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LUK HING ENTERTAINMENT GROUP

FIRST QUARTERLY REPORT 2018

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

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

FIRST QUARTERLY RESULTS

The board (the "Board") of Directors of the Company is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the three-month period ended 31 March 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 31 March	
		2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Revenue	2	40,521	21,790
Other income and gain		403	390
Cost of inventories sold		(8,794)	(4,605)
Staff costs		(12,888)	(8,111)
Property rentals and related expenses		(4,547)	(1,680)
Advertising and marketing expenses		(4,263)	(2,545)
Other operating expenses		(8,160)	(7,048)
Depreciation and amortization		(1,477)	(529)
Profit/(loss) before taxation		795	(2,338)
Taxation	3	(127)	-
Profit/(loss) for the period		668	(2,338)
Other comprehensive income:			
Exchange difference on translating of financial statements of overseas subsidiaries		192	-
Total comprehensive income/(loss) for the period		860	(2,338)
Profit/(loss) for the period attributable to:			
Owners of the Company		15	(2,338)
Non-controlling interests		653	-
		668	(2,338)
Total comprehensive income/(loss) for the period attributable to:			
Owners of the Company		207	(2,338)
Non-controlling interests		653	-
		860	(2,338)
Earnings/(losses) per share attributable to owners of the Company			
Basic and diluted (HK cents)	4	0	(0.13)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three-month period ended 31 March 2018

	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)	Exchange reserve HK\$'000 (Unaudited)	Retained earnings/ (Accumulated losses) 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	-	-	-	-	(2,338)	(2,338)	-	(2,338)
At 31 March 2017	18,000	66,235	12	-	454	84,701	-	84,701
At 1 January 2018	18,000	66,235	12	82	(6,483)	77,846	(235)	77,611
Profit for the period	-	-	-	-	15	15	653	668
Other comprehensive income for the period	-	-	-	192	-	192	-	192
Capital contribution from non-controlling interests	-	-	-	-	-	-	-	-
At 31 March 2018	18,000	66,235	12	274	(6,468)	78,053	418	78,471

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The condensed consolidated quarterly financial information of the Group has not been audited. The unaudited condensed consolidated quarterly financial statements of the Group for the three-month period ended 31 March 2018 have been prepared under historical cost convention and in accordance with accounting principles generally accepted in Hong Kong and the applicable disclosure requirements of the GEM Listing Rules.

The unaudited condensed consolidated quarterly financial statements of the Group for the three-month period ended 31 March 2018 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 26 March 2018. 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 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 2018. The adoption of these new and revised HKFRSs has not had material impact on the unaudited condensed consolidated financial statements for the three-month ended 31 March 2018. 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 the amounts received or receivable from the sales of food, beverage and other products, sponsorship income, revenue from club and restaurant operations and event organising (including entrance fees income, events rental income and cloakroom income) and loan interest income from Money Lending Business.

An analysis of the Group's revenue for the period is as follows:

	For the three-month period ended 31 March	
	2018	2017
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Sales of food, beverage and other products	36,608	19,411
Sponsorship income	2,247	97
Entrance fees income	1,352	1,631
Loan interest income	50	–
Others (note)	264	651
	40,521	21,790

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

3. TAXATION

	For the three-month period ended 31 March	
	2018	2017
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Income tax expense		
— Macau Complementary Tax	127	—

Macau Complementary Tax is calculated at 12% of the assessable profit for the three-month period ended 31 March 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 period ended 31 March 2017.

No tax is payable on the profit arising in Hong Kong for the three-month period ended 31 March 2018. Since the assessable profit is wholly absorbed by tax losses brought forward. Tax losses carried forward amount to approximately HK\$17,692,000.

No provision for Hong Kong profit tax was made for the same period of 2017 since the Hong Kong subsidiary had no estimated assessable profit for the period.

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 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.

3. TAXATION (CONTINUED)

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 and 2016 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\$3.4 million in aggregate for the years of assessment ended 31 December 2013, 2014, 2015 and 2016.

According, no provisions have been made in respect of the abovementioned relevant additional tax.

4. EARNINGS/(LOSSES) PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

	For the three-month period ended 31 March	
	2018	2017
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Profit/(Loss) for the period attributable to owners of the Company	15	(2,338)
	'000	'000
Number of ordinary shares for the purpose of calculating basic earnings/(losses) per share	1,800,000	1,800,000

The calculation of basic earnings/(losses) per share for the three-month period ended 31 March 2018 and 2017 is based on the profit/(loss) for the period attributable to owners of the Company and the weighted average number of shares for the relevant period.

No adjustment has been made to the basic earnings/(losses) per share presented for the three-month period ended 31 March 2018 and 2017 in respect of the dilution as the Group did not have any potential dilutive ordinary shares in issue during the periods.

5. DIVIDEND

No dividend has been paid or proposed by the Company since its date of incorporation. The Board does not recommend the payment of an interim dividend by the Company for the three-month period ended 31 March 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group is a premium clubbing and entertainment business operator. During the first quarter of 2018, the Group continued to engage in the operation of clubbing business and organizing music-related featured events. On top of that, the Group expanded its business in the operation of restaurant following the opening of HEXA in the last quarter of 2017 and commenced its money lending operation targeting borrowers in the food, beverage and entertainment-related industry.

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, we saw a steady growth and rising contribution of revenue from our first restaurant, HEXA since its opening in the last quarter of 2017. 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.

The Group organized music-related feature events to offer music entertainment to our customers. During the first quarter of 2018, 13 music-related festival events were organized in Club Cubic Macau compared to that of 14 events in total in the first quarter of 2017.

Further to that, the Group managed to organize a variety of events in HEXA during the first quarter of 2018 with a total of 28 events covering wedding parties, press conferences, commercial products launch and celebration parties. Our corporate clients consist of some famous brands like Mercedes-Benz, TVB and L'Oreal etc.

Since its opening in the last quarter of 2017, HEXA has steadily played a more and more important role to the Group's revenue contribution. As an integrated contemporary Chinese cuisine with bar concept and clubbing element, HEXA brings a new and unique gastronomic experience to the customers. The restaurant maintains a consistent growth in customer visit with average customer spending achieved HK\$400 to HK\$500 per head.

Leveraging on the Group's connections in food and beverage field, the Company has successfully obtained a Hong Kong money lender license in the last quarter of 2017. We have commenced the money lending operation targeting borrower in the food, beverage and entertainment-related industry, including operations and suppliers.

With a view to further diversify our business and expand our coverage, the Group has been exploring opportunities to extend our operations to the PRC. As our first move to step into the PRC market, the Company has established a PRC company with other business partners for the operation of Club Cubic Zhuhai, which is expected to be opened before mid of 2019. We have contributed RMB4.5 million in aggregate, comprising loan contribution and capital contribution to the PRC company which was held as a strategic investment. Such arrangement allows the Group to minimize our risk exposure to new markets.

FINANCIAL REVIEW

Revenue

Total revenue of the Group increased by HK\$18.7 million to HK\$40.5 million, represented a solid increase of 86% as compared to the total revenue of HK\$21.8 for the three months period ended 31 March 2017. The increase was primarily attributed to the revenue contribution from our first restaurant, HEXA opened in the last quarter of 2017.

Apart from that, our clubbing business also performed better than last year and achieved an aggregate increase of HK\$4.7 million, represented 22% 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 benefitting from the large-scale events held in the first quarter 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 91% from HK\$4.6 million in the first quarter of 2017 to about HK\$8.8 million in the same period of 2018. This was mainly attributed to the costs of food sold from our newly operated HEXA.

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

Staff cost increased by 59% from HK\$8.1 million in the first quarter of 2017 to HK\$12.9 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 165% from HK\$1.7 million in the first quarter of 2017 to HK\$4.5 million in the same period of 2018. The increase was mainly due to the combined effect of (i) additional rentals and related expenses for the newly operated HEXA; (ii) increase in base rentals paid to the owners of Club Cubic Macau since April 2017; and (iii) deferred rental for our forthcoming roast-geese outlet, "Oh My Goose", located in Langham Place Shopping Mall.

Advertising and marketing expenses increased 72% year-on-year from HK\$2.5 million in the first quarter of 2017 to HK\$4.3 million in the same period of 2018. This was explained partly by the promotion and marketing expenses for HEXA and higher performer fees incurred for the large-scale event held in the first quarter of 2018 as compared to the same period of last year.

Other operating expenses increased 17% to HK\$8.2 million in the first quarter of 2018 from HK\$7 million in the first quarter of 2017. The increase was mainly due to (i) utilities and cleaning expenses; and (ii) small equipment and consumables expenses incurred for the operation of HEXA, which were partially offset by the decrease in legal and professional fees in relation to post-listing compliance incurred in the first quarter of 2017.

Profit Attributable to Owners of the Company

For the period ender 31 March 2018, the Group recorded a net profit of HK\$0.7 million. Net profit attributable to owners of the Company was approximately HK\$15,000. Excluding the provision of income tax, net profit attributable to owners of the Company was approximately HK\$0.1 million. Compared to the net loss of HK\$2.3 million attributable to owners of the Company for the three months period ended 31 March 2017, the Group achieved the change from net loss to net profit amounted to approximately HK\$2.4 million, which was mainly contributed by the aforementioned significant increase in revenue from business operations.

OUTLOOK

The Group will continue to strengthen its leading market position by brand building, improving quality of customer service. We strive to offer premium clubbing and entertainment experience for our customers.

We believe 2018 will be an exciting year for the Group. Firstly, our Club Cubic, being one of the largest and most prestigious hotspots in Macau, will certainly benefit 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 demand for leisure and entertainment. The expansion comprises two phases of work targets to be completed in the third quarter of 2019 subjects to the approval of relevant licenses.

Secondly, the performance of our first restaurant, HEXA has been 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.

Further to that, our new roast-geese outlet, "Oh-My-Goose", located in Langham Placing Shopping Mall at the very heart of Mongkok, is expected to be opened before mid of May 2018. The shop is designed as a fast casual restaurant and offers cool and high quality fast food at good value to trend-seeking young consumers.

Most excitingly, our third edition of the festival event will be held in June 2018 at AsiaWorld-Expo to bring a cool indoor experience this summer. We anticipate an increased attendance of over 10,000 fans to be united from regional and international to witness performances from the world's renowned DJs and experience world's top electronic music festival.

In long term, focusing on entertainment related business, the Group will continue to solicit opportunities to replicate our success model of clubbing and restaurant business in PRC, in particular the Guangdong-Hong Kong-Macau Greater Bay Area, where we believe enormous business there.

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

As at 31 March 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 ⁽¹⁾	Approximate percentage of shareholding interest
Mr. Choi Yiu Ying (Notes 2 and 3)	The Company	Interest of a controlled corporation, interest held jointly with another person	1,093,500,000 ordinary shares of the Company (L)	60.75%
	Welmen Investment Co. Ltd ("Welmen")	Interest of a controlled corporation	3,031.11 ordinary shares of Welmen (L)	30.3111%
		Beneficial owner	706.67 ordinary shares of Welmen (L)	7.0667%

Name of Director/ Chief Executive	Name of Group member/associated corporation	Nature of interest	Number and class of securities ⁽¹⁾	Approximate percentage of shareholding interest
Mr. Choi 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 31 March 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 31 March 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:

Name of shareholder	Nature of interest	Number and class of securities⁽¹⁾	Approximate percentage of shareholding interest
Welmen	Beneficial owner	1,093,500,000 ordinary shares (L)	60.75%
Yui Tak (Note 3)	Interest of a controlled corporation	1,093,500,000 ordinary shares (L)	60.75%
Ocean Concept (Note 3)	Interest of a controlled corporation	1,093,500,000 ordinary shares (L)	60.75%
Toprich (Note 4)	Interest of a controlled corporation	1,093,500,000 ordinary shares (L)	60.75%
Perfect Succeed (Note 4)	Interest of a controlled corporation	1,093,500,000 ordinary shares (L)	60.75%
Mr. Au Ka Wai (Note 2)	Interest held jointly with another person	1,093,500,000 ordinary shares (L)	60.75%

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

Notes:

- (1) The letter "L" denotes the person's long position in the shares of the Company.
- (2) On 2 March 2016, Mr. Choi Yiu Ying, Mr. Choi Siu Kit, Mr. Au Wai Pong Eric, Mr. Au Ka Wai, Mr. Yeung Bernard Sie Hong and Mr. Yeung Chi Shing entered into an acting in concert confirmation whereby each of them confirmed that since 31 January 2011, they acted in concert with each other when dealing with matters concerning operation management, accounts, finance and treasury and human resources management of the Group, details of which are set out in the Prospectus. As such, pursuant to the acting in concert arrangement, each of Mr. Choi Yiu Ying, Mr. Choi Siu Kit, Mr. Au Wai 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 31 March 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 three-month period ended 31 March 2018.

INTEREST IN A COMPETING BUSINESS

As disclosed in the Prospectus, our controlling shareholders are interested in certain restaurant businesses in Macau (the "Retained Macau Restaurant Business"). In view of the difference in industry nature, the opening business hours and the target customers of the Retained Macau Restaurant Business, our Directors are of the view that these businesses are clearly delineated from our current clubbing business in Macau and will not compete (either directly or indirectly) or are not likely to compete with the clubbing business of our Group in Macau.

Two of our executive directors, Mr. Choi Yiu Ying and Mr. Choi Sui Kit, as disclosed in the Prospectus, 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 three-month period ended 31 March 2018.

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 Mr. Choi Yiu Ying and Mr. Choi Siu Kit before the Listing and the Group has not entered in 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 three-month period ended 31 March 2018:

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

The events organized by Mr. Tse are not limited to music-related events, and even as to music-related events and performances, the music genre is broad and not limited to clubbing music such as electronic music which is the focus of our Group. In addition, Mr. Tse expects that Macau will not be a material market for his event or performance organization business in the foreseeable future. During the three-month period ended 31 March 2018, our Group did not have any transactions with Mr. Tse or his above businesses. Hence, our Directors are of the view that the pool of potential customers and audience attending the events are different between the events organized by us and Mr. Tse and accordingly potential competition is relatively low and limited.

Saved as disclosed, during the three-month period ended 31 March 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.

INTERESTS OF THE COMPLIANCE ADVISER

In accordance with Rule 6A.19 of the GEM Listing Rules, the Company has appointed Innovax Capital Limited (“Innovax”) to be the compliance adviser. 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 for the three months ended 31 March 2018.

CHANGE IN INFORMATION OF DIRECTORS

The following Information is set out pursuant to the requirements of Rule 17.50A (1) of the GEM Listing Rules:

- Mr. Chan Ting Bond Michael was appointed as an independent non-executive director and a member of the Audit Committee, Remuneration Committee and Nomination Committee of Integrated Waste Solutions Group Holdings Limited (Stock Code: 00923) on 1 May 2018, a company listed on the main board of The Stock Exchange of Hong Kong Limited.

AUDIT COMMITTEE

The Company established an audit committee with written terms of reference in compliance with Rules 5.28 and 5.29 of the GEM Listing Rules and paragraph C.3.3 and C.3.7 of the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules. The audit committee consists of two independent non-executive Directors being Mr. Chan Ting Bond Michael and Mr. Lam Wai Chin Raymond and one non-executive Director, Mr. Au Wai Pong Eric. Mr. Chan Ting Bond Michael serves as the chairman of the audit committee. The primary responsibilities of the audit committee include but without limitation the following: (i) assisting the Board in providing an independent view of the effectiveness of our Group’s financial reporting process, internal control and risk management systems; (ii) overseeing the audit process; and (iii) performing other duties and responsibilities as assigned by the Board.

The audit committee has reviewed the unaudited condensed consolidated financial statements of the Group for the three-month period ended 31 March 2018.

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 May 2018