During the last period, we have identified the potential sub-franchisees for the opening and operation of Monkey Museum in the 1st tier, 2nd tier and 3rd tier cities in the PRC however, the potential investment have not been materialized and no legally binding agreements or memorandum of understanding have been signed.

We will also continue to explore business opportunity in food and beverage business in Hong Kong. During the period under review, we have identified another potential restaurant business and in the progress of negotiation. No legally binding tenancy agreement has been signed.

## Event organising

With the experience in organizing music-related featured events to offer music entertainment to our customers, we will continue to devote more attention and resources to explore possibilities of engaging or invest in suitable music-related events and projects.

In order to diversify the Group's business, the Group plans to develop other business opportunities, including but not limited to the money lending business.

We believe that our revenue can be boosted and further diversified. Going forward, the management will continue to identify any suitable business opportunities, taking into account of 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 30 September 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 <sup>(1)</sup>	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%

Name of Director/Chief Executive	Name of Group member/associated corporation	Nature of interest	Number and class of securities <sup>(1)</sup>	Approximate percentage of shareholding interest
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%
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 30 September 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 30 September 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 <sup>(1)</sup>	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%

Name of shareholder	Nature of interest	Number and class of securities <sup>(1)</sup>	Approximate percentage of shareholding interest
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%
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 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 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 30 September 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 nine-month period ended 30 September 2017.

## INTEREST IN A COMPETING BUSINESS

As disclosed in the Prospectus, the controlling shareholders of the Company (the "Controlling Shareholders") are interested in certain restaurant businesses in Macau (the "Retained Macau Restaurant Business"). Compared to the Group's current clubbing business in Macau, the Retained Macau Restaurant Business has different industry nature, opening business hours and target customers. Compared to the Group's restaurant and bar business and proposed restaurant business in Hong Kong, the Retained Macau Restaurant Business has different geographical operation. Accordingly, our Directors are of the view that the Retained Macau Restaurant Business are clearly delineated from the Group's businesses and will not compete (either directly or indirectly) or are not likely to compete with the Group's businesses.

As also disclosed in the Prospectus, our executive Directors, Mr. Choi Yiu Ying and Mr. Choi Siu Kit, are engaged in certain restaurant and bar business in Hong Kong (the "Retained HK Restaurant and Bar Business"). Set out below are the details of their interests in the Retained HK Restaurant and Bar Business during the nine-month period ended 30 September 2017:

Name of entity	Nature of interests
Global Profit Development Limited (Note 1)	Director and approximately 40% of its issued share capital was held by Mr. Choi Yiu Ying and Mr. Choi Siu Kit
Mighty Force Catering Group Limited (Note 2)	Approximately 50% of its issued share capital was held by Mr. Choi Siu Kit's spouse, who was also a director
Sham Tseng Chan Kee Roasted Goose Company Limited (Note 2)	Approximately 7.5% of its issued share capital was held by Mr. Choi Siu Kit's spouse
Eastern Full Limited (Note 2)	Approximately 7.5% of its issued share capital was held by Mr. Choi Siu Kit's spouse

Note 1: Operates a bar and restaurant with trading name of Shelter in Hong Kong

Note 2: Operate/franchise restaurants with trading name of Sham Tseng Chan Kee in Hong Kong

As the Retained HK Restaurant and Bar Business was already engaged by our executive Directors, Mr. Choi Yiu Ying and Mr. Choi Siu Kit before the Listing and the Group has not entered into the restaurant and bar business in Hong Kong on Listing, therefore, such business are not covered by the deed of non-competition entered into by the Controlling Shareholders in favour of the Company.

As 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 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. Hence, our Directors are of the view that the potential competition is relatively low and limited.

Saved as disclosed, during the nine-month period ended 30 September 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.

Further details on the analysis of the competition are set out in the section headed "Relationship with our Controlling Shareholders" in the Prospectus.

## INTERESTS OF THE COMPLIANCE ADVISER

As disclosed in the Company's announcement dated 9 February 2017, Innovax Capital Limited ("Innovax") was appointed as our new compliance adviser with effect from 12 February 2017.

As notified by Innovax, during 12 February 2017 to 30 September 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 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 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, 9 November 2017