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## **LUK HING ENTERTAINMENT GROUP HOLDINGS LIMITED**

**陸慶娛樂集團控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock code: 8052)**

### **INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2018**

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

**GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.**

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

*This announcement, 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 GEM of the Stock Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

## INTERIM RESULTS

The board of Directors (the "Board") 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 six-month periods ended 30 June 2018, together with the unaudited comparative figures for the respective corresponding period in 2017, as follows:

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

	Notes	Three-month period ended 30 June		Six-month period ended 30 June	
		2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
<b>Revenue</b>	3	<b>59,451</b>	29,268	<b>99,972</b>	51,058
Other income and gain		<b>2,837</b>	499	<b>3,240</b>	889
Cost of inventories sold		<b>(11,270)</b>	(5,840)	<b>(20,064)</b>	(10,445)
Staff costs		<b>(14,374)</b>	(9,023)	<b>(27,263)</b>	(17,134)
Property rentals and related expenses		<b>(6,183)</b>	(1,838)	<b>(10,730)</b>	(3,518)
Advertising and marketing expenses		<b>(12,060)</b>	(4,829)	<b>(16,323)</b>	(7,374)
Other operating expenses		<b>(17,520)</b>	(6,936)	<b>(25,680)</b>	(13,984)
Depreciation and amortisation		<b>(1,764)</b>	(538)	<b>(3,240)</b>	(1,067)
<b>Profit/(Loss) before taxation</b>		<b>(883)</b>	763	<b>(88)</b>	(1,575)
Taxation	4	<b>(293)</b>	–	<b>(420)</b>	–
<b>Profit/(Loss) for the period</b>		<b>(1,176)</b>	763	<b>(508)</b>	(1,575)
Other comprehensive income/(loss):					
Exchange difference on translating of financial statements of overseas subsidiaries		<b>(99)</b>	–	<b>93</b>	–
<b>Total comprehensive income/(loss) for the period</b>		<b>(1,275)</b>	763	<b>(415)</b>	(1,575)
Profit/(Loss) for the period attributable to:					
Owners of the Company		<b>(1,852)</b>	763	<b>(1,837)</b>	(1,575)
Non-controlling interests		<b>676</b>	–	<b>1,329</b>	–
		<b>(1,176)</b>	763	<b>(508)</b>	(1,575)
<b>Total comprehensive income/(loss) for the period attributable to:</b>					
Owners of the Company		<b>(1,951)</b>	763	<b>(1,744)</b>	(1,575)
Non-controlling interests		<b>676</b>	–	<b>1,329</b>	–
		<b>(1,275)</b>	763	<b>415</b>	(1,575)
		HK Cent	HK Cent	HK Cent	HK Cent
<b>Earnings/(Loss) per share attributable to owners of the Company</b>					
Basic and diluted	5	<b>(0.10)</b>	0.04	<b>(0.10)</b>	(0.09)

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 30 June 2018 HK\$'000 (Unaudited)	As at 31 December 2017 HK\$'000 (Audited)
<b>Assets</b>			
<b>Non-current assets</b>			
Plant and equipments	7	22,799	21,119
Intangible assets		892	820
Financial assets at fair value through other comprehensive income	8	6,251	–
Available-for-sale investments	8	–	6,160
Deposits		3,754	3,885
		<b>33,696</b>	31,984
<b>Current assets</b>			
Inventories		5,166	3,923
Account and other receivables	9	32,560	25,723
Loan receivables	10	2,000	2,000
Cash and cash equivalents		39,737	49,167
		<b>79,463</b>	80,813
<b>Liabilities</b>			
<b>Current liabilities</b>			
Account and other payables	11	28,685	28,300
Income tax payables		628	226
		<b>29,313</b>	28,526
<b>Net current assets</b>		<b>50,150</b>	52,287
<b>Total assets less current liabilities</b>		<b>83,846</b>	84,271
<b>Non-current liabilities</b>			
Deferred rentals		1,823	1,833
Amounts due to non-controlling interests		4,112	4,112
Provision for reinstatement costs		715	715
		<b>6,650</b>	6,660
<b>Net assets</b>		<b>77,196</b>	77,611
<b>Equity</b>			
Share capital		18,000	18,000
Reserves		58,102	59,846
Equity attributable to owners of the Company		<b>76,102</b>	77,846
Non-controlling interests		1,094	(235)
<b>Total equity</b>		<b>77,196</b>	77,611

# UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six-month period ended 30 June 2018

	Attributable to owners of the Company					Attributable to non-controlling interests		Total HK\$'000 (Unaudited)
	Share capital HK\$'000 (Unaudited)	Share premium HK\$'000 (Unaudited)	Legal reserve HK\$'000 (Unaudited)	Exchange reserve HK\$'000 (Unaudited)	Retained earnings HK\$'000 (Unaudited)	Sub-total HK\$'000 (Unaudited)	Interests HK\$'000 (Unaudited)	
At 1 January 2017	18,000	66,235	12	-	2,792	87,039	-	87,039
Loss and total comprehensive loss for the period	-	-	-	-	(1,575)	(1,575)	-	(1,575)
At 30 June 2017	18,000	66,235	12	-	1,217	85,464	-	85,464
At 1 January 2018	18,000	66,235	12	82	(6,483)	77,846	(235)	77,611
Loss and total comprehensive loss for the period	-	-	-	-	(1,837)	(1,837)	1,329	(508)
Other comprehensive income for the period	-	-	-	93	-	93	-	93
Capital contribution from non-controlling interests	-	-	-	-	-	-	-	-
At 30 June 2018	18,000	66,235	12	175	(8,320)	76,102	1,094	77,196

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	<b>Six-month period ended 30 June 2018 HK\$'000 (Unaudited)</b>	Six-month period ended 30 June 2017 HK\$'000 (Unaudited)
Net cash used in operating activities	<b>(6,853)</b>	(7,818)
Net cash used in investing activities	<b>(2,670)</b>	(1,557)
Net cash used in financing activity	–	–
Net decrease in cash and cash equivalents	<b>(9,523)</b>	(9,375)
Cash and cash equivalents at the beginning of the period	<b>49,167</b>	73,850
Effect of foreign exchange rate	<b>93</b>	–
Cash and cash equivalents at the end of the period	<b>39,737</b>	64,475
Analysis of cash and cash equivalents at the end of the period		
Cash and bank balances	<b>39,737</b>	64,475

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 1. BASIS OF PREPARATION

The condensed consolidated interim financial information of the Group has not been audited. The unaudited condensed consolidated interim financial statements of the Group for the six-month period ended 30 June 2018 have been prepared under historical cost convention and in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the applicable disclosure requirements of the GEM Listing Rules.

The unaudited condensed consolidated interim financial information should be read in conjunction with the audited annual financial statements included in the annual report of the Company dated 26 March 2018 (the "2017 Annual Report"). The accounting policies adopted are consistent with those applied in the Group's audited annual financial statements for the year ended 31 December 2017, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA, including the new and revised HKFRSs which are effective for the financial year beginning from 1 January 2018.

A number of new or amended standards became applicable for the current reporting period. The Group has changed its accounting policies and made retrospective adjustment as a result of adopting IFRS 9 "Financial Instruments". The impact of the adoption of the standard and the new accounting policies are set out below.

### **Adoption of IFRS 9 "Financial Instruments"**

#### **(i) Classification and measurement of financial instruments**

On 1 January 2018, the Group's management has assessed and classified its financial instruments into the appropriate IFRS 9 measurement categories including those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss) and those to be measured at amortised cost. The classification depends on the entity's business model for managing the financial assets and the contractual terms of cash flows.

The Group's financial assets include cash and cash equivalents, account receivables, sponsorship receivables and other receivables, unlisted equity investment and Preferred Share investment.

## 1. BASIS OF PREPARATION *(Continued)*

### Adoption of IFRS 9 “Financial Instruments” *(Continued)*

#### (i) **Classification and measurement of financial instruments** *(Continued)*

Account receivables, sponsorship receivables and other receivables were classified as financial assets at amortised costs. Unlisted equity investment and Preferred Share investment were classified as available-for-sale stated at cost under previous standard IAS 39. With the adoption of IFRS 9, these investments do not meet the IFRS 9 criteria for classification at amortised cost as their cash flows do not represent solely payments of principal and interests. Thus, these investments were reclassified to financial assets at fair value through other comprehensive income since the investments are held as long-term Investments and the Group does not intend to dispose them in the near future.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or through other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

#### (ii) **Fair value of financial instruments**

##### ***Fair value hierarchy***

##### *Level 1*

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period.

##### *Level 2*

The fair value of financial instruments which are not traded in active market and is determined using valuation techniques that use observable market data and rely as little as possible on entity specific estimates.

##### *Level 3*

If one or more of the significant inputs used in the valuation is not based on observable market data, the instrument is included in level 3.

#### (iii) **Impairment of financial assets**

The Group applies the IFRS 9 simplified approach to measure expected credit losses using either 12-month expected credit losses or lifetime expected credit loss based on historical settlement records, past experience and available forward-looking information.

Except adoption of IFRS 9 “Financial Instruments”, the other standards did not have any impact on the Group’s accounting policies.

The functional currency of the Company is Macau Pataca (“MOP”). The unaudited condensed consolidated interim 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. OPERATING SEGMENT

Information reported internally to the chief operating decision makers for the purpose of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. The Group is principally engaged in food and beverage and entertainment. A single management team reports to the chief operating decision makers who comprehensively manages such entire business segment. Accordingly, the Group does not have separately reportable segments.

### Information about geographical areas

The Group's revenue from external customers based on the location of the customers is detailed as below:

	For the six-month period ended 30 June	
	2018	2017
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Macau	56,882	50,398
Hong Kong	43,090	660
	<b>99,972</b>	51,058

The Group's location of non-current assets is detailed as below:

	As at 30 June 2018	As at 31 December 2017
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Macau	5,576	5,746
Hong Kong	21,869	20,078
The PRC	5,540	5,449
The US	711	711
	<b>33,696</b>	31,984

### Information about major customers

During the period, no revenue from transactions with a single external customer amounted to 10% or more of the Group's total revenue (2017: Nil).



### 3. REVENUE

Revenue represents amounts received or receivable from the sales of food, beverage and other products, sponsorship income, revenue from club and restaurant operations and event organising (including entrance fees income, event rental income and cloakroom income) and loan interest income from money lending business. An analysis of revenue is as follows:

	For the three-month period ended 30 June		For the six-month period ended 30 June	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Sales of food and other products	14,388	1,298	27,227	1,933
Sales of beverage	32,275	23,143	56,045	41,919
Sponsorship income	2,956	2,067	5,202	2,164
Entrance fees income	9,482	2,622	10,834	4,253
Loan interest income	50	–	100	–
Others (note)	300	138	564	789
	<b>59,451</b>	<b>29,268</b>	<b>99,972</b>	<b>51,058</b>

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

### 4. INCOME TAX EXPENSES

	For the three-month period ended 30 June		For the six-month period ended 30 June	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Current tax	293	–	420	–

- (i) Macau Complementary Tax is calculated at 12% of the assessable profit for the six-month period ended 30 June 2018 after deducting the exempted amount of MOP600,000. Under the Macau Complementary Tax, for the years of assessment 2018 and 2017, the taxable profits up to MOP600,000 were exempted. The Macau subsidiary had no estimated assessable profit and no provision for Macau Complementary Tax was made for the three-month and six-month periods ended 30 June 2017.

#### 4. INCOME TAX EXPENSES *(Continued)*

(i) (Continued)

No provision for Hong Kong profits tax is made since the Hong Kong subsidiary has no estimated assessable profit for the three-month and six-month periods ended 30 June 2018 and 2017, respectively.

(ii) In May 2017, the Macau Financial Services Bureau (the "Macau FSB"), after the review by its Complementary Income Tax Review Committee, demanded the Macau subsidiary of the Group to pay an additional income tax of approximately HK\$0.9 million for the year of assessment ended 31 December 2013 as the tax authority revised its original assessment and disallowed the deductibility of the then contingent rentals paid to the owner of the club premises.

In June 2017, the Macau FSB also issued revised assessment and demanded for an additional income tax of approximately HK\$0.8 million for the year of assessment ended 31 December 2014 on the same ground.

The Group objected the revised additional assessments due to (a) the contingent rentals paid to the owner of the club premises were operating costs of the Macau subsidiary for the uses of the premises but not a distribution to its shareholders; and (b) the owner of the club premises had reported the income in its own tax filings to the Macau FSB. In addition to the appeal filed to the Macau FSB in June 2017, the Macau subsidiary also filed appeal to the Administrative Court.

In January and April 2018, the Macau subsidiary received replies for the appeal filed to the Macau FSB. The Macau FSB ruled out our objection and disallowed the deductibility of the contingent rentals paid to the owner of the club premises for the year of assessment ended 31 December 2013 and 2014 respectively. The Group is waiting for the final decision of the Administrative Court.

At the same time, the owner of the club premises received a notice from the Macau FSB that its corresponding income was revised to be non-taxable. The owner has agreed to bear the relevant additional tax for the years of assessment ended 31 December 2013 and 2014 if the Group fails in its appeal. In case the Macau FSB also disallows the deductibility of the contingent rentals for the years of assessment ended 31 December 2015, 2016 and 2017 and the Group fails in its appeal, the owner will also bear the relevant additional tax. The additional tax is estimated to be approximately HK\$3.9 million in aggregate for the years of assessment ended 31 December 2013 and 2014 to 2017.

Accordingly, no provisions have been made in respect of the above tax dispute with the Macau DSF.

## 5. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

	For the three-month period ended 30 June		For the six-month period ended 30 June	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Profit/(Loss) for the period attributable to the owners of the Company	(1,852)	763	(1,837)	(1,575)
	'000	'000	'000	'000
Number of ordinary shares for the purpose of calculating basic earnings/(loss) per share	1,800,000	1,800,000	1,800,000	1,800,000

The calculation of basic earnings/(loss) per share for the three-month and six-month periods ended 30 June 2018 and 2017 is based on the profit/(loss) for the period attributable to the owners of the Company and the weighted average number of shares for the relevant period.

No adjustment has been made to the basic earnings/(loss) per share presented for the three-month and six-month periods ended 30 June 2018 and 2017 in respect of a dilution as the Group did not have any potentially dilutive ordinary shares in issue during those periods.

## 6. DIVIDEND

The Board does not recommend the payment of an interim dividend by the Company for the six-month period ended 30 June 2018.

## 7. PLANT AND EQUIPMENTS

The Group acquired items of plant and equipment with cost amounting to HK\$4,864,000 and HK\$805,000 during the six-month period ended 30 June 2018 and 2017, respectively. No items of plant and equipment were disposed during the six-month period ended 30 June 2018 and 2017, respectively.

## 8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	<b>As at 30 June 2018 HK\$'000 (Unaudited)</b>	As at 31 December 2017 HK\$'000 (Audited)
Unlisted equity investment	<b>5,540</b>	5,449
Preferred Share investment	<b>711</b>	711
	<b>6,251</b>	6,160

Included in the balances as at 30 June 2018 is a cash capital contribution of RMB3,894,000 and a loan contribution of RMB606,000 to invest around 19% of a company in the PRC, which is principally engaged in the operation and management of clubbing venue in Zhuhai and is known as Club Cubic Zhuhai. The remaining balance represents an investment in convertible preferred stock of an overseas entity.

With the adoption of IFRS 9 "Financial Instruments" on 1 January 2018, the above investments were reclassified from available-for-sale investments to financial asset with fair value change through other comprehensive income.

Unlisted equity investment is measured at cost less impairment as it does not have a quoted market price in an active market and the fair value cannot be reliably measured.

Preferred Share investment is recorded at cost. The management of the Group considers that the carrying amount of the asset approximate its fair value by fair value measurement Level 2 with reference to its recent transaction prices.

## 9. ACCOUNT AND OTHER RECEIVABLES

	<b>As at 30 June 2018 HK\$'000 (Unaudited)</b>	As at 31 December 2017 HK\$'000 (Audited)
Account receivables	<b>12,699</b>	9,834
Less: allowance for doubtful debts	<b>(150)</b>	(373)
	<b>12,549</b>	9,461
Sponsorship receivables	<b>2,198</b>	3,100
Prepayments	<b>8,871</b>	4,965
Deposits	<b>12,014</b>	11,799
Other receivables	<b>682</b>	283
	<b>36,314</b>	29,608
Portion classified as non-current — Deposits	<b>(3,754)</b>	(3,885)
Current portion	<b>32,560</b>	25,723

Under the new impairment model of IFRS 9 "Financial Instruments" which requires the recognition of impairment provisions based on expected credit losses rather than only incurred credit losses as is the case under IAS 39.

The Group has revised its impairment methodology under IFRS 9 for three types of financial assets measured at amortised cost including account receivables, sponsorship receivables and other receivables.

The Group applies the IFRS 9 simplified approach to measure expected credit losses using either 12-month expected credit losses or lifetime expected credit loss based on historical settlement records, past experience and available forward-looking information. The Group has concluded that the impact of expected credit losses on financial assets is insignificant as at 30 June 2018.

For account receivables and events rental receivables, the Group allows credit period of within 60 days which are agreed with its debtors. For sponsorship receivables, the Group allows credit period of within 180 days which are agreed with each of its sponsors.

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

## 9. ACCOUNT AND OTHER RECEIVABLES *(Continued)*

As at 30 June 2018 and 31 December 2017, the Group's prepayments mainly represents prepayments for performance fee of featured events of approximately HK\$4,986,000 and HK\$2,476,000, respectively and prepayments for legal and professional fees of approximately HK\$2,148,000 and HK\$1,200,000, respectively. As at 30 June 2018 and 31 December 2017, the Group's deposits mainly represents deposits for acquisition of plant and equipments and decoration of approximately HK\$6,837,000 and HK\$6,997,000, respectively, rental deposits of approximately HK\$4,119,000 and HK\$4,119,000, respectively, and deposits for holding featured events of approximately HK\$427,000 and HK\$236,000, respectively. As at 30 June 2018 and 31 December 2017, the amounts of the Group's other receivables mainly represents outstanding payment from our featured events partner of approximately HK\$560,000 and nil, respectively.

The following is an aged analysis of account receivables, net of allowance for doubtful debts, presented based on the invoice dates at the end of the reporting period:

	<b>As at 30 June 2018 HK\$'000 (Unaudited)</b>	As at 31 December 2017 HK\$'000 (Audited)
0 to 30 days	<b>10,832</b>	5,935
31 to 60 days	<b>493</b>	388
61 to 90 days	<b>140</b>	390
Over 90 days	<b>1,084</b>	1,308
	<b>12,549</b>	7,904

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

## 9. ACCOUNT AND OTHER RECEIVABLES *(Continued)*

### Past due but not impaired

Before accepting any new VIP customer, the Group assesses the potential VIP customer's credit quality and defines credit limits by each VIP customer. The majority of the Group's account receivables that are past due but not impaired have good credit quality with reference to respective settlement history.

As at 30 June 2018 and 31 December 2017, account receivables of approximately HK\$1,224,000 and HK\$3,138,000 were past due but not impaired, as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral as security over these debtors. The ageing analysis of these receivables presented based on due date is as follows:

	<b>As at 30 June 2018 HK\$'000 (Unaudited)</b>	As at 31 December 2017 HK\$'000 (Audited)
Overdue by:		
0 to 30 days	<b>140</b>	390
Over 30 days	<b>1,084</b>	2,748
	<b>1,224</b>	3,138

In determining the recoverability of account receivables, the Group considers any change in the credit quality of the account receivables from the date credit was initially granted up to the end of each reporting period.

## 9. ACCOUNT AND OTHER RECEIVABLES *(Continued)*

### Movement in the accumulated allowance for doubtful debts

	<b>As at 30 June 2018 HK\$'000 (Unaudited)</b>	As at 31 December 2017 HK\$'000 (Audited)
As at 1 January	–	–
Reversal of provision for impairment on account receivables	–	–
Provision for impairment recognised during the period	<b>150</b>	373
	<b>150</b>	373

In determining the recoverability of account receivables, the Group considers any change in the credit quality of the account receivables from the date credit was initially granted up to the end of each reporting period.

Included in the above provision for impairment of account receivables is a provision for individually impaired account receivables of approximately HK\$150,000 (2017: HK\$373,000). The individually impaired receivables related to part of the ticket payments for our festival event 2017 from one of the ticket distributors which is in dispute and management assessed that the receivables are unlikely to be recovered.



## 10. LOAN RECEIVABLES

Loan receivables arise from the Group's money lending business which grants loans to entities in the food and beverage and entertainment industry. The repayable according to repayment schedules, normally with contractual maturity within one year as at 30 June 2018 (2017: HK\$2,000,000). The balance as at 30 June 2018 represented loan to a related party (Note 13) which was unsecured and carried interest 10% per annum (2017: HK\$41,000). The following is an ageing analysis of loan receivables at the end of each reporting period, presented based on the remaining period to contractual maturity date:

Name	Maximum amount outstanding during the period	As at 30 June 2018	Maximum amount outstanding during the prior year	As at 31 December 2017	Security held
	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Audited)	HK\$'000 (Audited)	
Xin Limited (Note 13)	2,000	2,000	2,000	2,000	None
				<b>As at 30 June 2018</b>	<b>As at 31 December 2017</b>
				<b>HK\$'000 (Unaudited)</b>	<b>HK\$'000 (Audited)</b>
				<b>2,000</b>	<b>2,000</b>

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

## 11. ACCOUNT AND OTHER PAYABLES

	<b>As at 30 June 2018 HK\$'000 (Unaudited)</b>	As at 31 December 2017 HK\$'000 (Audited)
Account payables	<b>3,608</b>	6,158
Rental payables	<b>871</b>	3,154
Deferred rentals	<b>2,103</b>	1,968
Other payables	<b>15,278</b>	11,988
Accruals	<b>8,649</b>	6,865
	<b>30,509</b>	30,133
Portion classified as non-current — Deferred rentals	<b>(1,824)</b>	(1,833)
Current portion	<b>28,685</b>	28,300

The credit period on account payables are generally within 45 days.

Included in account payables are creditors with the following ageing analysis, based on the invoice dates, as of the end of the reporting period:

	<b>As at 30 June 2018 HK\$'000 (Unaudited)</b>	As at 31 December 2017 HK\$'000 (Audited)
0 to 30 days	<b>3,526</b>	4,288
31 to 60 days	<b>82</b>	1,858
Over 60 days	<b>—</b>	12
	<b>3,608</b>	6,158

As at 30 June 2018 and 31 December 2017, other payables mainly represented the amount due to COD of approximately HK\$4,453,000 and HK\$4,793,000 respectively. The amount is unsecured, interest free and repayable on demand.

## 12. CAPITAL COMMITMENTS

The Group served a renewal notice with effect on 11 November 2016 to the owner of the club premise in Macau to extend the right to operate the club to March 2025. Pursuant to the relevant terms, the Group shall open and fund all fit-out and related works in respect of the first phase expansion ("Expansion") of not less than MOP15.0 million (equivalent to approximately HK\$14.6 million) by 1 October 2017, which was agreed to be extended. As at 30 June 2018, the amount authorized but not contracted for was approximately HK\$7.7 million (2017: HK\$7.9 million). Capital commitments outstanding at the end of the reporting period contracted but not provided for in the consolidated financial statements in respect of the Expansion were as follows:

	<b>As at 30 June 2018 HK\$'000 (Unaudited)</b>	As at 31 December 2017 HK\$'000 (Audited)
Plant and equipments	<b>697</b>	697

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

	<b>As at 30 June 2018 HK\$'000 (Unaudited)</b>	As at 31 December 2017 HK\$'000 (Audited)
Unpaid balance of capital contribution to a subsidiary in the PRC	<b>7,300</b>	7,300
Plant and equipments	–	1,196

### 13. MATERIAL RELATED PARTY TRANSACTIONS

In addition to the information disclosed elsewhere in the unaudited condensed consolidated interim financial statements, the following transactions took place between the Group and related parties at terms agreed between the parties:

- (a) Compensation paid to key management personnel of the Group:

	For the six-month period ended 30 June	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Salaries and other short term employee benefits	1,325	1,325
Retirement scheme contributions	26	26
	<b>1,351</b>	1,351

- (b) Other related party transactions:

Related parties	Nature of transactions	For the six-month period ended 30 June	
		2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Zone One (CS) Limited (Note i)	Rental expenses	600	600
Bo Xing Group Company Limited (Note ii)	Service expenses	-	13
Xin Limited (Note iii)	Loan interest income	100	-

### 13. MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

- (c) The following table discloses the loan advanced to a related party for the period ended 30 June 2018 and 30 June 2017:

Name	Maximum amount outstanding during the period	As at 30 June 2018	Maximum amount outstanding during the prior period	As at 30 June 2017	Security held
	HK\$'000 (Unaudited)	HK'000 (Unaudited)	HK\$'000	HK'000	
Xin Limited (Note iii)	2,000	2,000	–	–	None

Notes:

- i. Zone One (CS) Limited is held by Mr. Choi Kuen Kwan and Ms. Lo Mong Yee, who are the father and the mother of Mr. Choi Yiu Ying and Mr. Choi Siu Kit, who are the executive Directors.
- ii. The major shareholder of Bo Xing Group Company Limited is Star Century Investments Limited, which is the former shareholder of Luk Hing Investment Limited. The executive Directors are the ultimate shareholders of Star Century Investments Limited.
- iii. Xin Limited is the subsidiary of Star Century Investments Limited. The executive Director, Mr. Choi Siu Kit, is also the director of Xin Limited.

### 14. CONTINGENT LIABILITIES

Saved as disclosed elsewhere in the unaudited condensed consolidated interim financial statements, the Group did not have any other significant contingent liabilities as at 30 June 2018 and 31 December 2017.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

During the first half of 2018, the Group continued to engage in the operation of clubbing business and organizing music-related feature events. On top of that, we have expanded to restaurant and bar business in Hong Kong with the operation of our first restaurant, HEXA and the new roast-geese outlet "Oh-My-Goose" launched in May 2018.

### **BUSINESS REVIEW**

During the period under review, while sales of beverage and entrance fees from retail customers of our clubbing business remained as the Group's primary stream of revenue, our first restaurant, HEXA has achieved a significant growth and contribution to the Group's total sales revenue. We also received sponsorship income from our corporate customers and beverage suppliers for displaying their logos and products during the events and incentive based on our purchase amount from the beverage suppliers.

As a trendsetter in Macau's nightlife scene, we always see our events playing an important role in expanding the music and nightlife industry in Macau. In the eighth years of business, Club Cubic Macau continues to create events to bring the nightlife scene to Macau. We carry on to introduce our resident DJs' series featuring regularly every week with different themes along the year.

In the first half of 2018, we have organised a total of 27 events with 3 themed parties in Club Cubic Macau. Three parties have been held to celebrate for the Chinese New Year, Club Cubic Macau 7th Anniversary party and G2E Asia official party. The collaboration with G2E Asia have generated a significant growth since 2016.

Further to that, the Group managed to organize variety of events in HEXA with a total of 48 events in the first half of 2018, including wedding parties, press conferences, product launch parties and movie shooting. Our corporate clients consist of international brands such as Mercedes-Benz.

Our yearly event, the third edition of our annual music festival event held on 9 June 2018 at AsiaWorld-Expo, was the first time to be organized indoor, however the attendance was below our expectation. Yet the event featured world-renowned electronic dance music artists, still attracted overseas attendees from Asia and around the world offering music lovers a multi-sensory experience with state-of-the-art audiovisual production.

Regarding the Group's restaurant business, HEXA, the Group's first restaurant implementing the innovative concept of integrating the contemporary Chinese cuisine with bar concept and clubbing elements, has recorded significant growth since its opening in the last quarter of 2017. As for the first half of 2018, the restaurant achieved 45% growth in customer visit with customer average spending at HK\$400 to HK\$500 per head.

At the same time, our new roast-geese outlet, "Oh-My-Goose" opened in May 2018. Designed as a trendy, fast and casual restaurant targeting trend-seeking young consumers, the shop is still under its ramp-up operation.

## **FINANCIAL REVIEW**

### **Revenue**

Total revenue of the Group was HK\$100.0 million in the first half of 2018, representing a significant increase of 96% from HK\$51.1 million for the comparable period in 2017. The increase in revenue was primarily attributable to the revenue contribution from our first restaurant, HEXA which opened in the last quarter of 2017. Besides, our annual music festival event held in June 2018, contributed an increase of HK\$12.2 million in the first half of 2018 whereas we recorded no corresponding revenue for the period of 2017 as the event was held in September last year. Apart from that, our clubbing business performed better than last year and achieved an aggregate increase of HK\$6.5 million, represented 13% growth in total revenue of the clubbing business. This was explained by the increase in sales of beverage in Club Cubic Macau driven by middle to high priced champagne products launched in the last quarter of 2017. In addition, sponsorship income also greatly improved in the period benefiting from the large-scale events held in the first half of 2018 as compared to that of 2017.

### **Expenses**

Costs of inventories sold mainly represented the costs of beverage, food and tobacco products sold. It increased by 93% from HK\$10.4 million in the first half of 2017 to HK\$20.1 million in the same period of 2018. This was mainly attributable to the cost of food sold from HEXA and the increased cost of beverage in proportion to the sales revenue increment of Club Cubic Macau.

Staff costs represented one of the major components of the Group's operating expenses, which mainly consisted of staff salaries, retirement benefit scheme contribution and other benefits.

Staff cost increased by 60% from HK\$17.1 million in the first half of 2017 to HK\$27.3 million in the same period of 2018. The increase was primarily caused by additional staff cost incurred for HEXA and more staff recruited for business expansion and events held outside Club Cubic Macau.

Property rentals and related expenses increased significantly by 206% from HK\$3.5 million in the first half of 2017 to HK\$10.7 million in the same period of 2018. The increase was mainly due to the additional rentals and related expenses for the newly operated HEXA and increase in base rentals paid to the owners of Club Cubic Macau since April 2017.

Advertising and marketing expenses increased by 120% from HK\$7.4 million in the first half of 2017 to HK\$16.3 million in the same period of 2018. This was explained by the combined effect of: (i) the promotion and marketing expenses for HEXA; (ii) higher performer fees incurred for the large-scale event held in Club Cubic Macau in the first half of 2018; and (iii) artist performer fees and marketing expenses for our annual music festival event.

Other operating expenses increased 84% from HK\$14.0 million in the first half of 2017 to HK\$25.7 million in the first half of 2018. The increase was mainly due to the additional operating expense incurred in HEXA, start-up costs of Oh-My-Goose and the operating cost of our annual music festival event including license fee, event management and site production fee.

### **Loss Attributable to the Owners of the Company**

We recorded a net loss of approximately HK\$1.8 million for the first half of 2018 compared to a net loss of approximately HK\$1.6 million for that of 2017. Despite that the Group has achieved remarkable performance in clubbing business and HEXA, the loss incurred in our annual music festival event caused by the lower attendees than expectation due to the unavailability of the venue and hence, the change from conventionally outdoor to indoor performance and substantial start-up costs of "Oh-My-Goose outlet opened in May 2018, leading to the adverse impact to our 2018 results.

## **LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE**

Below is a summary of the key financial ratio:

	Notes	<b>As at 30 June 2018</b>	As at 31 December 2017
Current ratio	1	<b>2.7</b>	2.8
Quick ratio	2	<b>2.5</b>	2.7
Gearing ratio	3	<b>31.8%</b>	31.2%



Notes:

1. Current ratio is calculated by dividing total current assets by total current liabilities as at the respective period end.
2. Quick ratio is calculated by dividing total current assets less inventories by total current liabilities as at the respective period end.
3. Gearing ratio is calculated by dividing total liabilities by total assets as at the respective period end.

The above key financial ratio demonstrated that the liquidity and gearing of the Group remained healthy in 2018. The shares were listed on GEM on 11 November 2016 and the capital structure of the Company comprised ordinary shares. Upon Listing, we obtained net proceeds of approximately HK\$65.6 million from the issue of a total of 450,000,000 new ordinary shares of the Company at the placing price of HK\$0.21 per share under the placing as set out in the Prospectus. The Group generally financed its daily operations from internally generated cash flows. The Group financed its business expansion and new business opportunities from the net proceeds. The remaining unused net proceeds as at 30 June 2018 were placed as interest bearing deposits with licensed banks in Hong Kong and Macau. As at 30 June 2018, the Group had cash and cash equivalents of approximately HK\$39.7 million (31 December 2017: HK\$49.2 million) and did not have any outstanding amounts of short-term or long-term bank borrowings or any loan arrangement containing any covenant, except the unutilized overdraft facilities of HK\$6 million, for which the Company provided its corporate guarantee. The level of cash and cash equivalents can equip the Group to develop and expand its operation.

## **CHARGES ON ASSETS**

As at 30 June 2018 and 31 December 2017, the Group did not have any charges on its assets.

## USE OF PROCEEDS AND COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

The net proceeds from the issue of a total of 450,000,000 new ordinary shares of the Company at the placing price of HK\$0.21 per share under the placing as set out in the Prospectus, after deducting underwriting commission and other expenses relating to the Listing, amounted to approximately HK\$65.6 million. An analysis of the utilization of the net proceeds up to 30 June 2018 is set out below:

Business objective and strategy	Amount of usage of adjusted net proceeds up to 30 June 2018	
	Planned HK\$' million	Actual HK\$' million
(i) Expansion of the scale of Club Cubic Macau	32.3	5.5
(ii) Organizing events in venues other than Club Cubic Macau	13.8	13.8
(iii) Expansion in regions other than Macau	13.0	13.0
(iv) Working capital and general corporate use	6.5	6.5
Total	65.6	38.8

As at 30 June 2018, we had fully utilized our proceeds for organizing events in venues other than Club Cubic Macau, for expansion in regions other than Macau, as well as for working capital and general corporate use. However, in relation to expansion of the scale of Club Cubic Macau, as disclosed in our 2017 Annual Report, the owner of club premises, COD, had delayed to formally approve our expansion layout plan and it took longer processing time to get approval from the relevant Macau authorities when preparing statutory submission for the licences and construction permit. Accordingly, the expansion plan had not progressed as originally expected and the first phase expansion cannot be opened by January 2018, resulting in less actual spending. We currently anticipate that the opening of first phase expansion will be further delayed until a solid timetable in relation to the licence matter is obtained, which is agreed by the owner of the club premises. The remaining unused net proceeds as at 30 June 2018 were placed as interest bearing deposits with licensed banks in Hong Kong and Macau and they are expected to be applied according to the intended usage stated in the prospectus of the Company dated 27 October 2016 (the "Prospectus").

The business objective, future plan and the planned amount of usage of net proceeds as stated in the Prospectus were based on the best estimation and assumption of future market conditions at the time of preparing the Prospectus while the proceeds were applied based on the actual development of the Group's business and the industry. An analysis comparing the business objective stated in the Prospectus with the Group's actual business progress is set out below:

<b>Business objective and strategy</b>	<b>Business plan and activity</b>	<b>Actual business progress up to 30 June 2018</b>
(i) Expansion of the scale of Club Cubic Macau	<ul style="list-style-type: none"> <li>— both the first phase and second phase expansion area open for business (subject to approval of relevant licences)</li> <li>— commence advertising and promotion of the new opening of the expansion area and organize events to boost customer traffic</li> <li>— expand our operation team to support the expansion area</li> <li>— carry out renovation and decoration</li> </ul>	As disclosed in the 2017 Annual Report, the opening of first phase expansion had been further delayed and we are unable to open both first phase and second phase expansion by January 2018 as originally expected. We are currently coordinating with the owner of the club premises and the Macau authorities to work out an updated and solid timetable.
(ii) Organizing events in venues other than Club Cubic Macau	<ul style="list-style-type: none"> <li>— execute planned event(s) held outside Club Cubic Macau</li> </ul>	Our annual music festival event was organized in Hong Kong in the second quarter of 2018.
(iii) Expansion in regions other than Macau	<ul style="list-style-type: none"> <li>— explore opportunities with cooperation partners and sign memorandum of understanding ("MOU") and agreement</li> <li>— perform site visits, commence due diligence and engage professionals</li> <li>— execute cooperative/acquisition plan and recruit staff</li> </ul>	<p>(1) We have conducted market research and performed site visits to South Korea, Taiwan, the US and the PRC, including cities such as Seoul, Los Angeles, Singapore, Beijing, Shanghai Guangzhou, Shenzhen, Zhuhai and Changsha.</p> <p>(2) We recruited new staff for business expansion and exploration of new business opportunities.</p>

Business objective and strategy	Business plan and activity	Actual business progress up to 30 June 2018
		<p>(3) We identified a sub-franchise for the opening and operation of Monkey Museum in Changsha in January 2017. The territory of the exclusive master franchising agreement was extended to include Singapore and Malaysia in June 2017.</p>
		<p>(4) As disclosed in the 2017 Annual Report, we established a PRC company with other business partners for the operation of Club Cubic Zhuhai, which is expected to be opened in 2019. Pursuant to the relevant terms of investment agreement, we had contributed RMB4.5 million in aggregate, comprising loan contribution and capital contribution to the PRC company, which was held as a strategic investment and financed by the net proceeds.</p>
		<p>(5) We formed a Hong Kong subsidiary with other investors for the operation of HEXA, our first restaurant, with total investment up to HK\$25 million. Pursuant to the relevant agreement and announcement, we effectively hold around 60% interest and it was partially financed by the net proceeds. HEXA was opened in the last quarter of 2017.</p>

## PRINCIPAL RISKS AND UNCERTAINTIES

Below is a summary of certain principal risks and uncertainties, which may materially and adversely affect the achievement of our business progress, and our corresponding measures:

Principal risks and uncertainties	Measures
<p>(i) In order to further extend our Operating Agreement of Club Cubic Macau from March 2020 to March 2025, we have to open the first phase of expansion on or before 1 October 2017 (subject to the owner of club premises not unreasonably withholding the approval of the layout plan and relevant licenses should have been obtained from the relevant government authorities, otherwise the opening date shall be postponed to 1 November 2017, or such other date agreed between the parties). As disclosed in our 2016 Annual Report, the expected opening of the first phase expansion was firstly delayed to January 2018, which was agreed by the owner of club premises. As disclosed in our 2017 Third Quarterly Report, the owner of club premises had delayed to formally approve our expansion layout plan and it took longer processing time to get approval from the relevant Macau authorities when preparing statutory submission for the licences and construction permit. Accordingly, the first phase expansion cannot be opened by January 2018. We currently anticipate that the opening of first phase expansion will be further delayed until a solid timetable in relation to the licence matter is obtained, which is agreed by the owner of the club premises. Our expansion plan also requires significant development and renovation of the extension before opening. It may take longer than our expectation to implement our expansion plan and there may be further unforeseen delays before the opening and operation of the expansion area, including but not limited to difficulties and delay in the process of obtaining the relevant licenses and approvals.</p>	<p>(1) The Company will continue to monitor the progress of the expansion plan of Club Cubic Macau. A project team, composed of staff experienced in handling licensing matters, had been formed. The team will closely work with the relevant staff of the owner of club premises and the government authorities and report its progress to the executive directors regularly. Several plans have been formulated with the aim to speed up the approval process.</p> <p>(2) The Directors will 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 risks and uncertainties.</p>

## Principal risks and uncertainties

## Measures

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- |  |   |
|--|---|
| <p>(ii) A significant portion of our revenue was derived from Club Cubic Macau. Any significant operational or other difficulties in the business at or from Club Cubic Macau, including those matters affecting the execution of Operating Agreement, may reduce, disrupt or halt our operation and business at the premises, which would materially and adversely affect our business, prospects, reputation, financial condition and results of operation. The competition in Macau clubbing industry is expected to intensify due to the increase in the number of the clubbing venues. The performance of Club Cubic Macau is also affected by the macro environment of Macau.</p> <p>(iii) We made our purchases mainly from our largest supplier and our five largest suppliers. The purchases from these suppliers either under annual contract or individual purchase order, and have not entered into any long-term contracts. We also recorded sponsorship income from our largest supplier, amounted to approximately HK\$4.4 million in the first half of 2018. In the event that our business relationship with these suppliers is terminated, we may not be able to have sufficient supply of products of similar quality and brand name, at sufficient quantity and on similar terms. We may also not be able to find another supplier which could provide similar level of sponsorship.</p> <p>(iv) We plan to diversify our sources of revenues and mitigate our risks of over-reliance on Club Cubic Macau. We have relatively limited experience in holding events outside Club Cubic Macau. In addition, when expanding to regions other than Macau, we are relatively not familiar with the local business environment. We may not be able to detect, deter and prevent all instances of infringement, illegal activities or other misconducts committed in such jurisdictions which may harm our reputation and affect our brand name. We may incur substantial start-up and pre-opening costs, such as additional staff costs, rentals, professional fees and promotion expenses, before the opening of new outlets.</p> | <p>(1) The Company will continue to review and fine-tune its strategy when organizing music-related featured events in Club Cubic Macau, including the number of events held, the scale of the events and resources required (such as DJ/artist fee and other marketing expenses), as well as the timing, such that our resources could be optimized to stimulate the sales of Club Cubic Macau at the appropriate time.</p> <p>(2) In addition to the expansion plan, we will also carry out renovation to maintain the competitiveness of Club Cubic Macau.</p> <p>(3) We have explored opportunities to diversify our operation such that we can reduce our reliance on Club Cubic Macau and our largest suppliers. We achieved remarkable progress in 2018, including the organizing of our annual music event in Hong Kong, successfully operating HEXA and Oh-My-Goose. Besides, we have concluded a lease to operate our second HEXA at Citigate Outlet of Tung Chung Town.</p> <p>(1) For our annual music festival events held outside Club Cubic Macau, appropriate insurance coverage, such as event cancellation insurance, is purchased at a reasonable cost. Emergency medical service, event security service, harm reduction outreach and support, as well as event, risk and crowd management advisory, were also engaged.</p> <p>(2) When holding events outside Club Cubic Macau and expanding to regions other than Macau, we may also continue to work with business partners or investors which are more familiar with local environment to mitigate our risk exposure and ease our financial burden.</p> |
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A more detailed discussion of the Group's risks associated with our business and industry were disclosed in the Prospectus.

## **FOREIGN EXCHANGE EXPOSURE**

During the first half of 2018 and the year ended 31 December 2017, most of the Group's transactions are denominated and settled in its functional currency, MOP and reporting currency, HK\$. As historically there has been very limited exchange fluctuation between MOP and HK\$, the Company considered that the Group was not exposed to material foreign currency exchange risk. The Group currently has not implemented any foreign currency hedging policy and the management will consider hedging against significant foreign exchange exposure should the need arise.

## **CONTINGENT LIABILITIES AND CAPITAL COMMITMENT**

Saved for those disclosed in the 2017 Annual Report and this announcement, the Group did not have any material contingent liabilities or capital commitment as at 30 June 2018 and 31 December 2017.

## **SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS**

Save for those disclosed in the Prospectus, the 2017 Annual Report and this announcement, there were no other significant investments held by the Group as at 30 June 2018 and 31 December 2017, nor were there other material acquisitions and disposals of subsidiaries by the Group during the period/year. Apart from those disclosed in the Prospectus, the 2017 Annual Report and this announcement, there was no other plan authorized by the Board for other material investments or additions of capital assets at the date of this announcement.

## **EMPLOYEES AND REMUNERATION POLICY**

As at 30 June 2018, the Group had a total of 231 employees. The total staff costs for the six-month period ended 30 June 2018 were approximately HK\$27.3 million. Remuneration is determined with reference to market terms and the performance, qualifications and experience of the individual employee. We actively refine our staff structure by adopting the human resources philosophy of "making the best use of ability" and offer reasonable yet competitive compensation packages. The Group has developed a number of rules and regulations to provide provisions on remuneration, dismissal, recruitment and promotion, working hours, holidays, equal opportunities, diversity and other benefits as well as welfare for employees.

Other benefits include contributions to statutory mandatory provident fund schemes to its qualified Hong Kong employees and social security fund schemes operated and managed by the Macau Government to its qualified Macau employees.

## OUTLOOK

Looking ahead, the Group will continue to focus on our core strength in clubbing and restaurant operating business.

Club Cubic Macau, being one of the largest and most prestigious hotspots in Macau, will certainly benefited from the upcoming opening of Hong Kong-Zhuhai-Macau Bridge as more tourist access is expected from better transportation. At the same time, we are expanding the scale of Club Cubic to cope with the business expansion. The expansion provides more space endowing customers with a wealth of sophisticated club luxury experience. More events will be organized and enlarged operation team following the expansion to meet the ever growing market of leisure and entertainment demand. The expansion comprises two phases of work targets to be completed in the third quarter of 2019 subjects to the approval of relevant licenses.

The remarkable performance of HEXA is encouraging despite the competitive operating environment in food and beverage industry of Hong Kong. Surrounded by the panoramic view of Victoria Harbour, with its unique stylish yet classic interior design and authentic Cantonese cuisine with contemporary twist, HEXA brings distinctive dining experience to diners.

On the solid foundation of the success model of our first restaurant at Harbour City in Tsimshatsui, the Group has recently secured a shop for our second HEXA at Citygate Outlet of Tung Chung Town which is one of the prime locations in Hong Kong. This marks an exciting step of the Group to extend the network leveraging on the established brand and experience.

Long term, the Group will sharpen focus to solicit opportunities to replicate our success model of clubbing and restaurant business in Mainland China. We believe our unique experience and network in the industry will definitely bring the Group promising business development in Mainland China.



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

As at 30 June 2018, 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%
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 <sup>(1)</sup>	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 30 June 2018, 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 June 2018, 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:

<b>Name of shareholder</b>	<b>Nature of interest</b>	<b>Number and class of securities<sup>(1)</sup></b>	<b>Approximate percentage of shareholding interest</b>
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%

<b>Name of shareholder</b>	<b>Nature of interest</b>	<b>Number and class of securities<sup>(1)</sup></b>	<b>Approximate percentage of shareholding interest</b>
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 30 June 2018, 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 six-month period ended 30 June 2018.

## 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 proposed restaurant and bar 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 Sui Kit, are engaged in certain restaurant and bar business in Hong Kong (the "Retained HK Restaurant and Bar Business"). Below are the details of their interests in companies involved in such business during the six-month period ended 30 June 2018:

<b>Name of entity</b>	<b>Nature of interests</b>
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 Sui Kit
Mighty Force Catering Group Limited (Note 2)	Approximately 50% of its issued share capital was held by Mr. Choi Sui 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 Sui Kit's spouse
Eastern Full Limited (Note 2)	Approximately 7.5% of its issued share capital was held by Mr. Choi Sui 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 Mr. Choi Yiu Ying and Mr. Choi Sui Kit had engaged the Retained HK Restaurant before the Group's Listing and its entrance into the restaurant and bar business in Hong Kong, such business are not covered by the Deed of Non-competition entered between the Controlling Shareholders and 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 six-month period ended 30 June 2018:

<b>Name of entity</b>	<b>Nature of interests</b>
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 six-month period ended 30 June 2018, 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.

## SHARE OPTION SCHEME

The Company adopted a share option scheme on 18 October 2016 (the "Share Option Scheme") to recognize and acknowledge the contributions made by any individual who is an employee of our Group (including directors) or any entity in which our Company holds any equity interest (the "Invested Entity") and such other persons who has or will contribute to our Company as approved by our Board from time to time (the "Participants"), to attract skilled and experienced personnel, to incentivize them to remain with our Company and to motivate them to strive for the future development and expansion of our Company and its subsidiaries, by providing them with the opportunity to acquire equity interests in our Company.

The Share Option Scheme became effective on the date of the Company's listing (11 November 2016) and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of shares which may be issued upon exercise of all options granted and to be granted under the Share Option Scheme is 180,000,000 shares, representing 10% of the shares of the Company in issue as at the date of adoption of the Share Option Scheme and as at the date of this annual report. The maximum number of shares issuable under share options granted to each eligible participant in the Share Option Scheme (including both exercised and outstanding options) within any 12-month period is limited to 1% of the shares of the Company in issue. Any grant or further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting. A grant of share options under the Share Option Scheme to a director, chief executive or substantial shareholder of the Company, or to any of their associates, is subject to approval in advance by the independent non-executive directors (excluding any independent non-executive director who is the grantee of the Option). In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, which would result in the shares issued and to be issued, upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding), to such person in the 12-month period up to and including the date of the grant in excess of 0.1% of the shares of the Company in issue and with an aggregate value (based on the closing price of the Company's shares at the date of grant) in excess of HK\$5 million (or such other amount as permissible under the GEM Listing Rules from time to time), are subject to shareholders' approval in advance in a general meeting.



The offer of a grant of share options may be accepted within such time to be determined by the Board and upon payment of a nominal consideration of HK\$1 in total by the grantee. The exercise period of the share options granted is determined by the directors, save that such a period shall not be more than 10 years from the date of offer of the share options and subject to the provisions for early termination as set out in the Share Option Scheme. There is no requirement of a minimum period for which an option must be held before it can be exercised. The exercise price of the share options shall be not less than the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheets on the date on which the option is offered, which must be a business day (the "Offer Date"); (ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the Offer Date; and (iii) the par value of the Shares.

As at the date of this announcement, no option has been granted by the Company under the Share Option Scheme.

## **CORPORATE GOVERNANCE PRACTICES**

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

The Company adopted and complied with the principles and code provisions in the Corporate Governance Code and Corporate Governance Report (the "CG Code") as set out in Appendix 15 to the GEM Listing Rules since its Listing, except for paragraph A.2.1 of the CG Code which provides that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The roles of the chairman and chief executive officer are both performed by Mr. Choi Yiu Ying ("Mr. Simon Choi"). The Company considers that having Mr. Simon Choi acting as both the chairman and chief executive officer can provide a strong and consistent leadership to the Group and promote more effective strategic planning and management of the Group. Further in view of Mr. Simon Choi's experience in the industry, personal profile and role in the Group and historical development of the Group, the Company considers that it is to the benefit of the Group in the business prospects that Mr. Simon Choi continues to act as both the chairman and chief executive officer and the Company currently has no intention to separate the functions of chairman and chief executive officer.

Other information on the corporate governance practices of the Company has been disclosed in the corporate governance report contained in the 2017 Annual Report.

## **DIRECTORS' SECURITIES TRANSACTIONS**

The Company has adopted a code of conduct regarding securities transactions by the directors of the Company on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules (the "Model Code"). Having made specific enquiries in writing to the Directors, each of the Directors confirmed that he/she had complied with the Model Code in connection with the Company's securities during the six months ended 30 June 2018.

## **INTERESTS OF THE COMPLIANCE ADVISER**

As notified by Innovax Capital Limited (the "Compliance Adviser"), except for the compliance adviser agreement entered into between the Company and the Compliance Adviser 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.

## **CHANGES OF DIRECTOR'S AND CHIEF EXECUTIVE'S INFORMATION**

The changes of the Directors' and Chief Executive's information since the disclosure made in the Company's 2018 first quarterly report dated 9 May 2018 were set out as follows:

- Mr. Au Ion Weng has resigned as a non-executive Director with effect from 9 August 2018.
- Mr. Au Ka Wai has been appointed as a non-executive Director with effect from 9 August 2018.

## **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 six-month period ended 30 June 2018.

## **BOARD OF DIRECTORS**

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

### **Executive Directors:**

Mr. Choi Yiu Ying (*Chairman and Chief Executive Officer*)  
Mr. Choi Siu Kit  
Mr. Yeung Chi Shing

### **Non-executive Directors:**

Mr. Au Wai Pong Eric  
Mr. Au Ka Wai  
Ms. Poon Kam Yee Odilia

### **Independent non-executive Directors:**

Mr. Lam Wai Chin Raymond  
Mr. Chan Ting Bond Michael  
Mr. Tse Kar Ho Simon

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

Hong Kong, 9 August 2018

*This announcement will remain on the "Latest Company Announcements" page of the GEM website ([www.hkgem.com](http://www.hkgem.com)) for at least 7 days from the date of its publication. This announcement will also be published on the website of the Company at [www.lukhing.com](http://www.lukhing.com).*