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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)

FIRST QUARTERLY RESULTS ANNOUNCEMENT FOR THE THREE MONTHS ENDED 31 MARCH 2019

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.

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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 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 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.

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 2019, together with the unaudited comparative figures for the respective corresponding period in 2018, as follows:

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

	Notes	Three-month period ended 31 March	
		2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Revenue	2	45,893	40,521
Other income and gain		1,114	403
Cost of inventories sold		(10,998)	(8,794)
Staff costs		(15,222)	(12,888)
Property rentals and related expenses		(1,210)	(4,547)
Advertising and marketing expenses		(3,846)	(4,263)
Other operating expenses		(10,405)	(8,160)
Depreciation and amortization		(4,887)	(1,477)
Profit before taxation		439	795
Taxation	3	(17)	(127)
Profit for the period		422	668
Other comprehensive income:			
Exchange difference on translating of financial statements of overseas subsidiaries		116	192
Total comprehensive income for the period		538	860
Profit/(loss) for the period attributable to:			
Owners of the Company		(251)	15
Non-controlling interests		673	653
		422	668
Total comprehensive income/(loss) for the period attributable to:			
Owners of the Company		(135)	207
Non-controlling interests		673	653
		538	860
(Losses)/earnings per share (HK cents)			
— Basic	4	(0.01)	0.00
— Diluted	4	(0.01)	0.00

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three-month period ended 31 March 2019

	Attributable to owners of the Company						Sub-total	Attributable to non-controlling interests	Total
	Share capital	Share premium	Share based compensation losses	Legal reserve	Exchange reserve	Retained earnings/ (accumulated losses)			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
As 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
As at 31 March 2018	18,000	66,235	-	12	274	(6,468)	78,053	418	78,471
As at 1 January 2019	18,000	66,235	378	12	(152)	(4,282)	80,191	745	80,936
Profit/(loss) for the period	-	-	-	-	-	(251)	(251)	673	422
Other comprehensive income for the period	-	-	-	-	116	-	116	-	116
Equity-settled share option arrangement	-	-	110	-	-	-	110	-	110
As at 31 March 2019	18,000	66,235	488	12	(36)	(4,533)	80,166	1,418	81,584

Note:

- (a) In accordance with the provisions of the Macau Commercial Code, the subsidiary of the Company in Macau are required to transfer a minimum of 25% of its profit for the year to a legal reserve before appropriation of dividends until the legal reserve equals half of the capital of the subsidiary. This reserve is not distributable to its shareholders.

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 2019 have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) and issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and in accordance with 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 2019 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 22 March 2019. The accounting policies adopted are consistent with those applied in the Group’s audited annual financial statements for the year ended 31 December 2018, 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 2019.

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	
	2019	2018
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Revenue from contracts with customers:		
<i>Recognised at a point in time</i>		
Sales of food and other products	18,589	12,839
Sales of beverage	23,622	23,769
Sponsorship income	2,222	2,247
Entrance fees income	1,104	1,352
Others (Note)	221	264
	45,758	40,471
Revenue from other sources:		
Loan interest income	135	50
	45,893	40,521

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

3. TAXATION

	For the three-month period ended 31 March	
	2019	2018
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Income tax expense		
— Macau Complementary Tax	17	127

Macau Complementary Tax is calculated at 12% of the assessable profit for the three-month period ended 31 March 2019 after deducting the exempted amount of MOP600,000. Under the Macau Complementary Tax, for the years of assessment 2019 and 2018, the taxable profits up to MOP600,000 were exempted.

No tax is payable on the profit arising in Hong Kong for the three-month period ended 31 March 2019. Since the assessable profit is wholly absorbed by tax losses brought forward. Tax losses carried forward amount to approximately HK\$15,780,000.

No provision for Hong Kong profit tax was made for the same period of 2018 since the Hong Kong subsidiary had no estimated assessable profit for the period.

4. (LOSSES)/EARNINGS PER SHARE

The calculation of the basic and diluted (losses)/earnings per share attributable to owners of the Company is based on the following data:

	For the three-month period ended 31 March	
	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
(Losses)/earnings for the purpose of basic and diluted earnings per share	(251)	15
	'000	'000
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,800,000	1,800,000
Effect of dilutive potential ordinary shares: — Share option (Note)	1,296	—
Weighted average number of ordinary shares for the purpose of diluted earnings per share	1,801,296	1,800,000

Note: The diluted (losses)/earnings per share for the three-month period ended 31 March 2019 and 2018 was calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. For the three-month period ended 31 March 2019, the outstanding share options were assumed to have been converted into ordinary shares. For the three-month period ended 31 March 2018, diluted losses per share is the same as basic losses per share as there were no potential dilutive ordinary shares in issue.

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 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

During the first quarter of 2019, the Group continued engaged in the operation of clubbing and organizing music-related featured events, as well as the operation of our restaurant, HEXA and our roast-geese outlet Oh-My-Goose. The Group also engaged in money lending operation targeting borrowers in the food, beverage and entertainment-related industry.

BUSINESS REVIEW

During the period under review, sales of beverage and entrance fees from retail customers of our clubbing business remained as the Group's primary stream of revenue while we saw a significant growth and contribution to the Group's total sales revenue from our restaurant, HEXA. 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.

Our clubbing business, Club Cubic Macau continues to strengthen its competitiveness by brand building and improving quality of customer service. We see our events playing an important role in differentiating us from our competitors and maintaining our competitiveness, we maintains the strategy to attract renowned international electronic music DJs, producers and artists to perform in Club Cubic Macau. Being one of the largest and most prestigious hotspots in Macau, Club Cubic Macau continues to organize featured and regular events entertainment to our customers. During the first quarter of 2019, 11 music-related featured events were organized in Club Cubic Macau compared to that of 13 events organized in the first quarter of 2018. In parallel, we are speeding up the planning work of expanding the scale of Club Cubic Macau to capture the business opportunities buttressed by the Hong Kong-Zhuhai-Macau Bridge making tourism more convenient and accessible.

Our restaurant HEXA maintained strong performance in the growth of sales revenue under the review period as compared to that of last year. It's impressing stylish interior design and fresh ingredients sourced from around the world integrated with innovative ideas, endeavors to serve the best quality of dishes offering authentic Cantonese cuisine with a contemporary twist. On top of the recognition of its loyal customers, HEXA has received awards and accolades from media and industry bodies, including the "Best-Ever Dining Awards 2018" by the Weekly Magazine, and listed as one of the Top Five restaurant for numerous times by OpenRice Hong Kong Top Chart. Besides, its outdoor areas surrounded by Victoria Harbour and the spacious garden with installations is a fabulous venue for hosting events. HEXA has continued to host events including wedding parties, press conference, product launch parties and movie shooting.

On the solid foundation of success model of HEXA, the Group has engaged to set up a sub brand of HEXA, namely "SIXA" at Citygate Outlets of Tung Chung town center. The planning of renovation work of SIXA is in final stage and SIXA is expected to unveil in the second half of 2019. We regard Tung Chung being a transportation hub for the Hong Kong-Zhuhai-Macau bridge which will be further fueled to develop into a tourism and hospitality cluster, is a good location to open our second restaurant. This is an exciting step for the Group to extend the network leveraging on the established brand and experience of HEXA.

Further to that, Club Cubic Zhuhai which was the Group's first project to step into China market, is making advance progress in the renovation work and we expect its opening before third quarter of 2019. Besides, we have identified the location of Club Cubic Guangzhou in Four Seas Plaza at Panyu District, Guangzhou. We are working with our Guangzhou partner to explore development of the project.

FINANCIAL REVIEW

Revenue

Total revenue of the Group increased by HK\$5.4 million to HK\$45.9 million, represented an increase of 13% as compared to the total revenue of HK\$40.5 million for the three months period ended 31 March 2018. The increase was primarily attributed to the increased sales revenue from our restaurant, HEXA and the revenue contribution from the roast-geese outlet Oh-My-Goose opened in May 2018, partially offset by the slight drop of sales revenue of Club Cubic Macau due to the increased competition arising from the new clubbing venues in the surrounding region.

Expenses

Costs of inventories sold mainly represented the costs of beverage, food and tobacco products sold. It increased by 25% from HK\$8.8 million in the first quarter of 2018 to about HK\$11 million in the same period of 2019. This was mainly attributed to the costs of food sold from HEXA increased along with the increase in sales revenue.

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 18% from HK\$12.9 million in the first quarter of 2018 to HK\$15.2 million in the same period of 2019. The increase was primarily caused by additional staff cost incurred for HEXA and Oh-My-Goose and more staff recruited for business expansion and events held outside Club Cubic Macau.

Property rentals and related expenses decreased by 73% from HK\$4.5 million in the first quarter of 2018 to HK\$1.2 million in the same period of 2019. This is mainly due to the adoption of HKFRS 16 Leases which has become effective in the period. Under the application of HKFRS 16, the Group's operating leases were removed and replaced by the model where a right-of-use asset and a corresponding liability were recognised for all leases, except for short-term leases and leases of low value assets. The right-of-use asset was initially measured at cost and subsequently measured at cost less accumulated depreciation. The lease liability is initially measured at the present value of the lease payments that are not paid and subsequently adjusted for interest and lease payments. The application of new requirements resulted in the changes in measurement and presentation from previously under property rentals to depreciation and interest for lease payments.

For the same reason explained above, the application of HKFRS 16 Leases has resulted in the increased of depreciation and amortization from HK\$1.5 million in the first quarter of 2018 to HK\$4.9 million in the first quarter of 2019.

Advertising and marketing expenses decreased 10% from HK\$4.3 million in the first quarter of 2018 to HK\$3.8 million in the same period of 2019. This was explained by the decrease of promotion and marketing expenses for HEXA and lower performer fees incurred for Club Cubic Macau in the first quarter of 2019 as compared to the same period of last year.

Other operating expenses increased 28% to HK\$10.4 million in the first quarter of 2019 from HK\$8.2 million in the first quarter of 2018. Mainly due to (i) the increase of complimentary coupon and entertainment expenses for Club Cubic Macau; (ii) the increase of travelling, cleaning and small equipment expenses incurred for the operation of HEXA; and (iii) the operating expenses incurred for Oh-My-Goose which was opened in May 2018.

Loss Attributable to Owners of the Company

The Group recorded a net profit of approximately HK\$0.4 million in the first quarter of 2019, and a net loss of approximately HK\$0.3 million attributable to owner of the Company compared to the net profit of approximately HK\$0.7 million and net profit of HK\$15,000 attributable to owners of the Company in the first quarter of 2018. This was mainly caused by the loss incurred during the period for our roast-goose outlet, Oh-My-Goose opened in May 2018.

OUTLOOK

The Group will continue to strengthen its leading market position by brand building and improving the quality of customer service.

To strengthen our position as a leading market player in the clubbing and entertainment market and further underpin our business in restaurant operation, the Group endeavors to grow and diversify our outlet network by expanding the scale of Club Cubic Macau and establishing a sub-brand of HEXA, namely "SIXA".

In view of the changing lifestyle and keen competition in the clubbing market in Macau, the Group recognizes that renovation and expansion of Club Cubic Macau would refresh our brand image and broaden our customer base. At the same time, Club Cubic Macau as the pioneer of the clubbing industry in Macau will certainly benefit from the opening of the Hong Kong-Zhuhai-Macau Bridge which brings more tourists to Macau. In line with our business expansion arising from the Hong Kong-Zhuhai-Macau Bridge, the Group has been expanding the scale of Club Cubic Macau. After renovation and expansion, Club Cubic Macau will be a more spacious, sophisticated and high-end club, endowing customers with a wealth of premium club experience.

To expand our market share and increase our market penetration in the restaurant business, the Group will open a new restaurant, SIXA, which serves simple mid-ranged Cantonese cuisine at the newly renovated Citygate Outlets in Tung Chung. The expected pool of potential customers is immense, since Tung Chung will serve as a transportation hub near the Hong Kong-Zhuhai-Macau Bridge, providing convenient connections between the Lantau Island and major cities in the Pearl River Delta. Potential customer visit will also be overwhelmingly boosted. The Group has a strong faith that SIXA will be a milestone for our restaurant business development.

Furthermore, as disclosed in our prospectus dated 27 October 2016, the Group has long been seeking opportunities to expand to regions other than Macau. Our first trial of clubbing business in Mainland China, Club Cubic Zhuhai, will commence very soon. Operating Club Cubic Zhuhai in Mainland China with other business partners is a breakthrough for our clubbing business. 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 31 March 2019, the interests and short positions of the Directors and the Company's chief executives in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required to be notified to the Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including any interests or short positions which they are taken or deemed to have under such provisions of the SFO), or as recorded in the register maintained by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of listed issuers as referred to in Rule 5.46 to 5.67 of the GEM Listing Rules were as follows:

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

Name of Director/ Chief Executive	Name of Group member/associated corporation	Nature of interest	Number and class of securities ⁽¹⁾	Approximate percentage of shareholding interest
Mr. Yeung Chi Shing (Note 2)	The Company	Interest held jointly with another person	1,093,500,000 ordinary shares of the Company (L)	60.75%
	Welmen	Beneficial owner	1,233.44 ordinary shares of Welmen (L)	12.3444%
Mr. Au Wai Pong Eric (Note 2)	The Company	Interest held jointly with another person	1,093,500,000 ordinary shares of the Company (L)	60.75%
	Welmen	Beneficial owner	1,605.56 ordinary shares of Welmen (L)	16.0556%
Mr. Au Ka Wai (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	1,604.44 ordinary shares of Welmen (L)	16.0444%

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 2019, 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 2019, 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%

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

Notes:

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

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

Save as disclosed above and so far as is known to the Directors, as at 31 March 2019, 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 2019

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 (i.e. 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.

SHARE OPTIONS

On 2 October 2018, certain employees and consultants of the Group who are not director, chief executive or substantial shareholder of the Company were granted shares options to subscribe for 30,142,308 shares at an exercise price of HK\$0.061 per share.

Pursuant to Rules 23.07 of the GEM Listing Rules, particulars and movements of shares options under the Share Option Scheme during the three months ended 31 March 2019 are set out as follows:

Category/ Name of Grantee	Date of Grant	Exercise Date/ Period	Exercise Price Per Share	Outstanding during the period	Number of share options			Outstanding as at 31 March 2019
					Granted during the period	Exercised during the period	Lapsed during the period	
Employees	2 October 2018	(Note 1)	HK\$0.061	-	9,042,692	-	-	9,042,692
and	2 October 2018	(Note 2)	HK\$0.061	-	9,042,692	-	-	9,042,692
Consultants	2 October 2018	(Note 3)	HK\$0.061	-	9,042,692	-	-	9,042,692
	2 October 2018	(Note 4)	HK\$0.061	-	3,014,232	-	-	3,014,232
Total				-	30,142,308	-	-	30,142,308

Notes:

1. Subject to fulfillment of the pre-determined vesting conditions, the shares options shall be vested and exercisable from 2 October 2018 to 1 October 2028.
2. Subject to fulfillment of the pre-determined vesting conditions, the shares options shall be vested and exercisable from 2 October 2019 to 1 October 2028.
3. Subject to fulfillment of the pre-determined vesting conditions, the shares options shall be vested and exercisable from 2 October 2020 to 1 October 2028.
4. Subject to fulfillment of the pre-determined vesting conditions, the shares options shall be vested and exercisable from 2 October 2021 to 1 October 2028.

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 2019.

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, Mainland China and other countries. Below are the details of his interests in companies involved in such business during the three-month period ended 31 March 2019:

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 2019, 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 2019, 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

During the three months ended 31 March 2019, except for the compliance adviser agreement dated 12 February 2017 entered into between the Company and Innovax Capital Limited (“Innovax”), the compliance adviser to the Company, which expired after the Company has complied with Rule 18.03 of the GEM Listing Rules in respect of the Company’s financial results for the second full financial year commencing after the date of initial listing of the Company (being the year ending 31 December 2018), 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.

DIVIDEND

The Board has resolved not to declare the payment of a dividend for the three months ended 31 March 2019 (31 March 2018: Nil).

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 2019.

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, 8 May 2019

As at the date of this announcement, the executive Directors are Mr. Choi Yiu Ying, Mr. Choi Siu Kit and Mr. Yeung Chi Shing; the non-executive Directors are Mr. Au Wai Pong Eric, Mr. Au Ka Wai and Ms. Poon Kam Yee Odilia; and the independent non-executive Directors are Mr. Lam Wai Chin Raymond, Mr. Chan Ting Bond Michael and Mr. Tse Kar Ho Simon.

This announcement will remain on the GEM website at www.hkgem.com on the "Latest Company Announcements" page for at least 7 days from the date of its posting and the Company's website at www.lukhing.com.