



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

PLACING



Sole Sponsor



Sole Global Coordinator and Sole Bookrunner



Joint Lead Managers



# IMPORTANT

*If you are in any doubt about any of the contents of this prospectus, you should obtain independent professional advice.*



## 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)

### LISTING ON THE GROWTH ENTERPRISE MARKET OF THE STOCK EXCHANGE OF HONG KONG LIMITED BY WAY OF PLACING

**Number of Placing Shares : 450,000,000 Shares**

**Placing Price : Not more than HK\$0.26 per Placing Share  
and not less than HK\$0.20 per Placing  
Share (payable in full upon application  
and subject to refund, plus brokerage fee  
of 1.0%, SFC transaction levy of  
0.0027% and Stock Exchange trading fee  
of 0.005%)**

**Nominal value : HK\$0.01 per Share**

**Stock code : 8052**

**Sole Sponsor**



**Sole Global Coordinator and Sole Bookrunner**



**Joint Lead Managers**



Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents in this prospectus.

A copy of this prospectus having attached thereto the documents specified in the section headed "Documents delivered to the Registrar of Companies and available for inspection" in Appendix V to this prospectus has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance. The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this prospectus or any other documents referred to above.

The Placing Price is expected to be fixed by an agreement between our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters) on the Price Determination Date, which is expected to be on or around 4 November 2016 (Hong Kong time) or such later date as agreed by our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters). The Placing Price currently expected to be not more than HK\$0.26 per Placing Share and not less than HK\$0.2 per Placing Share. The Sole Global Coordinator (for itself and on behalf of the Underwriters) may reduce the indicative Placing Price range stated in this prospectus at any time prior to the Price Determination Date. In such case, a notice of the reduction of the indicative Placing Price range will be published on the Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk) and our Company's website at [www.lukhing.com](http://www.lukhing.com). If, for any reason, the Placing Price is not agreed between the Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters) by the Price Determination Date or such later date as may be agreed between the Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters), the Placing will not become unconditional and will lapse.

Prospective investors of the Placing should note that the Underwriter is entitled to terminate its obligations under the Underwriting Agreement by notice in writing given by the Sole Global Coordinator (for itself and on behalf of the Underwriters) upon the occurrence of any of the events set forth in the section headed "Underwriting — Grounds for termination" in this prospectus at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date.

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this prospectus, including but not limited to the risk factors set out in the section headed "Risk Factors" in this prospectus.

27 October 2016

## CHARACTERISTICS OF GEM

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

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

*The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspaper. Accordingly, prospective investors should note that they need to have access to the Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk) in order to obtain up-to-date information on GEM-listed issuers.*

## EXPECTED TIMETABLE

*(Note 1)*

Expected Price Determination Date (*Note 2*) on ..... Friday, 4 November 2016

Announcement of the Placing Price and the level of indication of interest in the Placing to be published on the Stock Exchange's website at **www.hkexnews.hk** and our Company's website at **www.lukhing.com** on or before (*Note 3*)..... Thursday, 10 November 2016

Allotment of Placing Shares on or before ..... Thursday, 10 November 2016

Deposit of share certificates for the Placing Shares into CCASS on or before (*Note 4*)..... Thursday, 10 November 2016

Dealings in the Shares on GEM to commence at 9:00 a.m. on ..... Friday, 11 November 2016

*Notes:*

1. In this prospectus, unless otherwise stated, all times and dates refer to Hong Kong local times and dates.
2. The Price Determination Date is expected to be on or around Friday, 4 November 2016 (or such later date or time as agreed between our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters). If the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company are unable to reach an agreement on the Placing Price on the Price Determination Date, or such later date or time as agreed between our Company and the Sole Global Coordinator, the Placing will not become unconditional and will lapse.
3. None of the Company's website or any of the information contained in the Company's website forms part of this prospectus.
4. The share certificates are expected to be issued in the name of HKSCC Nominees Limited or in the name of the placee(s) or their agent(s) as designated by the Underwriters and/or the placing agents. Share certificates for the Placing Shares to be distributed via CCASS will be deposited into CCASS on or before Thursday, 10 November 2016 for credit to the respective CCASS participant's stock accounts or CCASS investor participants' stock accounts designated by the Underwriters, the placing agents, the placees or their agents, as the case may be. The Company will not issue any temporary documents of title.
5. Details of the structure of the Placing, including the conditions thereto, are set out in the section headed "Structure and conditions of the Placing" in this prospectus.
6. If there is any change to the above expected timetable, the Company will make separate announcement on the Stock Exchange's website at **www.hkexnews.hk** and our Company's website at **www.lukhing.com**.

All share certificates will only become valid certificates of title when the Placing has become unconditional in all respects and the Underwriting Agreement has not been terminated in accordance with its terms prior to 8:00 a.m. (Hong Kong time) on the Listing Date.

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*This prospectus is issued by our Company solely in connection with the Placing and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Placing Shares offered by this prospectus. This prospectus may not be used for the purpose of, and does not constitute, an offer to sell or a solicitation of an offer in any other jurisdiction or in any circumstances.*

*You should rely only on the information contained in this prospectus to make your investment decision.*

*Our Company, the Sole Sponsor, the Sole Global Coordinator and the Underwriters have not authorised anyone to provide you with information that is different from what is contained in this prospectus.*

*Any information or representation not made or contained in this prospectus must not be relied on by you as having been authorised by our Company, the Sole Sponsor, the Sole Global Coordinator, the Underwriters, any of their respective directors or affiliates or any other persons or parties involved in the Placing.*

*The contents of our Company's website at [www.lukhing.com](http://www.lukhing.com), which is the official website of our Group, do not form part of this prospectus.*

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## SUMMARY

*This summary aims to give you an overview of the information contained in this prospectus. Since it is a summary, it does not contain all the information that may be important to you. You should read the prospectus in its entirety before you decide to invest in our Shares.*

*There are risks associated with any investment. Some of the particular risks in investing in the Placing Shares are set out in the section headed “Risk Factors” in this prospectus. You should read that section carefully before you decide to invest in our Shares.*

### OVERVIEW OF OUR BUSINESS

We are a premium clubbing and entertainment business operator based in Macau, primarily engaged in operating Club Cubic located in the City of Dreams in Cotai, Macau and organising featured events therein. In December 2013, Club Cubic was reported by travel.cnn.com as one of Macau’s three top clubs. In July 2014, Club Cubic was ranked the fourth among the “World’s Top 10 Clubbing Brands” by Forbes China (福布斯中文網). In January 2016, Club Cubic was awarded by hkclubbing.com as the 2015 Best Night Club in Hong Kong and Macau. According to Euromonitor Report, Club Cubic was the second largest clubbing venue in Macau in terms of gross floor area as at the Latest Practicable Date.

We strive to establish Club Cubic as a premium and high-end clubbing and entertainment venue and aim to target customers aged from 18 to 50 being middle and high level spenders, tourists, music lovers and party goers. According to the Euromonitor Report, the estimated average expenditure per customers per night in Club Cubic is generally higher than other clubbing venues in Macau as identified by Euromonitor. For details, please refer to “Industry Overview — Overview of the operation of the clubbing venue operators in Macau” in this prospectus.

During the Track Record Period, through our principal activities, namely (i) our clubbing business, and (ii) our music-related event organised in Club Cubic, we generated our revenue primarily from sale of beverage in Club Cubic from retail customers and sponsorship income received from corporate customers and beverage suppliers, including Seapower and COD, comprising of sponsorship fee from corporate customers for displaying their logos or products during the events and incentive fee from beverage suppliers according to our purchase amount from them. Sale of beverage is the largest product sale segment of our Group, and accounted for 78.3%, 74.0% and 80.3% of our revenue for the years ended 31 December 2014 and 2015 and the four months ended 30 April 2016, respectively. In line with our premium and high-end positioning, we primarily promote Champagne, which are generally sold at over MOP1,500 per bottle, as our principal beverage products. According to the Euromonitor Report, the market size of on-trade retail value sales of Champagne in Macau for the year ended 31 December 2015 was US\$19.6 million (equivalent to HK\$152.5 million). Based on such estimate, our Champagne sales accounted for approximately 35.4% of the market size of on-trade retail value sales of Champagne in Macau for the year ended 31 December 2015.

For the years ended 31 December 2014 and 2015 and the four months ended 30 April 2016, sale of Champagne represented 55.8%, 58.2% and 62.3% of our beverage sales, and 43.6%, 43.0% and 50.0% of our total revenue for the same period. Perrier-Jouët, being a premium Champagne brand and one of the top three most popular Champagne brands sold in Macau according to the Euromonitor Report, is our major products and accounted for 92.3%, 94.5% and 96.9% of our Champagne sales for the years ended 31 December 2014 and 2015 and the four months ended 30 April 2016. As confirmed by Seapower which is the exclusive distributor of Perrier-Jouët Champagne in Macau, since the opening of Club Cubic in the present venue in 2011, we have been the largest customer and retailing point of Perrier-Jouët Champagne in terms of both (i) number of bottles and (ii) sales in Macau. The rank symbolizes our success in establishing Club Cubic as a premium and high-end clubbing and entertainment hotspot in Macau.

## SUMMARY

### **Clubbing business**

Club Cubic is located on the 2nd and 3rd Floor at The Boulevard, City of Dreams in Cotai, Macau. We obtained from COD the right to operate Club Cubic for a term until 31 March 2020 under the Operating Agreement, which may be extended to March 2025 subject to the terms therein. In exchange, we pay COD a portion of the profit of Club Cubic plus a fixed base fee. With a gross floor area of 25,780 square feet across two levels, Club Cubic strives to offer premium clubbing and entertainment experience by providing a sensational clubbing venue and live entertainment space of stylish art lighting coupled with music and live performances for our customers. For details of our club, please see “Business — Our Club and Services”.

### **Event organisation**

Leveraging our success in clubbing business, we are also engaged in organising music-related featured events to offer music entertainment to our customers. In general, our Group conducts the overall organisation, ranging from sourcing of DJs, marketing, ticketing, stage design and set up as well as offering Club Cubic as the venue for the event. Since opening of Club Cubic in April 2011, we have successfully introduced internationally renowned DJs such as Afrojack, deadmau5, Steve Aoki, Tiesto and Zedd and artists such as Akon, Big Bang, Chris Brown, LMFAO and PSY to perform in Club Cubic at our featured events in order to attract media and public attention and further enhanced our premium and high-end image. We believe our strong brand recognition allow Club Cubic to attract more customers and music lovers, and, as a result, we maintained a relatively stable revenue from our regular operation during the Track Record Period. In respect of featured events which we engaged internationally renowned DJs and artists to perform, we in general charge a higher entrance fee per guest, a higher minimum charge for reserving a table or private karaoke room and a higher rate for corporate customers to sponsor the event. Hence it would benefit our Group by increasing the average spending per retail customer and average sponsorship fee per corporate customer. In June 2015, we organised the 2015 Road to Ultra Macau event inside Club Cubic. The 2015 Road to Ultra Macau event is the first Road to Ultra event hosted in the Greater China region (excluding Taiwan). We held the 2016 Road to Ultra event in Hong Kong on 17 September 2016. For details of our event organisation, please see “Business — Event organisation”.

### **Expansion**

We are in the process of preparing for the expansion of our Club Cubic and extend the club venue to a premises adjacent to the venue of Club Cubic. We expect to allocate approximately HK\$26.2 million for the decoration, furniture and fixtures for the expansion area and the expansion is expected to be funded by our net proceeds from the Placing and our internal resources. For details, please see “Business — Our Club and Services — Club Cubic — Expansion Plan” and “Future Plans and Use of Proceeds”.

With a view to further diversifying our business and expanding our coverage, we are exploring opportunities to open new club(s). We may also consider suitable investments and partnerships with local partners where opportunities may arise.

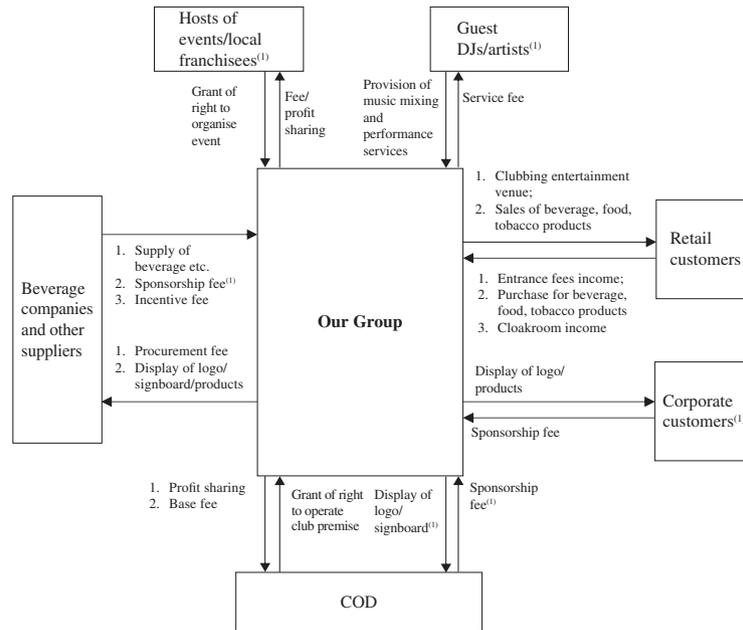
### **Restriction against competitive operation in Macau**

Pursuant to the Operating Agreement, we shall not own, operate or have any interest in any business similar to Club Cubic within Macau without the consent of COD during the term of the Operating Agreement. For details, please see “Business — Relationship with COD — Operating Agreement”. Accordingly, in the event that any business opportunity for opening of another clubbing venue in Macau arises, we shall negotiate with COD to obtain its consent before proceeding with such plan. Without the consent from COD, our future expansion of clubbing venues will be limited to opportunities outside Macau during the term of the Operating Agreement. Due to the above restriction, we will focus on business opportunities outside Macau, if such opportunities arise.

# SUMMARY

## BUSINESS AND REVENUE MODEL

The following chart summarises the business and revenue model of our principal business:



*Note:*

(1) In general, these parties and items are involved or engaged for featured events only.

## OUR CUSTOMERS

During the Track Record Period, our customers mainly included retail customers as well as corporate customers and beverage suppliers who contributed to sponsorship income. During the Track Record Period, our five largest customers included corporate customers and beverage suppliers including Seapower (who primarily contributed to sponsorship income), COD and individual retail customers (who contributed to beverage, food and tobacco products sale income and entrance fees income primarily). For the two years ended 31 December 2014 and 2015 and the four months ended 30 April 2016, our five largest customers in aggregate accounted for approximately 15.0%, 17.5% and 16.0% respectively of our total revenue, and our largest customer, Seapower, accounted for approximately 8.7%, 9.2% and 5.7% of our revenue during the same periods. Seapower is also our largest supplier during the Track Record Period.

## OUR SUPPLIERS

During the Track Record Period, our suppliers mainly included beverage suppliers, suppliers of fruit for mixing of cocktail and side dishes and tobacco. During the Track Record Period, our five largest suppliers include Seapower being our largest beverage supplier, COD who sub-distributed beverage and other consumables to us and other restaurants inside the City of Dreams, other beverage suppliers, suppliers of fruit for mixing of cocktail and side dishes. For the years ended 31 December 2014 and 2015 and the four months ended 30 April 2016, our five largest suppliers in aggregate accounted for approximately 95.5%, 91.8% and 94.1% of our total purchases, and our largest supplier, Seapower, accounted for approximately 73.4%, 69.8% and 76.5% of our total purchases during the respective period.

Seapower is the exclusive distributor of Pernod Ricard's products in Macau, and our sales of Pernod Ricard's products accounted for HK\$62.1 million, HK\$63.5 million and HK\$20.4 million, representing (i) approximately 51.6%, 50.6% and 58.2% of our revenue; and (ii) approximately 66.0%, 68.3% and 72.5% of our beverage sales for the years ended 31 December 2014 and 2015 and the four months ended 30 April 2016, respectively. In the event that our business relationship with Seapower is terminated, we may not be able to promote other products to the level as we did for Pernod Ricard's products and we may not be able to have sufficient supply of products readily from other suppliers at sufficient quantity and on similar terms, and results of operation and financial condition may be

## SUMMARY

adversely affected. We may also incur time and costs for renovating the Perrier-Jouët Champagne bar and replacing existing point of sale materials with point of sale materials under the brands of the new supplier.

Moreover, we recorded sponsorship income from Seapower in our ordinary course of business. For the years ended 31 December 2014 and 2015 and the four months ended 30 April 2016, sponsorship income from Seapower amounted to approximately HK\$9.9 million, HK\$11.2 million and HK\$1.7 million, respectively. In the event of termination of our business relationship, we may not be able to procure another supplier which would provide such level of sponsorship income, or if at all, to our Group.

Given the background in particular that (i) our Group can enjoy wholesale prices and the entitlement of sponsorship income and incentive fees from purchases from Seapower under our procurement contract with Seapower, which would benefit its result of operations, (ii) our Group may still purchase beverage products from other suppliers and distributors, (iii) the industry landscape of Macau Champagne market that three most popular Champagne brands are dominated by two local distributors only; (iv) the strategic cooperation are mutually beneficial to both Seapower and Club Cubic; and (v) engaging in events outside Club Cubic; our Directors are of the view that we will be able to control the risk of reliance on Seapower and capture growth opportunities in the markets by taking the measures described above and by implementing the strategies set out under the paragraph headed “Business — Business Strategies” in this prospectus. Accordingly, our Directors are of the view that our reliance on Seapower would not impact our Group’s suitability for the Listing.

### RELATIONSHIP WITH COD

Club Cubic has closely cooperated with COD since the stage of planning. From the grand opening of Club Cubic at City of Dreams in April 2011, Club Cubic has been the only clubbing venue located inside the City of Dreams. We are of the view that we have provided premium and high-end clubbing and entertainment experience to customers including tourists and visitors to the City of Dreams and hotel guests of the hotels therein, and contributed efforts in terms of attracting customer traffic in the City of Dreams. We obtained from COD the right to operate Club Cubic under the Operating Agreement. In exchange, we pay COD a portion of the profit of Club Cubic plus a fixed base fee.

Summary of key commercial terms of the Operating Agreement is set out below. For details, please see “Business — Relationship with COD — Operating Agreement”:

- (a) **Profit sharing arrangement:** Pursuant to the Operating Agreement, there is a profit sharing arrangement such that net revenue (the “**Net Revenue**”) of Club Cubic shall be shared between COD (the “**Owner’s Share of Profit**”) and Luk Hing Macau (the “**Operator’s Share of Profit**”). Net Revenue will be calculated by deducting the following amount from the revenue: (a) a fixed % of royalty out of the revenue (excluding sponsorship income) of Club Cubic (the “**Royalty**”), (b) the Base Fee, (c) operating costs as agreed by the parties and (d) a fixed amount of reserve for fixture, furniture and reserve (the “**FF&E Reserve**”). The Net Revenue will be shared among COD and Luk Hing Macau at a fixed profit sharing ratio, which remained unchanged during the Track Record Period and will remain unchanged for the Renewal Term and the Potential Renewal Term.

A minimum and maximum amount as to the Owner’s Share of Profit will be set from the opening of the first phase expansion until 31 March 2020. The portion of the Net Revenue to be shared with COD will be paid by us quarterly, except for the amount as to the shortfall from such minimum amount which may be carried forward. For details, please see “Business — Relationship with COD — Operating Agreement — Profit sharing arrangement”.

- (b) **Base fee:** A fixed amount of MOP12 per square foot multiplied by the gross floor area of Club Cubic (25,780 square feet), payable monthly by Luk Hing Macau. The Base Fee will increase to MOP15 per square foot upon 1 April 2017 and further increase to MOP20 per square foot (multiplied by the existing gross floor area plus the expansion area) upon commencement of the Potential Renewal Term. Certain Base Fee exemption period has been granted by COD in respect of the gross floor area for the expansion.

## SUMMARY

- (c) **Royalty:** A sum calculated at a fixed % out of the revenue (excluding sponsorship income) of Club Cubic. In the event that there is an operating loss in any financial year, the royalty rate will be decreased to a lower fixed %. This sum will be retained by Luk Hing Macau, and deducted from the revenue of Club Cubic for the purpose of calculating the profits of Club Cubic under the profit sharing arrangement between COD and Luk Hing Macau discussed above. This is not an item recorded in the consolidated statements of profit or loss and other comprehensive income of our Group. The % remained unchanged during the Track Record Period and will remain unchanged for the term of the Operating Agreement. For details, please refer to “Business — Relationship with COD — Operating Agreement — Royalty”.
- (d) **Operating loss:** Luk Hing Macau shall not be liable for any cumulative operating loss of Club Cubic. For details regarding this arrangement, please see “Business — Relationship with COD — Operating Agreement — Operating loss”. For the two years ended 31 December 2014 and 2015, Club Cubic had not incurred cumulative operating loss (i.e. negative Net Revenue) hence this clause has not been triggered. This provision is applied annually.

The Operating Agreement is a long-term contract with a term until March 2020, which may be extended to March 2025 subject to the terms therein. COD cannot unilaterally terminate the Operating Agreement unless (a) any of the events of default occurs, or (b) the parties fail to reach an agreement to maintain the business direction of Club Cubic within 60 days (or such longer period as agreed by COD) after COD has received notice from our Company that Mr. John Choi has ceased to hold the prescribed level of shareholding interest in our Company, or (c) in the extreme situations such as occurrence of certain unfavourable events involving gaming authority or its gaming licenses, or (d) occurrence of force majeure events rendering City of Dreams or Club Cubic inaccessible or unfit for commercial use. For details, please see “Business — Relationship with COD — Operating Agreement — Termination”. If any of such events occurs, COD may terminate the Operating Agreement and take complete control of Club Cubic and grant a new operating agreement to other party as COD shall in its absolute discretion think fit.

During the Track Record Period and as at the Latest Practicable Date, Club Cubic is our only one operating clubbing venue, and we expect such situation will continue until we have opened new club(s). Therefore, most of our revenue (save as to our event organisation business which may be conducted outside the club premises such as the 2016 Road to Ultra Hong Kong event) are derived from the business at Club Cubic. In addition, based on our relationship with COD, we engage COD Hotels to provide accounting services to us. During the Track Record Period, our dance hall license and karaoke license for operation of Club Cubic were held by COD Hotels. COD Hotels transferred the licenses for the operation of Club Cubic to us on 15 September 2016. For details, please refer to the section headed “Business — Relationship with COD — Licenses held by COD Hotels during the Track Record Period” in this prospectus.

Given the background in particular (i) mutual benefits between COD and our Group, (ii) long term business relationship and contractual period of the Operating Agreement, (iii) our Group’s capability to operate Club Cubic independently, (iv) the flexibility in relocating to an alternative venue upon termination of contractual relationship with COD, (v) the potential impact on relocation of Club Cubic upon expiry of the Operating Agreement, and (vi) our Group’s effort to broaden our revenue source by engaging in events outside Club Cubic, our Directors are of the view that the risk of reliance on Club Cubic as the only clubbing venue is not extreme and we will be able to manage the risk of reliance on COD and Club Cubic as the only one clubbing venue and capture growth opportunities in the markets by taking the measures described above and by implementing the strategies set out under the paragraph headed “— Business Strategies” in this section and that our reliance on COD and Club Cubic as the only one clubbing venue would not impact our Group’s suitability for the Listing.

For further details of our relationship and transactions with COD and details regarding discussion that the Operating Agreement and other arrangements with COD and its associates were the outcome of commercial negotiations between the parties on an arm’s length basis and the commercial rationale behind the Operating Agreement, please refer to the paragraph headed “Relationship with COD” in the “Business” section of this prospectus.

## SUMMARY

### **Potential impact of relocation of Club Cubic on our Group's operations and financial performance**

On the basis that we have identified a suitable venue meeting the relevant licensing requirements and subject to the complexity of the design and renovation of the new venue, it is expected that it would take around three months for our Group to relocate Club Cubic to the new venue (inclusive of the time for the application of licenses for the new venue). Depending on the location of the new premises of the club, we estimated the relocation cost to range from approximately MOP13.1 million to MOP45.2 million. For further details, please refer to the section headed “Business — Relationship with COD — Potential impact on relocation of Club Cubic upon expiry of the Operating Agreement” in this prospectus. With reference to the average quarterly performance for the two years ended 31 December 2015, it is expected that the relocation would result in a decrease of revenue of approximately HK\$30.7 million and a decrease of profit and total comprehensive income for the year attributable to the owners of our Company of approximately HK\$2.3 million during the temporary close of business until re-opening of Club Cubic in the new venue.

### **ECONOMIC LANDSCAPE**

#### **Recent Downturn in Macau Gaming Industry**

According to the Euromonitor Report, after years of uninterrupted, spectacular economic growth in Macau propelled by rising gambling revenues, the economic boom came to a screeching halt in 2014 as a confluence of macroeconomic developments, intensifying global competition and political factors put the brakes on the rapid economic expansion. According to the Euromonitor Report, Macau's GDP, which grew by CAGR of 13.9% from the period 2010 to 2013, experienced a real contraction of 0.9% in 2014, followed by a drastic decline of 20.3% in 2015.

As mentioned in the Euromonitor Report, one of the main reasons for the sharp contraction is plunging revenues from the gaming industry, which previously accounted for approximately half of Macau's GDP and more than three-quarters of its tax revenues. Gross gaming revenue in Macau fell by 34.3% from MOP352.7 billion in 2014 to MOP231.8 billion in 2015. The Euromonitor Report also illustrated that the protracted anti-corruption drive by the Chinese central government has struck fear amongst Mainland high-rollers, who were a significant contributor to Macau's gaming revenue. According to the Euromonitor Report, wary of the scrutiny of China's anti-corruption officers, these big spenders have stayed away from Macau, resulting in the drastic drop in gaming revenues in 2014 and 2015.

According to the Euromonitor Report, despite the negative impact from the decline of gaming industry in Macau, private consumption expenditure increased steadily from MOP52.6 billion in 2010 to MOP94.8 billion in 2015, representing a 12.5% CAGR from 2010 to 2015. This suggests that the local Macanese are enjoying a higher disposable income and increasing discretionary expenditure on entertainment, which could include activities such as clubbing. For details, please refer to “Industry Overview — Macroeconomic Environment in Macau — Economic and Demographic Indicators” in this prospectus. This partially offsets against the impact of the decline of the gaming industry on Macau's economy.

During two years ended 31 December 2015, our revenue increased slightly by approximately HK\$5.2 million or 4.3% from approximately HK\$120.3 million for the year ended 31 December 2014 to approximately HK\$125.5 million for the year ended 31 December 2015. The increase was mainly attributable to our strategic focus on organising featured events in 2015 such as 2015 Road to Ultra Macau and events with internationally renowned DJs and artists with high popularity and media interest such as Big Bang and Chris Brown. During the four months ended 30 April 2015 and 2016, our revenue increased slightly by approximately HK\$1.2 million or 3.6% from approximately HK\$33.8 million for the four months ended 30 April 2015 to approximately HK\$35.0 million for the respective period in 2016. The increase was mainly because of our strategic focus to organise featured events with internationally renowned DJs and artists, such as Tiesto, Steve Aoki and Jason Derulo, in which we generally charged higher entrance fees and higher minimum charge for reserving a table or private karaoke room. For details, please refer to “Financial Information — Period to Period Comparison of Results of Operations” in this prospectus.

## SUMMARY

### COMPETITIVE LANDSCAPE

According to the Euromonitor Report, the clubbing industry in Macau has been dominated by five clubbing venue operators, which are designed to appeal to meet the preferences of a specific type of customer segment such as high-end customers, tourists, local people in Macau, and young party-goers.

We differentiate ourselves from our competitors by offering premium clubbing and entertainment services to high-end customers and music lovers. We compete primarily on (i) our strong brand recognition, (ii) our premium clubbing and entertainment services to high-end customers and music lovers; and (iii) our strategic location in Cotai. According to Euromonitor Report, Club Cubic is the pioneer in the clubbing venue industry with proven track record. Since the opening of Club Cubic, we have built up and developed our brand name by introducing internationally renowned DJs and artists to perform at our two-level stage. In line with our premium and high-end positioning, we primarily promote premium Champagne as our principal beverage products in Club Cubic, which are generally selling at more than MOP1,500 per bottle. Furthermore, we are strategically located in the Cotai area, within close proximity to the casinos for the convenience of high-end customers and tourists while some of our competitors are located outside the Cotai area.

Given our proven track record, our well-recognised brand name, our experience, our established network and our strategic focus on organising music-related featured events with internationally-renowned DJs and artists, we believe that we are able to maintain competitive position in the clubbing and entertainment industry in Macau.

### COMPETITIVE STRENGTHS

We believe that the following competitive strengths of our Group have contributed to our success: (i) our leading position and strong brand recognition in clubbing market in Macau; (ii) we are established to offer a high standard, premium entertainment and clubbing and entertainment experience and established network with internationally acclaimed DJs and artists; (iii) strategic location and large scale of operation in Cotai, Macau; and (iv) we have an experienced management team with profound industry knowledge.

### BUSINESS STRATEGIES

We intend to maintain our status as a leading clubbing and entertainment business operator based in Macau by implementing the following business strategies: (i) continue to expand the scale of Club Cubic; (ii) strategically focus on organising featured events and leveraging our experience in organising events in other venues and outdoor; (iii) continue to strengthen the quality of our customer service and entertainment experience; (iv) strengthen the effort in marketing of our brand and reinforce brand recognition; and (v) expansion in regions other than Macau.

### PRINCIPAL RISK FACTORS

There are risks associated with any investment. Some of the principal risks that may materially and adversely affect us include: (i) our clubbing business comprised only one clubbing venue, which is subject to the Operating Agreement with COD; (ii) our Group may not be able to renew the agreement with COD or any lease agreement for our future clubs on favourable terms or at all; (iii) we rely on the Macau market, including but not limited to local customers in Macau and tourists and visitors from the PRC and Hong Kong and face certain political and economic risks in relation to conducting business in Macau; (iv) we may not be able to obtain or renew various required approvals, licenses and permits to operate our Group's business and could materially and adversely affect its business and results of operations; (v) we rely on our major suppliers; (vi) we may not be able to successfully implement our expansion plans; (vii) our plan to expand our spectrums into organisation of events outside Club Cubic may not be successful due to our lack of experience and expertise in operating such services.

### KEY FINANCIAL AND OPERATIONAL DATA

We present in the following tables certain key line items in our consolidated financial statements, key financial ratio and selected financial and operational data. For more details, please refer to the sections headed "Business" and "Financial Information" in this prospectus.

## SUMMARY

### Extract of the consolidated statements of profit or loss and other comprehensive income

	Year ended 31 December		Four months ended 30 April	
	2014 HK\$'000	2015 HK\$'000	2015 HK\$'000 (Unaudited)	2016 HK\$'000
Revenue	120,349	125,521	33,841	34,979
Profit/(loss) before taxation	9,826	10,220	2,409	(536)
Profit/(loss) and total comprehensive income/(loss) for the year/period attributable to the owners of our Company	8,792	9,420	2,221	(536)

The increase in our revenue and profit in 2015 was primarily attributable to the increase in our sponsorship income as a result of one of our featured events — 2015 Road to Ultra Macau. The increase in our revenue for the four months ended 30 April 2016 was primarily attributable to our strategic focus on organising featured events with internationally renowned DJs and artists, such as Tiesto, Steve Aoki and Jason Derulo, which we generally charged higher entrance fees and higher minimum charge for reserving a table or private karaoke room.

We recorded a net loss of approximately HK\$0.5 million for the four months ended 30 April 2016, primarily as a result of the non-recurring listing expenses of approximately HK\$2.9 million recognised. Excluding the effect of non-recurring listing expenses and without taking account into the relevant taxation impact, our adjusted net profit for the four months ended 30 April 2016 would be at approximately HK\$2.4 million.

### Extract of the consolidated statements of financial position

	As at 31 December		As at 30 April
	2014 HK\$'000	2015 HK\$'000	2016 HK\$'000
Non-current assets	4,112	5,994	5,839
Current assets	31,041	38,838	28,153
<b>Total assets</b>	<b>35,153</b>	<b>44,832</b>	<b>33,992</b>
Current liabilities	21,922	30,013	25,540
<b>Total liabilities</b>	<b>21,922</b>	<b>30,013</b>	<b>25,540</b>
Net current assets	9,119	8,825	2,613
<b>Net assets</b>	<b>13,231</b>	<b>14,819</b>	<b>8,452</b>

The increase in our net assets in 2015 was primarily attributable to the increase in our total assets mainly resulted from the increase in our cash and cash equivalents due to the net cash generated from operating activities. The decrease in our net assets as at 30 April 2016 was primarily attributable to the dividend of approximately HK\$5.8 million declared by our subsidiary in January 2016.

### Extract of the consolidated statements of cash flows

	Year ended 31 December		Four months ended 30 April	
	2014 HK\$'000	2015 HK\$'000	2015 HK\$'000 (Unaudited)	2016 HK\$'000
Profit/(loss) before taxation	9,826	10,220	2,409	(536)
Adjustments for non-cash items	2,502	2,016	596	734
<b>Operating cash flows before changes in working capital</b>	<b>12,328</b>	<b>12,236</b>	<b>3,005</b>	<b>198</b>
Net cash (used in)/generated from operating activities	(8,143)	9,579	(3,950)	(9,600)
Net cash used in investing activities	(1,476)	(2,918)	(304)	(100)
Net cash used in financing activity	—	—	—	(672)
<b>Net (decrease)/increase in cash and cash equivalent</b>	<b>(9,619)</b>	<b>6,661</b>	<b>(4,254)</b>	<b>(10,372)</b>

## SUMMARY

We recorded a net cash outflow from operating activities of approximately HK\$8.1 million for the year ended 31 December 2014. Such cash outflow was mainly attributable to (i) approximately HK\$14.0 million cash outflow from the decrease in account and other payables; (ii) approximately HK\$7.4 million net cash outflows from increase in amounts due from related parties; offset by approximately HK\$12.3 million operating cash inflows before changes in working capital.

The HK\$14.0 million net cash outflow from the decrease in account and other payable was mainly attributable to (i) the settlement of approximately HK\$17.9 million trade payable for beverage purchases from COD; and (ii) the settlement of approximately HK\$25.5 million rental payables comprising cumulative lease payment and profit sharing payables to COD; after netting off with (i) approximately HK\$10.3 million pre-opening loss taken up by COD; (ii) approximately HK\$15.1 million post-operating loss up to 31 March 2012 taken up by COD; and (iii) approximately HK\$3.8 million cumulative sponsorship income receivables from COD and cumulative beverage sales and entrance fee income when executives of COD and its associates visit Club Cubic for public relationship or business development purposes in our ordinary course of business.

Our net cash outflow from operating activities for the four months ended 30 April 2016 amounted to approximately HK\$9.6 million, which was due to a combined of (i) cash outflow of approximately HK\$6.7 million from the decrease in account and other payables primarily attributable to the decrease of the rental payables as a result of the settlement of the base fee and profit sharing payables to COD pursuant to our Operating Agreement and (ii) cash outflow of approximately HK\$3.4 million from the increase in account and other receivables mainly associated with the credit purchases by VIP customers.

### Key financial ratio

	As at/year ended 31 December		As at/four months period
	2014	2015	ended 30 April 2016
Current ratio	1.4	1.3	1.1
Quick ratio	1.3	1.2	1.0
Return on equity	66.5%	63.6%	N/A

For details of fluctuation of key financial ratio, please refer to the section headed “Financial Information” in this prospectus.

### Extract of key financial and operating data of Club Cubic

	Year ended 31 December		Four months ended 30 April	
	2014	2015	2015	2016
Approximate number of customer visits <sup>1</sup>	137,000	132,000	37,000	38,000
Average spending per approximate number of customer visit <sup>2</sup>	HK\$776.9	HK\$821.1	HK\$826.8	HK\$843.1
Number of featured events organised <sup>3</sup>	64	47	15	13

#### Notes:

1. Customer visit refers to the number of entries into the club premises. For the avoidance of doubt, if a guest entered into and left the club several times in one night, it will be counted as multiple number of customer visits.
2. Average spending per approximate number of customer visits is calculated by dividing our total income from retail customers including (i) sales of beverage, food and tobacco products; (ii) entrance fees income; and (iii) cloakroom income by our customer visits.
3. Featured events refer to events which we specifically organise and not our regular events, and are usually held on Fridays, Saturdays, or during festivals and major functions in Macau.

## SUMMARY

### Revenue breakdown by types of products and services provided

In the course of our operation, we record our revenue under a number of service/product categories. The table below sets forth a breakdown of our revenue by service/product categories:

	Year ended 31 December 2014		Year ended 31 December 2015		Four months ended 30 April 2015 (Unaudited)		Four months ended 30 April 2016	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Sales of beverage, food and tobacco products	97,869	81.3	96,669	77.0	28,492	84.2	29,057	83.1
Sponsorship income	9,930	8.3	14,263	11.4	2,233	6.6	2,320	6.6
Entrance fees income	8,244	6.9	11,480	9.1	2,008	5.9	2,891	8.3
Events rental income	3,977	3.3	2,872	2.3	1,018	3.0	621	1.8
Cloakroom income	329	0.2	237	0.2	90	0.3	90	0.2
Total	<u>120,349</u>	<u>100.0</u>	<u>125,521</u>	<u>100.0</u>	<u>33,841</u>	<u>100.0</u>	<u>34,979</u>	<u>100.0</u>

### Beverage sales by beverage items

Sales of beverage was our largest component of our revenue during the Track Record Period. Among which, Champagne was our bestselling item. The table below set forth our beverage sales over the periods indicated:

Types of beverage	Year ended 31 December 2014		Year ended 31 December 2015		Four months ended 30 April 2015 (Unaudited)		Four months ended 30 April 2016	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Champagne	52,536	55.8	54,026	58.2	15,705	57.6	17,505	62.3
— Perrier-Jouët Champagne	48,509	51.5	51,073	55.0	14,575	53.4	16,958	60.4
Spirits	29,976	31.8	27,801	29.9	8,348	30.5	6,776	24.1
Others	11,647	12.4	11,047	11.9	3,235	11.9	3,810	13.6
Total	<u>94,159</u>	<u>100.0</u>	<u>92,874</u>	<u>100.0</u>	<u>27,288</u>	<u>100.0</u>	<u>28,091</u>	<u>100.0</u>

### SHAREHOLDING INFORMATION

Immediately following the completion of the Capitalisation Issue and the Placing (without taking into account any Shares which may be issued pursuant to the exercise of any option which may be granted under the Share Option Scheme), Welmen, Yui Tak, Ocean Concept, Toprich, Perfect Succeed, Mr. John Choi, Mr. Simon Choi, Mr. Eric Au, Mr. Jerry Au, Mr. Bernard Yeung and Mr. Alex Yeung will be our Controlling Shareholders directly and beneficially interested in aggregate approximately 60.75% of our issued share capital. Since 31 January 2011, Mr. Simon Choi, Mr. John Choi, Mr. Alex Yeung, Mr. Eric Au, Mr. Jerry Au and Mr. Bernard Yeung have acted in concert to consolidate their control in Luk Hing Macau and our Group, and have confirmed the arrangement under an acting in concert confirmation dated 2 March 2016. They are beneficially interested in 60.75% of our issued share capital upon Listing (without taking into account any Shares which may be issued pursuant to the exercise of any option which may be granted under the Share Option Scheme). See the section headed “Relationship with our Controlling Shareholders” for further details.

### PRE-IPO INVESTMENT

On 20 January 2016, Mr. Andrew Fan (through Dynamic Charm) completed the acquisition of 250 Shares (representing the then 2.5% shareholding of the Company) from Welmen and Kenbridge at a total consideration of HK\$1,250,000. On 21 January 2016, Mr. Gordon Au completed the acquisition of 500 Shares (representing the then 5% shareholding of the Company) from Welmen and Kenbridge at a total consideration of HK\$2,500,000. On 26 January 2016, Mr. Richard Lum (through Active Harvest) completed the acquisition of 250 Shares (representing the then 2.5% shareholding of the Company) from Welmen and Kenbridge at a total consideration of HK\$1,250,000.

## SUMMARY

Immediately following the completion of the Capitalisation Issue and the Placing (without taking into account any Shares which may be issued pursuant to the exercise of any option which may be granted under the Share Option Scheme), Dynamic Charm, Mr. Gordon Au and Active Harvest will own 1.875%, 3.75% and 1.875% of the issued share capital of our Company, respectively. For details, please see “History, Reorganisation and Corporate Structure — Investment by the Pre-IPO Investors”.

### DIVIDEND

Luk Hing Macau declared dividends of HK\$4.5 million and HK\$7.8 million to its then shareholders during the years ended 31 December 2014 and 2015, respectively. Such dividends were settled with the amounts due from related parties during the years ended 31 December 2014 and 2015. On 8 January 2016, our Group’s subsidiary, Luk Hing Macau, declared and approved a dividend of approximately MOP6.0 million (equivalent to approximately HK\$5.8 million) to its then sole shareholder, Star Century. Dividend of approximately MOP3.4 million (equivalent to approximately HK\$3.3 million) has been subsequently settled by netting off with amounts due from related parties and by cash payment during the four months ended 30 April 2016, while the remaining amount of approximately MOP2.6 million (equivalent to approximately HK\$2.5 million) was recognised as amounts due to related parties, which would be settled by cash payment financed by our internally generated cash flows before the Listing. Save as disclosed above, our Group had not declared or distributed any dividends during the Track Record Period and up to the Latest Practicable Date. Our Directors consider that there will not be material adverse impact on our Group’s financial and liquidity position arising out of the dividend payment.

The declaration, payment and amount of dividends will be at the discretion of our Directors, subject to approval by our shareholders, and will be dependent upon our earnings, financial conditions, cash requirements and availability, future prospects, contractual restrictions, applicable laws and provisions and other relevant factors. To the extent profits are distributed as dividends, such portion of profits will not be available to be reinvested in our operations. There is no assurance as to the amount of dividend payment, if any, or the timing of any dividend payment. We do not currently have dividend policy or intention to pay dividend.

### REASONS FOR THE PLACING

The Placing of the Placing Shares will enhance capital base of our Group and provide our Group with additional working capital for achieving our business strategies and to implement the future plans set out in this section. The net proceeds of the Placing will provide financial resources to our Group to implement the business strategies set out in the section headed “Business — Business Strategies” to achieve our Group’s objective to maintain its status as a premium clubbing and entertainment business operator in Macau.

In particular, according to the Operating Agreement, one of the conditions for us to renew the term of the Operating Agreement for a further term from April 2020 to March 2025, is that our Group has to open the first phase expansion on or before 1 October 2017 (subject to COD 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). The investment for the first phase expansion shall not be less than MOP15 million. For details, please refer to the section headed “Business — Relationship with COD — Operating Agreement” in this prospectus. The internal financial resources of our Group (after deducting the amount to be used as working capital) is insufficient to finance the first phase expansion. Our Group has tried to explore the possibilities of debt financing and obtained two credit facilities for the aggregate amount of HK\$8 million (among which approximately HK\$3.0 million has been utilised) and one of which for the sum of HK\$5.0 million was expired in October 2016, but were unable to locate other appropriate debt financing sources primarily because our Group has not been listed and has no real property to be provided as security. As a result, there is a shortfall of the capital for our Group to conduct the expansion. Therefore, our Group has an immediate funding need and that it is in the interest of our Group to conduct equity financing through the Placing. Our Directors confirm that our Group will commence the expansion plan after after we have obtained the net proceeds from the Placing.

## SUMMARY

For further details, please refer to the section headed “Future Plans and Use of Proceeds — Reasons for the Placing” in this prospectus.

### **LISTING EXPENSES AND LATEST DEVELOPMENTS SUBSEQUENT TO THE TRACK RECORD PERIOD**

Subsequent to the Track Record Period and up to the Latest Practicable Date, our business model, revenue structure and cost structure have largely remained unchanged.

COD Hotels transferred the licenses for the operation of Club Cubic to us on 15 September 2016. We expect to pay approximately MOP0.8 million (approximately HK\$0.8 million) in aggregate to COD Hotels and incur approximately MOP0.2 million (approximately HK\$0.2 million) government, legal and professional fees to acquire the licenses. The acquisition costs, including all directly attributable legal and professional expenses, will be capitalized as an intangible asset and recorded on our consolidated statements of financial position upon the completion of transfer.

According to the Euromonitor Report, from 2016 onwards, the competition in the clubbing industry is expected to intensify due to the increase of the clubbing venues in Macau. For example, Pacha Macau, located in Studio City, Cotai, became the largest clubbing venue in Macau in terms of gross floor area, since its official opening in January 2016. We continue to strategically focus on organising featured events with internationally renowned DJs and artists with high popularity and media interest. During the eight months ended 31 August 2015 and 2016, we held 31 featured events in both periods. We were able to attract stable customer visits at approximately 81,000 visits for the eight months ended 31 August 2016, compared to approximately 83,000 visits for the eight months ended 31 August 2015. We also continue to promote Champagne as our principal beverage products in Club Cubic. We managed to record a slight growth in its sales volume from approximately 19,000 bottles for the eight months ended 31 August 2015 to approximately 20,000 bottles for the respective period in 2016, and its selling price was maintained at over MOP1,500 per bottle in general. Leveraging on our proven track record in the industry and brand recognition in Macau, we aim to differentiate ourselves from our competitors by offering premium clubbing and entertainment services to high-end customers and music lovers. Based on our stable period-by-period operating statistic, our Directors consider that our operation is not materially affected by competition from existing and new competitors. We further organized 4 featured events at Club Cubic in September 2016.

On 17 September 2016, the Group organised the 2016 Road to Ultra Hong Kong event in Hong Kong with approximately 6,800 tickets sold. We generated revenue primarily from (i) the sales of beverage, (ii) sponsorship income, and (iii) entrance fee income.

Our Directors are of the view that the 2016 Road to Ultra Hong Kong event contributed positively to our Group’s business in terms of (i) revenue growth; (ii) reducing the reliance on Club Cubic; (iii) enhancing our reputation of Club Cubic in Hong Kong; and (iv) increasing our experience of event organisation in Hong Kong.

In the preparation of the Placing, we incurred listing expenses for the services rendered by professional parties. Assuming a Placing Price of HK\$0.23 per Share (being the mid-point of the Placing Price range as stated in this prospectus), our Directors estimate the total listing expenses to be borne by our Group would be approximately HK\$27.5 million. During the year ended 31 December 2015 and the four months ended 30 April 2016, we incurred listing expenses of approximately HK\$2.5 million and HK\$2.9 million, respectively, being charged to our consolidated statements of profit or loss and other comprehensive income. We expect to incur an additional listing expenses of approximately HK\$22.1 million after the Track Record Period, of which approximately HK\$11.5 million is expected to be charged to our consolidated statements of profit or loss and other comprehensive income for the year ending 31 December 2016 and approximately HK\$10.6 million directly attributable to the issue of the Placing Shares is to be accounted for as a deduction from equity. Our Directors would like to emphasise that such cost is a current estimate for reference only, and the final amount to be recognised in our consolidated statements of profits or loss and other comprehensive income or to be capitalised is subject to adjustment based on audit and the subsequent changes in variables and assumptions.

Potential investors should note that the financial performance of our Group for the year ending 31 December 2016 is expected to be materially and adversely affected by the non-recurring listing expenses mentioned above.

## SUMMARY

Our Directors confirm that, up to the date of this prospectus, (i) there has been no material adverse change in the general economic and market conditions, legal and regulatory environment, and the industry in which we operate that has materially and adversely affected our Group's financial or operating position since 30 April 2016, being the date to which our latest audited financial statements were prepared, (ii) there has been no other material adverse change in the operating and financial positions or prospects of our Group since 30 April 2016, and (iii) save for the non-recurring listing expenses mentioned above, no event has occurred since 30 April 2016 which would materially affect the information shown in the Accountants' Report set forth in Appendix I to this prospectus.

### KEY PLACING STATISTICS

	<b>Based on the indicative Placing Price of HK\$0.20 per Placing Share</b>	<b>Based on the indicative Placing Price of HK\$0.26 per Placing Share</b>
Market capitalisation ( <i>Note 1</i> )	HK\$360.0 million	HK\$468.0 million
Pro forma adjusted net tangible asset value per Share ( <i>Note 2</i> )	HK\$0.04	HK\$0.06

#### *Notes:*

- (1) The calculation of market capitalisation at the Placing Price is based on 1,800,000,000 Shares expected to be in issue immediately upon completion of the Placing and the Capitalisation Issue, but without taking into account of any Shares which may be issued upon the exercise of any options that may be granted under the Share Option Scheme.
- (2) The unaudited pro forma adjusted net tangible assets per Share has been arrived at after adjustments referred to in the paragraph headed "Unaudited pro forma financial information" in Appendix II to this prospectus and on the basis of 1,800,000,000 Shares in issue at the Placing Price immediately upon completion of the Placing and the Capitalisation Issue.

### USE OF PROCEEDS

Based on the Placing Price of HK\$0.23 per Placing Share (being the mid-point of the indicative Placing Price range), we estimate that the net proceeds from the Placing (after deducting underwriting fees and estimated expenses in connection with the Placing) will be approximately HK\$76.0 million. We intend to allocate the net proceeds from the Placing for the purposes and in the amounts set out below:

- approximately 49.2% of the net proceeds, representing approximately HK\$37.4 million, will be used for the opening costs to expand the scale of Club Cubic in Macau, which will be used primarily for decoration, furniture and fixtures expenses, respectively and the remaining will be used for the engagement of professional consultants;
- approximately 21.0% of the net proceeds, representing approximately HK\$16.0 million, will be used for organizing events in venues other than Club Cubic including but not limited to venue rental, engaging performers and dancers and hiring part-time staff, and events marketing and promotion;
- approximately 19.8% of the net proceeds, representing approximately HK\$15.0 million, will be used for the research of expansion in regions other than Macau which includes engaging external market consultants and legal advisers to conduct business development studies and feasibility studies including market research, business, financial and legal analysis. The Group currently does not have any detailed plan or timeframe for the expansion plan; and
- approximately 10.0% of the net proceeds, representing approximately HK\$7.6 million, will be used for general working capital and other general corporate purpose.

## DEFINITIONS

*In this prospectus, unless the context otherwise requires, the following expressions have the following meanings:*

“Active Harvest”	Active Harvest Holdings Limited, a limited company incorporated in BVI on 9 November 2015 and the issued share capital of which was wholly owned by Mr. Richard Lum, a Pre-IPO Investor, as at the Latest Practicable Date
“Alliance Hill”	Alliance Hill Overseas Limited, a private limited company incorporated in BVI on 8 August 2008 and the issued share capital of which is currently owned as to 100% by Mr. Alex Yeung, one of our Controlling Shareholders and an executive Director. Alliance Hill is one of the shareholders of Star Century
“Articles” or “Articles of Association”	the articles of association of our Company effective from the Listing Date, a summary of which is set out in “Appendix III — Summary of the constitution of the Company and the Cayman Islands Company Law” to this prospectus
“associate(s)”	has the same meaning as defined under the GEM Listing Rules
“Audit Committee”	the audit committee of the Board
“Big Classic”	Big Classic Limited, a private limited company incorporated in Hong Kong on 12 August 2013 and the issued share capital of which was owned as to 100% by Mr. Chan Wan Shiu Simon, an Independent Third Party. Big Classic was a shareholder of Star Century before the Reorganisation
“Board” or “Board of Directors”	the board of Directors
“Bovine Capital”	Bovine Capital Limited, a limited company incorporated in Hong Kong on 11 March 2006 and the issued share capital of which is currently owned as to 80% by Mr. Bernard Yeung, one of our Controlling Shareholders, as to 10% by Mr Yeung Chung Leung (who is the father of Mr. Bernard Yeung) and as to 10% by Ms. Mak Kai Fai (who is the spouse of Mr. Bernard Yeung), respectively. Bovine Capital is one of the shareholders of Star Century
“Bo Xing”	Bo Xing Group Company Limited, a private limited company incorporated in Macau on 25 October 2013 and the issued share capital of which was owned as to 92% by Star Century and as to 8% by an Independent Third Party. Bo Xing is a connected person and one of our service providers

## DEFINITIONS

“Business Day”	a day (other than a Saturday, Sunday or public holiday) on which licensed banks in Hong Kong are generally open for normal banking business
“BVI”	British Virgin Islands
“CAGR”	compound annual growth rate
“Capitalisation Issue”	the allotment and issue of Shares as referred to in the paragraph headed “Resolutions of our Shareholders” in Appendix IV to this prospectus
“Cayman Islands”	the Cayman Islands
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Participant”	a CCASS Clearing Participant or a CCASS Custodian Participant or a CCASS Investor Participant
“Century Beyond”	Century Beyond Investments Limited, a limited company incorporated in BVI on 26 July 2013 and the issued share capital of which was owned as to 100% by Mr. Lam Shing Fai Patrick, an Independent Third Party. Century Beyond was a shareholder of Star Century before the Reorganisation
“China” or “PRC”	the People’s Republic of China which shall, for the purpose of this prospectus, exclude Hong Kong, Macau and Taiwan
“China Everbright” or “Sole Sponsor”	China Everbright Capital Limited, a corporation licensed by the SFC to carry on type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO, being the sole sponsor of the Placing

## DEFINITIONS

“China Everbright Securities”, “Sole Global Coordinator” or “Sole Bookrunner”	China Everbright Securities (HK) Limited, a licensed corporation under the SFO to engage in type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO, being the sole global coordinator, the sole bookrunner and one of the joint lead managers of the Placing
“City of Dreams”	an integrated resort located on two adjacent pieces of land in Cotai, Macau, which opened in June 2009, owned by COD Developments
“Club Cubic”	a club located at 2nd and 3rd Floor, The Boulevard, City of Dreams operated by our Group currently with a gross floor area of 25,780 square feet
“COD”	Melco Crown (COD) Retail Services Limited, is an affiliate of COD Developments and COD Hotels, and an Independent Third Party. COD is one of our suppliers and customers
“COD Developments”	Melco Crown (COD) Developments Limited, is an affiliate of COD and COD Hotels, all of which are subsidiaries of Melco Crown Entertainment Limited, a company incorporated under the laws of the Cayman Islands with limited liability, with its American depository shares listed on NASDAQ Global Select Market (NASDAQ: MPEL). COD Developments is the owner of City of Dreams
“COD Hotels”	Melco Crown (COD) Hotels Limited, is an affiliate of COD and COD Developments. COD Hotels is the holder of the dance hall license and karaoke license of Club Cubic
“Companies Law” or “Cayman Companies Law”	the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands as amended, supplemented or otherwise modified from time to time
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Company” or “our Company”	Luk Hing Entertainment Group Holdings Limited (陸慶娛樂集團控股有限公司), a company incorporated in the Cayman Islands on 30 November 2015 as an exempted company with limited liability

## DEFINITIONS

“Controlling Shareholders”	has the meaning ascribed thereto in the GEM Listing Rules and in the case of our Company, means Welmen, Yui Tak, Ocean Concept, Toprich, Perfect Succeed, Mr. John Choi, Mr. Simon Choi, Mr. Eric Au, Mr. Jerry Au, Mr. Bernard Yeung and Mr. Alex Yeung. By virtue of an acting in concert confirmation dated 2 March 2016, Mr. John Choi, Mr. Simon Choi, Mr. Eric Au, Mr. Jerry Au, Mr. Bernard Yeung and Mr. Alex Yeung are regarded as parties acting in concert and a group of concerted shareholders
“Cotai”	an area of reclaimed land located between the islands of Taipa and Coloane in Macau
“Deed of Indemnity”	the deed of indemnity dated 18 October 2016 entered into by our Controlling Shareholders (as the indemnifiers) in favour of our Company (for itself and as trustee for its subsidiaries)
“Deed of Non-competition”	the deed of non-competition dated 18 October 2016 entered into by our Controlling Shareholders (as the covenants) in favour of our Company (for itself and as trustee for its subsidiaries) as further detailed in the section headed “Relationship with our Controlling Shareholders” in this prospectus
“Director(s)”	the director(s) of our Company
“Dynamic Charm”	Dynamic Charm Investment Limited, a limited company incorporated in BVI on 6 November 2015 and the issued share capital of which was wholly owned by Mr. Andrew Fan, a Pre-IPO Investor, as at the Latest Practicable Date
“Euromonitor”	Euromonitor International Ltd., an independent market research and consulting company
“Euromonitor Report”	the report prepared by Euromonitor in relation to the clubbing market in Macau
“Galician Venture”	Galician Venture Limited, a limited company incorporated in BVI on 13 April 2006 and the issued share capital of which is currently owned as to 100% by Mr. Eric Au, one of our Controlling Shareholders and a non-executive Director. Galician Venture is one of the shareholders of Star Century
“GDP”	gross domestic product
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM

## DEFINITIONS

“GEM website”	the internet website at <b>www.hkgem.com</b> operated by the Stock Exchange for the purposes of GEM
“Group”, “our Group”, “we” or “us”	our Company and its subsidiaries or any of them at the relevant point of time (including where the context so requires, in respect of the period before our Company became the holding company of its present subsidiaries, the present subsidiaries of our Company)
“HK\$” or “HK dollars”	Hong Kong dollar, the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“Hong Kong” or “HKSAR”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	a person or persons or a company or companies which, to the best of our Directors’ knowledge, information and belief, having made all reasonable enquiries, is not or are not a connected person(s) (within the meaning ascribed under the GEM Listing Rules) of our Company
“Joint Lead Managers”	China Everbright Securities (HK) Limited (a licensed corporation under the SFO to engage in type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO), Opus Capital Limited (a licensed corporation under the SFO to engage in type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO), Ping An Securities Limited (a licensed corporation under the SFO to engage in type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO), and Innovax Capital Limited (a licensed corporation under the SFO to engage in type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO)
“Kenbridge”	Kenbridge Limited, a limited company incorporated in BVI on 2 November 2015 and the issued share capital of which is wholly-owned by Mr. Tommy Poon. Kenbridge is one of our Shareholders
“Latest Practicable Date”	22 October 2016, being the latest practicable date for ascertaining certain information prior to the printing of this prospectus

## DEFINITIONS

“Listing”	the proposed listing of the Shares on GEM
“Listing Date”	the date on which dealings in the Shares first commence on GEM
“Listing Division”	the Listing Division of the Stock Exchange
“Luk Hing Development BVI”	Luk Hing Development Limited, a limited liability company incorporated in BVI on 8 December 2015 and is a direct wholly-owned subsidiary of the Company
“Luk Hing HK”	Luk Hing Investment (Hong Kong) Limited, a limited company incorporated in Hong Kong on 12 January 2016, and is an indirect wholly-owned subsidiary of our Company
“Luk Hing International BVI”	Luk Hing International Limited, a limited liability company incorporated in BVI on 8 December 2015 and is a direct wholly-owned subsidiary of the Company
“Luk Hing Macau”	Luk Hing Investment Limited (陸慶投資有限公司, formerly known as 陸慶投資一人有限公司), a limited private company incorporated in Macau on 20 May 2010 and is an indirect wholly-owned subsidiary of the Company
“Macau” or “Macau SAR”	the Macau Special Administrative Region of the PRC
“Macau Legal Advisers”	Leong Hon Man Law Office, the legal advisers to our Company as to Macau law
“Magic Soho”	Magic Soho Limited, a limited company incorporated in BVI on 14 August 2012 and the issued share capital of which was wholly owned by Mr. Tommy Poon as at the Latest Practicable Date. Magic Soho is a shareholder of Star Century
“Memorandum of Association”	the memorandum of association of our Company adopted on 18 October 2016 and effective from the Listing Date, as amended or supplemented from time to time
“MOP” or “Pataca(s)”	Macau Pataca(s), the lawful currency of Macau
“Mr. Alex Yeung”	Mr. Yeung Chi Shing (楊志誠), a Controlling Shareholder and an executive Director of the Company. Mr. Alex Yeung is the sole shareholder of Alliance Hill and a shareholder of Welmen and an indirect shareholder of our Company
“Mr. Andrew Fan”	Mr. Fan Chun Wah Andrew (范駿華), the sole shareholder of Dynamic Charm as at the Latest Practicable Date and a Pre-IPO Investor

## DEFINITIONS

“Mr. Bernard Yeung”	Mr. Yeung Bernard Sie Hong (楊時匡), a Controlling Shareholder. Mr. Bernard Yeung is a shareholder of Bovine Capital and Welmen and an indirect shareholder of our Company
“Mr. Eric Au”	Mr. Au Wai Pong Eric (區偉邦), a Controlling Shareholder and a non-executive Director of the Company. Mr. Eric Au is the sole shareholder of Galician Venture and a shareholder of Welmen and an indirect shareholder of our Company
“Mr. Gordon Au”	Mr. Au Noor Wah (歐諾華), a Pre-IPO Investor
“Mr. Jerry Au”	Mr. Au Ka Wai (歐家威), a Controlling Shareholder and a son of Mr. Au Ion Weng (who is our non-executive Director). Mr. Jerry Au is a shareholder of Welmen and an indirect shareholder of our Company
“Mr. John Choi”	Mr. Choi Siu Kit (蔡紹傑), a Controlling Shareholder and an executive Director of the Company, and a brother of Mr. Simon Choi. Mr. John Choi is a shareholder of Perfect Succeed and Welmen, and an indirect shareholder of Toprich, Ocean Concept, Yui Tak, Welmen and our Company
“Mr. Richard Lum”	Mr. Lum Chor Wah Richard (林楚華), the sole shareholder of Active Harvest as at the Latest Practicable Date, and a Pre-IPO Investor
“Mr. Simon Choi”	Mr. Choi Yiu Ying (蔡耀陞) (formerly known as Choi Siu Man (蔡紹文) and Choi Siu Ying (蔡兆鉞), a Controlling Shareholder, chairman of the Board, an executive Director and chief executive officer of the Company, and a brother of Mr. John Choi. Mr. Simon Choi is a shareholder of Perfect Succeed and Welmen, and an indirect shareholder of Toprich, Ocean Concept, Yui Tak, Welmen and our Company
“Mr. Tommy Poon”	Mr. Poon Ching Tong Tommy (潘正棠), the sole shareholder of Magic Soho and Kenbridge as at the Latest Practicable Date, and a brother of Ms. Poon Kam Yee Odilia (who is our non-executive Director). Mr. Tommy Poon, through Kenbridge, is one of our Shareholders
“Nomination Committee”	the nomination committee of the Board
“Ocean Concept”	Ocean Concept Holdings Limited (富理集團有限公司), formerly known as 海創集團有限公司, a limited company incorporated in Hong Kong on 11 August 2006 and a Controlling Shareholder, and the issued share capital of which was owned as to 88.29% by Toprich and as to 5.19%, 1.78%, 1.33%, 1.42% and 1.99% by five Independent Third Parties as at the Latest Practicable Date

## DEFINITIONS

“Old Cubic”	a clubbing venue under the name of Cubic and located at Room 202, 2/F, AIA Tower, No. 251A-301 Avenida Comercial De Macau, Macau, which was opened in December 2008 and closed in August 2010. Old Cubic was owned indirectly by Ocean Concept, Mr. Eric Au, Mr. Jerry Au, Mr. Bernard Yeung, Mr. Tommy Poon and its then other investors
“Operating Agreement”	an operating agreement dated 28 April 2010 entered into between COD (as the owner) and Star Century (as the operator), novated by a novation agreement dated 14 January 2011 entered into between COD (as the owner), Star Century (as the old operator) and Luk Hing Macau (as the new operator), and supplemented by a supplemental agreement dated 28 November 2012 entered into between COD (as the owner) and Luk Hing Macau (as the new operator), and further supplemented by a second supplemental agreement dated 5 August 2016 entered into between COD (as the owner) and Luk Hing Macau (as the operator), concerning the operation of Club Cubic
“Perfect Succeed”	Perfect Succeed Limited, a company incorporated in BVI on 17 September 2015 and a Controlling Shareholder, and the issued share capital of which is owned as to 50% by Mr. Simon Choi and as to 50% by Mr. John Choi
“Pernod Ricard”	an internationally renowned producer of premium distilled beverages. Pernod Ricard is the brand owner of Perrier-Jouët Champagne
“Perrier-Jouët”	one of the top three most popular premium Champagne brands sold in Macau
“Placing”	the conditional placing by the Underwriters of the Placing Shares for cash at the Placing Price, as further described under the section headed “Structure and conditions of the Placing” in this prospectus
“Placing Price”	the placing price for each Placing Share (exclusive of any brokerage fee, SFC transaction levy and Stock Exchange trading fee), which is currently expected to be not more than HK\$0.26 per Placing Share and not less than HK\$0.2 per Placing Share, such price to be determined on or around the Price Determination Date
“Placing Shares”	the 450,000,000 new Shares being offered by our Company for subscription at the Placing Price under the Placing; a Placing Share means one of these Shares

## DEFINITIONS

“Predecessor Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) as in force from time to time before 3 March 2014
“Pre-IPO Investors”	Mr. Andrew Fan (through Dynamic Charm), Mr. Gordon Au and Mr. Richard Lum (through Active Harvest)
“Price Determination Date”	Friday, 4 November 2016 or such later date as agreed by the Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters), being the date on which the Placing Price will be fixed for the purpose of the Placing
“Privilege Management”	Privilege Management Inc., a limited company incorporated in Vanuatu on 19 August 2013, and the issued share capital of which was owned as to 100% by Mr. Choy Wai Zak, an Independent Third Party. Privilege Management was a shareholder of Star Century before the Reorganisation
“Remuneration Committee”	the remuneration committee of the Board
“Reorganisation”	the corporate reorganisation undertaken by our Group in preparation for the Listing, particulars of which are set out in the section headed “History, Reorganisation and Corporate Structure” in this prospectus
“Seapower”	Seapower Trading Company Limited, an Independent Third Party, and one of our suppliers and customers
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	share(s) of HK\$0.01 each in the share capital of our Company
“Shareholder(s)”	holder(s) of the Share(s)
“Share Option Scheme”	the share option scheme conditionally approved and adopted by our Company on 18 October 2016, the principal terms of which are summarised in the paragraph headed “Share Option Scheme” in Appendix IV to this prospectus

## DEFINITIONS

“Star Century”	Star Century Investments Limited (紀星投資有限公司), a limited company incorporated in Hong Kong on 27 August 2009 and the issued share capital of which was owned as to 27.28% by Ocean Concept, as to 6.36% by Mr. Simon Choi, as to 6.36% by Mr. John Choi, as to 11.11% by Alliance Hill, as to 14.44% by Mr. Jerry Au, as to 10% by Magic Soho, as to 10% by Bovine Capital and as to 14.45% by Galician Venture as at the Latest Practicable Date
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder(s)”	has the same meaning as defined in the GEM Listing Rules
“Takeovers Code”	the Codes on Takeovers and Mergers and Share Buy-backs
“Track Record Period”	the two financial years ended 31 December 2014 and 2015 and the four months ended 30 April 2016
“Toprich”	Toprich Investment (Group) Limited, a limited company incorporated in Hong Kong on 21 August 2006 and a Controlling Shareholder, and the issued share capital of which is owned as to 100% by Perfect Succeed
“Underwriters”	the underwriters of the Placing named in the section headed “Underwriting — Underwriters” in this prospectus
“Underwriting Agreement”	the underwriting agreement dated 26 October 2016 relating to the Placing and entered into between our Company, the executive Directors, the Controlling Shareholders, the Sole Sponsor and the Underwriters, details of which are set out in the section headed “Underwriting” in this prospectus
“United States” or “U.S.”	the United States of America
“USD” or “US\$”	United States dollar(s), the lawful currency of the United States
“Welmen”	Welmen Investment Co. Ltd, a limited company incorporated in BVI on 30 November 2015 and a Controlling Shareholder, and the issued share capital of which is owned as to 30.3111% by Yui Tak, as to 7.0667% by Mr. John Choi, as to 7.0667% by Mr. Simon Choi, as to 12.3444% by Mr. Alex Yeung, as to 16.0444% by Mr. Jerry Au, as to 16.0556% by Mr. Eric Au and as to 11.1111% by Mr. Bernard Yeung. Welmen is one of our Controlling Shareholders

## DEFINITIONS

“Yui Tak” Yui Tak Investment Limited, a limited company incorporated in BVI on 22 December 2015, and the issued share capital of which is owned as to 100% by Ocean Concept. Yui Tak is one of our Controlling Shareholders

“%” per cent

*In this prospectus, the terms “associate”, “connected person”, “connected transaction”, “controlling shareholder”, “subsidiary” and “substantial shareholder” shall have the meanings given to such terms in the GEM Listing Rules, unless the context otherwise requires.*

*Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.*

*The English names of certain entities are provided for identification purposes and for your convenience only. Some of these entities do not have registered English language names and, accordingly, in the event of any inconsistency, the Chinese names or Portuguese names (as the case may be) shall prevail.*

## GLOSSARY

*This glossary of industry terms contains explanations of certain terms used in this prospectus as they relate to the industry in which our Group operates its business. These terms and their given meanings may not correspond to standard industry meanings or usage of these terms.*

“Champagne”	a sparkling wine (white or rosé) produced in the Champagne area (around Reims and Epernay in France). Only products made in this area can be called Champagne
“clubbing venue”	club operators that provide entertainment venues and serve liquor, which usually operate late into the night. A clubbing venue is generally distinguished from bars, pubs or taverns by the inclusion of a dance floor, a DJ booth, where DJ plays recorded dance music genres, and often having a floorshow
“DJ”	disc jockey
“night entertainment”	a collective term for entertainment that is available or generally more popular from the late evening till the early hours of the morning, which commonly includes pubs, bars, lounges, concerts, cabarets, theatres, shows, nightclubs and some restaurants. It also covers clubbing venues
“on-trade retail value sales”	on-trade retail value sales of Champagne measures the total retail value of Champagne that was sold to consumers through restaurants, pubs, clubbing venues, casinos and other similar establishments, as opposed to direct retail channels such as supermarkets

## FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties. These forward-looking statements include, without limitation, statements relating to:

- the business strategies and plans of operations;
- the capital expenditure plans;
- the amount and nature of, and potential for, future development of our Group's business;
- the operations and business prospects;
- the dividend policy;
- the projects under planning;
- the regulatory environment of the relevant industry in general;
- the future development in relevant industry; and
- other factors referenced in this prospectus, including, without limitation, under the sections entitled "Risk Factors", "Industry Overview", "Business", and "Financial Information".

The words "anticipate", "believe", "could", "estimate", "expect", "intend", "may", "ought to", "plan", "potential", "project", "seek", "should", "will", "would" and similar expressions, as they relate to us, are intended to identify a number of these forward-looking statements. These forward-looking statements reflecting our Group's current views with respect to future events are not a guarantee of future performance and are subject to certain risks, uncertainties and assumptions, including the risk factors described in this prospectus. One or more of these risks or uncertainties may materialise, or underlying assumptions may prove incorrect.

Subject to the requirements of the GEM Listing Rules, our Company does not intend to publicly update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way our Company expects, or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements in this prospectus are qualified by reference to this cautionary statement.

## RISK FACTORS

*An investment in the Placing Shares involves various risks. You should consider carefully all the information set out in this prospectus and, in particular, the risks and uncertainties described below before making an investment in the Placing Shares. The occurrence of any of the following events could harm us. If any of these events occurs, our business, financial condition, results of operations and future prospects may be materially adversely affected and the trading price of the Shares may decline and you could lose all or part of your investment.*

*The risks and uncertainties described below may not be the only ones faced by our Company or our Group. Additional risks and uncertainties that we are not aware of or that we currently believe are immaterial may also adversely affect our business, financial condition, results of operations and the future prospects of our Company and our Group. If any of the possible events described below occurs, the business, financial condition, results of operations and future prospects may be adversely and materially affected, the trading price of the Shares may decline and investors could lose all or part of their investment.*

### **RISKS ASSOCIATED WITH OUR BUSINESS AND INDUSTRY**

**All of our revenue during the Track Record Period were derived from the business at Club Cubic.**

Our operations are exposed to uncertainties in relation to Club Cubic, which will be our only one operating clubbing venue immediately following the Placing, and we expect such situation will continue until we have opened new club(s). Therefore, all of our revenue during the Track Record Period were derived from the business at Club Cubic.

Any significant operational or other difficulties in the business at or from Club Cubic 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. If we experience problems in operation which result in the need to close it temporarily or permanently, our results of operations and financial condition will be materially and adversely affected.

**Our Group may not be able to renew the Operating Agreement with COD upon expiry of the contractual term (which COD may terminate unilaterally in the event of occurrence of any event of default or certain other events) or any lease agreement for our future clubs on favourable terms or at all. In addition, in the event that Club Cubic has to relocate to another venue, we may not receive the same level of incentive or at all as compared with we received from COD for the opening of Club Cubic.**

The Operating Agreement with COD will last for a term until 31 March 2020, which may be extended to March 2025 subject to the terms therein. For details, please see “Business — Relationship with COD” in this prospectus. Upon expiry, COD may not opt to renew the Operating Agreement, or may impose harsher or unfavourable term and our Group will have to negotiate the terms of renewal. Moreover, in the event of occurrence of (a) any of the events of default (such as failing to make due payment to COD, or breaching any term of the Operating Agreement and failing to remedy such breach within the prescribed period, or our Company ceasing to be listed on the Stock Exchange or ceasing to own 100% of the share capital of Luk Hing Macau, or (b) the parties fail to reach an agreement to maintain the business direction of Club Cubic within 60 days (or such longer period as agreed by COD)

## RISK FACTORS

after COD has received notice from our Company that Mr. John Choi has ceased to hold the prescribed level of shareholding interest in our Company, or (c) in the extreme situations such as occurrence of certain unfavourable events involving gaming authority or its gaming licenses, COD may terminate the Operating Agreement and take complete control of Club Cubic and grant a new operating agreement to other party as COD shall in its absolute discretion think fit. COD may also terminate the Operating Agreement after six months from the occurrence of a force majeure event rendering City of Dreams or Club Cubic inaccessible or unfit for commercial, if City of Dreams or Club Cubic has not been restated. For details, please see “Business — Relationship with COD — Operating Agreement — Termination”. Such early termination will have a material and adverse effect to our results of operations and financial condition. Even if COD decides not to terminate the Operating Agreement, occurrence of any of such events may affect the possibility of the renewal of the Operating Agreement upon expiry. In addition, any lease for new club premises will be subject to the respective lease agreement and negotiation with the respective landlord for renewal upon expiry. We may not be able to renew the Operating Agreement or lease agreement for new club(s) on the terms and conditions which are acceptable to us, or if it is not renewed or terminated in advance due to whatever reasons, our Group may not be able to obtain alternative premises on comparable terms on a timely basis, if at all. In such event, our Group will need to close down the club, and our business may be disrupted and it may incur extra costs to relocate.

On the basis that we have identified a suitable venue meeting the relevant licensing requirements and subject to the complexity of the design and renovation of the new venue, it is expected that it would take around three months for our Group to relocate Club Cubic to the new venue (inclusive of the time for the application of licenses for the new venue). Depending on the location of the new premises of the club, we estimated the relocation cost to range from approximately MOP13.1 million to MOP45.2 million. For further details, please refer to the section headed “Business — Relationship with COD — Potential impact on relocation of Club Cubic upon expiry of the Operating Agreement” in this prospectus. With reference to the average quarterly performance for the two years ended 31 December 2015, it is expected that the relocation would result in a decrease of revenue of approximately HK\$30.7 million and a decrease of profit and total comprehensive income for the year attributable to the owners of our Company of approximately HK\$2.3 million during the temporary close of business until re-opening of Club Cubic in the new venue.

In order to attract the investors of Old Cubic to relocate the current venue at the City of Dreams, our Group received incentives from COD including provision of start-up funding, and the absorption of pre-opening and post-operation losses. The terms were agreed between the parties based on a number of factors including but not limited to the then commercial and financial positions of the parties and economic conditions of Macau, and not necessarily an industry norm. It may not occur again in future negotiation with other venue providers if Club Cubic is to relocate to another venue. If our Company loses COD as a venue provider, there is no assurance that we would receive incentives at the same level or at all from other venue providers.

Our Directors cannot assure you that the revenue and profit generated from such relocated clubs will be equivalent to or more than the revenue and profit previously generated from the closed clubs. As a result, our Group’s business operations and financial condition may be materially and adversely affected.

## RISK FACTORS

### **The Operating Agreement may be terminated due to actions of COD and/or government authorities which are outside our Group's control.**

The Operating Agreement may be terminated due to actions of COD and/or government authorities which are outside our Group's control. If (a) COD fails to satisfy any of the requirements of any gaming authority, or if (b) COD or any of its group companies is directed to cease business with Luk Hing Macau by any gaming authority, or if (c) COD shall in good faith determine that Luk Hing Macau or any of its officers, directors, employees etc. (i) is or might be engaged in or is about to be engaged in any business or activities or (ii) was or is involved in any relationship either of which could or does jeopardize any gaming licenses, or if (d) any gaming licenses are justifiably threatened to be, or is, denied, curtailed, suspended revoked or made conditional due to such business or relationship, COD may terminate the Operating Agreement and take complete control of Club Cubic. For details, please refer to the section headed "Business — Relationship with COD — Operating Agreement — Termination" in this prospectus.

Our Directors cannot assure you that the above situation will not arise as they are beyond our Group's control. In the event of occurrence of such situation and that the Operating Agreement is terminated, our Group's business operations and financial condition may be materially and adversely affected. Please see also the paragraph headed "Our Group may not be able to renew the Operating Agreement with COD upon expiry of the contractual term (which COD may terminate unilaterally in the event of occurrence of any event of default or certain other events) or any lease agreement for our future clubs on favourable terms or at all. In addition, in the event that Club Cubic has to relocate to another venue, we may not receive the same level of incentive or at all as compared with we received from COD for the opening of Club Cubic" above for details regarding the impact of relocation.

### **The Operating Agreement does not restrict COD from opening new club(s) within its premises which may compete with Club Cubic.**

While the Operating Agreement restricts our Group from owning or operating or having any interest in any business similar to Club Cubic within Macau, the Operating Agreement does not restrict COD from opening new club(s) within its premises which may compete with Club Cubic. For details, please refer to the section headed "Business — Relationship with COD — Operating Agreement — Restriction against competitive operation in Macau" in this prospectus. In the event that COD opens new club(s) within its premises, the competition of our business will become more intense, in particular given the close proximity between the club(s) inside COD's premises. If such situation occurs, our customer traffic may be adversely affected and our Group's business operations and financial condition may be materially and adversely affected.

### **The Operating Agreement imposes restrictions in respect of shareholding interest held by Mr. John Choi (an executive Director and Controlling Shareholder) in our Company. COD may terminate the Operating Agreement in the event of any contravention.**

According to the Operating Agreement, in case Mr. John Choi ceases to beneficially own, directly or indirectly, at least 30% of share capital of our Company (including any and all agreements, warrants, rights or options to acquire any share capital and measured by both voting power and size of equity interests) (calculated under Part XV of the SFO and inclusive of any deemed interest pursuant thereto) (the "**Disposal Restriction**"), Luk Hing Macau shall immediately notify COD in writing. Within 60 days (or such longer period as agreed by COD) from the date of receipt of such notice by COD, the parties shall enter into good faith discussion with a view to ensuring that the then prevailing business goals and strategic direction of Club Cubic (collectively "**Business Direction**") will not be changed as a result of such change in the beneficial interest of Mr. John Choi in our Company. In this respect, Luk

## RISK FACTORS

Hing Macau may be required to provide certain undertakings in relation to the continuity of the Business Direction to COD. In the event of failure of the parties to reach an agreement to maintain the Business Direction within the stipulated period, COD may (but not obliged to) terminate the Operating Agreement. Mr. John Choi has undertaken to our Company that he would negotiate with COD in advance and ensure that COD will not terminate the Operating Agreement due to failure to maintain the Business Direction before he disposes any Shares he holds directly or indirectly, or creates any encumbrance over any Shares he holds directly or indirectly, if the disposal of Shares or exercise or enforcement of the encumbrance would trigger the Disposal Restriction. For details regarding the Disposal Restriction and situations under which it may be triggered, please refer to the section headed “Business — Relationship with COD — Operating Agreement — Restriction against disposal or encumbrance of the Operating Agreement” in this prospectus.

In the event that the Disposal Restriction has been triggered and that the parties do not reach any agreement on the Business Direction as discussed above, COD may terminate the Operating Agreement and our Group’s business operations and financial condition may be materially and adversely affected.

**We rely on the Macau market, including but not limited to local customers in Macau and tourists and visitors from the PRC and Hong Kong and face certain political and economic risks in relation to conducting business in Macau.**

We rely on customers in Macau including but not limited to tourists and visitors as we only operate one clubbing venue at present, and it is expected that a substantial portion of our revenue will still be derived from the Macau market in the near future. As a result, any adverse change in the political, economic and social environment in Macau, the PRC and Hong Kong, and any changes in government policies or changes in laws and regulations or the interpretations of these laws and regulations may adversely affect our results of operations and financial condition. In particular, our business and results of operations may be adversely affected by:

- Changes in Macau’s, Hong Kong’s and China’s political, economic and social conditions;
- Tightening of travel restrictions to Macau which may be imposed by the PRC or Hong Kong;
- Changes in policies of the government or changes in laws and regulations, or in the interpretation or enforcement of these laws and regulations, particularly exchange control regulations, and repatriation of capital or measures to control inflation;
- Measures that may be introduced to control inflation, such as interest rate increases or bank account withdrawal controls; and
- Changes in the rate or method of taxation.

According to the Euromonitor Report, Macau’s visitor arrivals grew from 2010 to 2014 and took a turn in 2015, with a 2.6% year-on-year decline, as the number of Mainland Chinese tourists visiting Macau fell 4.0% from 2014. Gross gaming revenue in Macau also fell by 34.3% from MOP352.7 billion in 2014 to MOP231.8 billion in 2015. For details, please refer to “Industry Overview — Macroeconomic environment in Macau — Economic and demographic indicators”.

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The recent decline in Macau gaming industry had negative financial impacts on City of Dreams in 2015. According to the 2015 annual report of US listed Melco Crown Entertainment Limited (NASDAQ: MPEL), the net revenue generated by City of Dreams decreased from approximately US\$3.8 billion in 2014 to approximately US\$2.8 billion in 2015.

As we expect a significant number of customers visiting Club Cubic from the PRC and Hong Kong, general economic conditions and policies in the PRC and Hong Kong could have a significant impact on our financial prospects. A slowdown in economic growth and tightening of credit available or restrictions on travel imposed by the PRC government could adversely impact the number of visitors from China and Hong Kong to Club Cubic, as well as the amounts they are willing to spend, which may have a material adverse effect on our results of operations and financial condition. In addition, in the event of an economic downturn, visitors to Macau and their willingness to spend may decrease, which may have an adverse effect on the results of operations and financial condition of our Group.

In addition, policies adopted from time to time by the Chinese government, including any travel restrictions imposed by China on its citizens such as restrictions imposed on exit visas granted to residents of mainland China for travel to Macau, could disrupt the number of visitors from mainland China to our property. It is not known when, or if, policies restricting visitation by mainland Chinese citizens to Macau and Hong Kong, will be put in place and travel policies may be adjusted, without notice, in the future. Furthermore, the Chinese government's ongoing anti-corruption campaign has had an overall chilling effect on the behavior of Chinese consumers and their spending patterns both domestically and abroad. The campaign has specifically led to tighter monetary transfer regulations, including real time monitoring of certain financial channels, which could disrupt the number of visitors and the amount of money they can bring from mainland China to Macau. The overall effect of the campaign and monetary transfer restrictions may result in decreased visitation and negatively affect our revenues and results of operations.

Our operations in Macau are also exposed to the risk of changes in laws and policies that govern operations of Macau-based companies. Tax laws and regulations and tax exemptions and benefits may also be subject to amendment or different interpretation thereby affecting our profitability after tax. Please see the section headed "Regulatory Overview" in this prospectus for further details.

**We may not be able to obtain or renew various required approvals, licenses and permits to operate our Group's business and could materially and adversely affect its business and results of operations.**

Our Group's operation of Club Cubic is subject to relevant Macau laws and regulations which may be subject to change from time to time. Club Cubic is required to maintain two principal types of licenses, namely the dance hall license and the karaoke license. The dance hall license permits Club Cubic to operate as a dance hall. The karaoke license permits Club Cubic to operate karaoke activity. The dance hall license and karaoke license are typically granted for a period of one year. The dance hall licence and karaoke licence of Club Cubic were held by COD Hotels during the Track Record Period. COD Hotels transferred the licenses for the operation of Club Cubic to us on 15 September 2016.

For details regarding the regulatory environment regarding the licenses, please refer to "Regulatory Overview" in this prospectus. Failure to comply with such laws or regulations may result in fines, suspension of operations, revocation or suspension of licenses and, in more extreme cases, criminal proceedings against us and our management within our Group. In addition, compliance with these

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changing laws and regulatory requirements may cause us to incur considerable time and significant expenses, which our Group may be unable to pass on to our customers and in such event, our business and results of operations may be adversely affected.

The licensing requirements and conditions may be subject to change from time to time. For example, the dance hall license and karaoke license impose requirements as to the opening hours and premises capacity of Club Cubic. If any more stringent control such as shortening of opening hours or reducing premises capacity is imposed, our business and results of operations will be adversely affected and our Group may require more time and resources to comply with any newly imposed conditions on the license.

In respect of any new clubs which may be launched in or outside Macau, the new clubs' operation will be subject to local laws and regulations and it is expected that relevant licenses shall be obtained before opening of new clubs.

Moreover, the ongoing operation of the clubs will be subject to restrictions and requirements as set out under the licensing conditions of the relevant license, failing which penalties and/or fine may be imposed on us, the opportunity for renewal of the licenses may be adversely affected or the licenses may be revoked and the right to use the relevant club premises may be affected as it may constitute a breach of the Operating Agreement with COD or agreement with landlord of new clubs.

There is no assurance that our existing dance hall license and the karaoke license can be successfully renewed upon their expiry. Further, there is no assurance that any new clubs to be opened by our Group can obtain all the requisite licenses as intended. In the event that our Group fails to obtain or renew all or some of the requisite licenses, its business and the results of operations may be adversely affected.

**We rely on Seapower, our largest supplier which accounted for 73.4%, 69.8% and 76.5% of our total purchases and the exclusive distributor of Pernod Ricard's products in Macau which accounted for over 50% of our revenue, and our five largest suppliers which accounted for 95.5%, 91.8% and 94.1% of our total purchases, for the two years ended 31 December 2015 and the four months ended 30 April 2016.**

For the two years ended 31 December 2014 and 2015 and the four months ended 30 April 2016, our five largest suppliers accounted for approximately 95.5%, 91.8% and 94.1% of our total purchases, respectively, and purchases from our largest supplier, Seapower, accounted for approximately 73.4%, 69.8% and 76.5% of our total purchases, respectively. We make purchases from suppliers either under annual contract or individual purchase order, and have not entered into any long-term contracts with our suppliers. For details, please refer to "Business — Procurement and Suppliers".

Seapower is the exclusive distributor of Pernod Ricard's products in Macau, and our sales of Pernod Ricard's products accounted for approximately HK\$62.1 million, HK\$63.5 million and HK\$20.4 million, representing (i) approximately 51.6%, 50.6% and 58.2% of our revenue; and (ii) approximately 66.0%, 68.3% and 72.5% of our beverage sales for the years ended 31 December 2014 and 2015 and the four months ended 30 April 2016, respectively.

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In the event that our business relationship with Seapower is terminated, we may not be able to promote other products to the level as we did for Pernod Ricard's products and we may not be able to have sufficient supply of products readily from other suppliers at sufficient quantity and on similar terms, and results of operation and financial condition may be adversely affected.

Moreover, we recorded sponsorship income from Seapower in our ordinary course of business. For the years ended 31 December 2014 and 2015 and the four months ended 30 April 2016, sponsorship income from Seapower amounted to approximately HK\$9.9 million, HK\$11.2 million and HK\$1.7 million, respectively. In the event of termination of our business relationship, we may not be able to locate another supplier which would provide such level of income, or if at all, to our Group. We may also incur time and costs for renovating the Perrier-Jouët Champagne bar and replacing existing point of sale materials with point of sale materials under the brands of the new supplier.

For details of our relationship with Seapower, please see "Business — Relationship with Seapower" in this prospectus.

The future relationship between us and our suppliers and the willingness and capability of our suppliers to supply products or equipment to us will be critical to our business and operations. There is no assurance that our major suppliers will continue to supply us with raw materials at favourable or similar prices or at all, in particular given we have not entered into any long-term agreement with the suppliers. If our existing suppliers do not continue to supply us with the raw materials at favourable or similar prices or at all, our business and operation could be affected, and our business, operating results and financial condition could also be adversely affected.

**We may not be able to successfully implement our expansion plans, which are subject to uncertainties and our ability to obtain additional capital and our future expansion of clubbing venues may be limited to opportunities outside Macau.**

We are currently expecting an expansion of Club Cubic by adding an extension. Our expansion plan requires significant development and renovation of the extension before opening. It may take longer than we currently anticipate to implement our expansion plan and there may be unforeseen delays before the extension can operate and open for business, including but not limited to difficulties and delay in the process of obtaining the relevant licenses and approvals. As a result of any delay in completing our expansion, cost overruns, failure or delay in obtaining the licenses and approvals, failure to obtain the intended economic benefits from our expansion or other reasons, our business, financial condition and operations may be adversely affected. If we cannot open or operate the extension at the planned condition, it will materially and adversely affect our business, financial condition and the results of operations. We may face similar difficulties in the event we launch any new club in the future.

Additional cash resources may be required to finance the continued growth or other future developments of our Group, including any suitable investments opportunities. The amount and timing of such additional financing needs will vary depending on the timing of the new club openings, investment in new clubs and the amount of cash flow from operations. If our Group's resources are insufficient to satisfy its cash requirements, it may seek additional financing by selling additional equity or debt securities or by obtaining a credit facility. Our Group's capital raising ability depends on a number of factors, such as its business and strategies. The sale of additional equity securities could result in dilution to our Shareholders. The incurrence of indebtedness would result in increased debt service obligations and could result in restrictive operating and financing covenants that may, among other

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things, delay or limit our Group's expansion plans and operations or its ability to pay dividends. The debt service payments may also limit our Group's flexibility in allocating its resources to other activities. If our Group fails to service the debt obligations or is unable to comply with such debt covenants it could be in default under the relevant debt obligations and its financial conditions may be materially and adversely affected. In addition, our Group's expansion plans may prove to be unsuccessful, in which case its overall cash flow position, profitability, business and results of operations may be materially and adversely affected.

Furthermore, pursuant to the Operating Agreement, we shall not own, operate or have any interest in any business similar to Club Cubic within Macau without the consent from COD during the term of the Operating Agreement. Accordingly, without the consent from COD, our future expansion of clubbing venues will be limited to opportunities outside Macau during the term of the Operating Agreement. Our Group is considering expanding our club operation business into regions outside Macau in the future but no detailed plan has been made. Such expansions may require a high level of expertise and experience that the management and staff of our Group currently do not possess. As our club operation experience was accumulated through our operation of Club Cubic in Macau, our expertise and experience in operating clubs outside Macau is relatively limited. Our Directors cannot assure that the management and staff will be able to gain the required expertise and experience in a timely manner, if at all, and such expansion may not succeed. Failure to do so may materially and adversely affect our Group's business and results of operations.

Our Group's ability to obtain additional capital on acceptable terms is subject to a variety of uncertainties, some of which are beyond our control, including but not limited to the general financial, economic and capital market conditions, credit availability from banks or other lenders, investors' confidence in our Group, the performance of the night entertainment industry, especially the clubbing industry in general, and its operating and financial performance in particular. Our Directors cannot assure you that future financing will be available in amounts or on terms acceptable to our Group, if at all. In the event that financing is not available or our Group is unable to obtain such financing on terms that are acceptable to it, its business, results of operations and growth prospects may be adversely affected.

We cannot guarantee that our expansion and our new club(s) will receive positive market reception, nor can we assure you that we can operate them as successfully as our existing club. If we fail to run them as successfully as we have anticipated our Group's business performance may be adversely affected.

**Our plan to expand our spectrums into organisation of events outside Club Cubic may not be successful due to our lack of experience and expertise in operating such services.**

We plan to expand our spectrums of event organisation categories into events outside Club Cubic. For example, under our agreement with the brand owner of Road to Ultra, we are licensed (and obliged) to and will continue to organise the Road to Ultra event annually in 2017 to 2019 in Hong Kong or Macau, which may be held in venue outside Club Cubic in Macau or in Hong Kong.

We have traditionally not been engaged in businesses of organisation of events outside Club Cubic and, as a result, our expertise and experience in operating such business is relatively limited. In addition, our events were held inside the premises of Club Cubic in Macau (save as to the 2016 Road to Ultra Hong Kong event held on 17 September 2016), so our expertise and experience in organising

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events in Hong Kong is relatively limited. Our expertise and experience in the organisation of events inside Club Cubic may not be readily applied to prospective business of organisation of events outdoor or in other venue and events in Hong Kong. In contrast, our existing and potential competitors may have competitive advantages, such as significantly greater financial, marketing or other resources or expertise and experience with respect to such business. We may not successfully partner with hosts of outdoor events or events in venue other than Club Cubic and with other business partners to implement the events, which may be of a larger scale as compared to those held inside the premises of Club Cubic. As a result, we may not be able to successfully secure cooperation opportunities with the business partners on favorable terms, or at all. We may encounter shortages of skilled and competent personnel for the planning and implementation of such large scale events, which may hamper our abilities execute our strategy in the future.

If we are unable to successfully implement our strategy to expand our spectrums of event categories to events outside Club Cubic, or if such expansion does not otherwise benefit our business, our Group's business, results of operations and financial condition may be materially and adversely affected.

### **Our Group's operating results may fluctuate due to seasonal and other factors.**

Our Group's results of operations may fluctuate significantly from time to time due to various factors, including but not limited to the timing of new club openings and the incurrence of associated pre-opening costs and expenses, operating costs for the newly opened clubs, losses associated with the club closings and seasonal fluctuations. Our customer visits and revenue reached the peak in the fourth quarter and hit bottom in the first quarter in both 2014 and 2015. Such fluctuations over the quarters were primarily because there are more festival days, such as Halloween and Christmas; vacation days, such as National Day golden week, and functions, such as Macau Grand Prix, during the fourth quarter, whereas there were fewer customers during Chinese New Year in the first quarter. For further details of seasonal fluctuation during the Track Record Period, please refer to the section headed "Business — Sales and Marketing — Seasonality" in this prospectus. As a result of the above factors, our results of operations may fluctuate significantly from time to time and comparisons between different periods may not be meaningful. The results for a given period are not necessarily indicative of results to be expected for any other period.

### **Competitions from other entertainment operators, which is expected to intensify, may adversely affect our Group's market share and profit margins.**

Clubbing industry is part of the night entertainment industry, hence Club Cubic and our future clubs will compete against other clubbing venues as well as other forms of night entertainment including public houses, bars, karaoke, live music performance houses, etc.

According to the Euromonitor Report, from 2016 onwards, the competition in the clubbing industry is expected to intensify due to the increase in the number of the clubbing venues. The opening of Pacha Macau and other future competitors who may have greater financial, marketing, personnel and other resources than our Group may intensify the market competition. In addition, other operators may develop new clubs that operate in similar concepts and target our Group's customers resulting in increased competition. We may lose market share and may not be able to increase or sustain our revenues and profitability if we fail to compete successfully with other clubs in the market, which could have a material and adverse effect on our Group's business, financial condition and results of operation.

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Our Group may also need to improve or upgrade its equipment and furnishing to evolve new concepts in order to compete with other clubs from time to time, and we cannot assure that such improvements or upgrade will be successful.

The trends and popularity of clubbing venues in Macau and other countries are constantly shifting. As a result, the opening of new clubs by other entertainment operators in or near areas in which our clubs operate could divert customers and adversely affect its sales and customer traffic. As a result, our business and results of operations may be adversely affected.

**Our Group's future financial results depend on the success of Club Cubic and new clubs, which is affected by factors including but not limited to changes in consumer preference and shortening of the life cycles.**

Our Group's financial results depend on its ability to increase sales and efficient cost management in its limited number of existing and new clubs. The most important factor in our Group's success is its ability to increase customer traffic and the average spending. In addition, the level of customer traffic will also affect the popularity of our club and our ability to attract sponsorship income from corporate customers. As night entertainment, especially the clubbing industry, is constantly evolving with the introduction of new concepts, and is subject to rapidly changing consumer preferences and tastes, the life cycles of Club Cubic may be shortened. Our Group's continued success depends in part upon the popularity and style of experience Club Cubic offers. Shifts in consumer preferences away from the experience Club Cubic offers could materially and adversely affect our Group's business and results of operations. Moreover, our Group's future success depends in parts on its ability to anticipate and respond to the changes in consumer preferences and tastes and other factors that affect the clubbing industry, including new market entrants, refurbishment and demographic changes, limitation of capacity in Club Cubic and new clubs, customers' budgeting constraints, sensitivity to the menu price increases, availability of events in Club Cubic and new clubs.

In addition, our ability to successfully engage internationally renowned DJs and artists to perform in our club will also affect our customer traffic and sponsorship income. See also “— we may not be able to secure a stable supply of skill labour, such as DJs, dancers and performers, at reasonable costs.”

We cannot assure you that our offerings will continue to suit the popular tastes and demands of consumers. If our Group changes its concepts to respond to changing consumer preferences, it may lose customers who do not like the new concepts, and may not be able to attract a sufficient new customer base to compensate for lost customers. If it is unable to identify new consumer preferences and develop new concepts and/or new products, or if it lags behind its competitors, sales at Club Cubic may be adversely affected.

**We may not be able to secure a stable supply of skilled labour, such as DJs, dancers and performers, at reasonable cost.**

We rely on skilled labour force who has technical capabilities to monitor, operate and administer these facilities and improve our production technique. For the two years ended 31 December 2015 and the four months ended 30 April 2016, staff costs as to resident DJs and performers and other staff accounted for approximately 19.0%, 18.4% and 28.6% of our revenue for the same period. Moreover, during the Track Record Period, Ocean Concept provided operation, marketing and administrative

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services to our Group and we paid a consulting fee to Ocean Concept primarily representing the salaries of the then relevant employees of Ocean Concept. Please see also “Financial Information — Factors affecting our results of operations and financial condition — Staff costs” in this prospectus.

In addition, we believe our success is also related to engaging internationally renowned DJs and artists to perform in our club as guest DJs and performers to attract customer traffic and sponsorship income. For the years ended 31 December 2014 and 2015 and the four months ended 30 April 2016, expenses for engaging guest DJs and artists and agents to negotiate and procure DJs and artists amounted to approximately 11.7%, 12.0% and 14.1% of our revenue. Currently, we have not entered into any annual agreement with any independent agent that the agent would make a commitment in relation to the number and identity of DJs which it may successfully procure. If we cannot successfully attract internationally renowned DJs and artists to perform in Club Cubic, our ability to attract customer traffic and sponsorship income may be adversely affected.

There is no guarantee that we can secure sufficient skilled labour at a reasonable cost. If we fail to retain our existing skilled labour and/or recruit sufficient skilled labour in a timely manner, we may not be able to cope with our operation needs or our expansion plans. If we are not able to meet our operation needs and standard or if we are unable to implement our expansion plans, our business, financial condition, results of operations and prospects would be materially and adversely affected. Moreover, if there is a significant increase in labour cost or shortage of skilled labour, the cost of our business operation would increase and our business, financial condition, results of operations and prospects would be adversely affected.

### **We are exposed to the credit risks of our customers as credit periods are granted to certain VIP customers and our sponsorship income customers.**

We grant credit periods to certain VIP customers and our sponsorship income customers. For details, please see “Business — Credit Control and Credit Sales Settlement”. In general, the credit period for VIP customers will last for up to 60 days, while credit period of up to 30 days will be granted to corporate customers to settle sponsorship fee in general. For the years ended 31 December 2014 and 2015 and the four months ended 30 April 2016, the total sales on credit to VIP customers were approximately HK\$15.6 million, HK\$21.8 million and HK\$9.4 million, respectively, representing approximately 13.0%, 17.4% and 26.8% of our total revenue. As at 31 December 2014 and 2015 and 30 April 2016, we had approximately HK\$2.2 million, HK\$2.6 million and HK\$6.2 million receivables outstanding from these VIP customers, respectively. We made a provision for impairment of our account receivables of approximately HK\$617,000 for the year ended 31 December 2014 primarily due to one of the VIP customers, being a nephew of Mr. Au Ion Weng (our non-executive Director) and a cousin of Mr. Jerry Au (a Controlling Shareholder). No further provision for impairment of our account receivable was made in the year ended 31 December 2015 and the four months ended 30 April 2016.

The creditworthiness of our VIP customers and other customers and their ability to settle the outstanding amount owed to our Group on a timely basis in accordance with the credit periods we have granted would have an impact on the financial position and cash flows of our Group. If any of our VIP customers and other customers fails to pay the outstanding amount or fails to pay the same in a timely manner, we may have to make allowances for doubtful debts or incur write-offs, which may have an adverse impact on our profit.

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### **We are required to maintain sufficient working capital to sustain our business operations.**

Our Group is required to maintain sufficient level of working capital on a continuous basis to fund its business operations, including the purchase of food, beverages and tobacco products. For the year ended 31 December 2014 and the four months ended 30 April 2016, we recorded a net cash outflow from operating activities of approximately HK\$8.1 million and HK\$9.6 million respectively. The cash outflow for the year ended 31 December 2014 was mainly attributable to (i) approximately HK\$14.0 million cash outflow from the decrease in account and other payables; (ii) approximately HK\$7.4 million net cash outflows from increase in amounts due from related parties; offset by approximately HK\$12.3 million operating cash inflows before changes in working capital. The cash outflow for the four months ended 30 April 2016 was mainly attributable to (i) approximately HK\$6.7 million from the decrease in account and other payables and (ii) approximately HK\$3.4 million from the increase in account and other receivables. For details, please refer to the section headed “Financial Information — Liquidity and Capital Resources”. We had net current assets of approximately HK\$9.1 million and HK\$8.8 million and HK\$2.6 million as at 31 December 2014 and 2015 and 30 April 2016, respectively. In addition, we have obtained a loan facility of HK\$5.0 million in April 2016 and expired in October 2016, and an overdraft facility of HK\$3.0 million in May 2016 available until further notice but subject to annual review by the bank.

Our operating cash flows may be adversely affected by a variety of factors, such as macroeconomic factors or factors specific to our industry. There is no assurance that we will be able to generate net cash inflow from our operating activities or that our Group will be able to maintain sufficient working capital in the foreseeable future. In the event that the Group fails to maintain sufficient level of working capital, our results of operations and financial position may be materially and adversely affected.

### **Copyright infringement claims against us for use of music could adversely affect our business and results of operation.**

The record labels, recording association or other third parties may make claims against our Group for music royalties. Our Directors believe that the success of a clubbing venue depends in part on the music played at the venue and the ambience it brings. The Macau Association of Composers, Authors & Publishers (“MACA”) is a collective management organization, or a musical society established under the current law and regulations regarding copyrights in Macau. Under the laws of Macau, a collective management organization may grant licenses for performing musical recordings in public. MACA is currently a licensing body for musical works in Macau, and has signed reciprocal agreements with more than thirty overseas musical societies. Pursuant to the arrangement between MACA and COD Hotels, (i) Club Cubic is licensed to publicly perform the musical compositions and works licensed under the blanket license agreement between MACA and COD Hotels. For details, please see “Business — Entertainment, Music and Lighting Equipment” in this prospectus. However, it is possible that the copyright owners of some sound recordings may not have licensed their musical work with those record labels that are covered under the collective management organization and the copyright owners of the sound recording, which are not members of the collective management organization, may claim against our Group if such sound recording is played at Club Cubic. In the event of any uncontrollable situations such as the database showing musical works which MACA has relevant licenses is not up-to-date or

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contain errors, or if there is any change of MACA's license arrangement of music during the time gap between our regular checks, we may be exposed to the risk of playing music at Club Cubic without the relevant authority and we may be liable to the relevant copyright owners for playing the music.

As advised by our Macau Legal Advisers, according to the relevant Macau laws, any person who, without authorization from the holder of the exclusive right of reproduction, reproduce for commercial purposes, in whole or in significant part, directly or indirectly, a musical work shall be punished with imprisonment up to 4 years, and the copyright owner may bring a civil procedure claim against who used the music without its consent for "non contractual liability" against our Group and demand an indemnification that will be based on the economic loss suffered by the copyright owner in respect of licensing fee which it may charge for the use of the subject music, with accrued interest at statutory interest rate. Such copyright infringement claims against us for use of music could adversely affect our business and results of operation.

In such circumstances, it may result in a material adverse effect on its business. Our Group may be required to institute litigation, arbitration or other proceedings to defend itself, which would likely consume its management's time and attention. Such proceedings are likely to be expensive to resolve regardless of its outcome. For further details, please refer to the section headed "Business — Entertainment, Music and Lighting Equipment" in this prospectus.

**Our Group may not be able to detect, deter and prevent all instances of illegal activities or other misconduct committed by our employees, customers or other third parties, wrongdoing by our employees and/or outsiders may harm its reputation and business.**

Our customers with excess alcohol may not maintain sobriety and disturb other customers and the operation of Club Cubic and our new clubs. Although our Group has implemented controls, it may be susceptible to illegal activities or misconduct, including pilferage, theft, fights, drugs abuse, sexual harassment, bribery, usage of false personal identification, corruption, among others and it may not be able to detect, deter and prevent all instances of misconduct committed by its employees, customers or other third parties in Club Cubic or our new clubs. Such wrongdoing may harm our Group's reputation, profits and operation results. Failure in deterring, detecting or preventing above mentioned examples of misconduct against our Group's interests may have a material adverse effect on our Group's business operation and financial condition.

If our customers were repeatedly found conducting illegal activities in our club premises during inspection or being reported, the government authorities may take into account of such factor for vetting the application of the club when applying for the renewal of its licences. Such incidents may also seriously harm our Group's reputation, which may affect our customer traffic and ability to attract sponsorship income, business results and financial condition.

**Information technology system failures could interrupt our Group's operations and adversely affect its business.**

Our Group relies on computer systems and network infrastructure used by it across its operations to monitor our daily operations and to collect accurate up-to-date financial and operating data for business analysis and enhance our inventory management. Our information technology systems may be vulnerable to various interruptions which are beyond our control, including telecommunications failures,

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computer viruses, cyber-attacks, hackers, unauthorised access attempts and other security risks. Any damage or failure of its computer systems or network infrastructure that causes an interruption in its operations could have a material and adverse effect on its business and results of operations.

**We may not be able to secure the continued service of our key management personnel.**

The development of our business is, to a large extent, attributable to the contribution of our management, including our executive Directors and members of senior management such as Mr. Simon Choi, Mr. John Choi, Mr. Alex Yeung and Mr. Steven Chu. Although our Company has entered into a service agreement with each of our executive Directors for an initial term of three years, there could be an adverse impact on our operations should any of these senior management personnel terminate the service agreement with our Group or otherwise cease to serve our Group.

**Unauthorised use of our brand names by third parties, and the expenses incurred in developing and preserving the value of our brand names, may adversely affect our business. Our brand names are critical to our success.**

As of the Latest Practicable Date, we were the owner of one trademark registered in Macau and two trademarks registered in Hong Kong, which are material to our business. Unauthorised use of our brand names by third parties may adversely affect our business and reputation. We rely on trademark law, company brand name protection policies and agreements with our employees and business partners and others to protect the value of our brand name. We cannot assure you that procedures we took will provide effective prevention for unauthorised third party use of our brand name. In addition, we currently own the exclusive right to use three domain names containing or relating to our company name and brands. We may be unable to prevent third parties from acquiring and maintaining domain names that infringe or otherwise decrease the value of our brand name, trademarks and other proprietary rights. Failure to protect our domain names could adversely affect our reputation and brand, and make it more difficult for users to find our websites. In addition, we may not be able to complete relevant trademark registration prior to the opening of any new club which we may open in the relevant jurisdiction. Third parties may obtain intellectual property rights in the future and claim that our Group's brands infringe their intellectual property rights. Even if our Group were to prevail against such claims, there is no assurance that such Independent Third Party may not launch any claims in future against any of our Group's club(s). Future litigation could also result in substantial costs and diversion of our resources, and could adversely affect our business, financial condition and results of operations.

**We have limited insurance coverage which may not sufficiently cover all our potential risks.**

Based on our contract with COD, COD would maintain (as a whole for all businesses situate at the City of Dreams) relevant third party liability insurance for fire or other accidents inside the club premises, while Luk Hing Macau shall maintain relevant third party insurance in relation to fitting out and renovation for the expansion. We have maintained the insurance for employees' compensation insurance for injuries or death in the course of employment. There is no assurance that our insurance coverage would be sufficient to cover all our potential losses. For further details on the insurance policies we maintain, please see "Business — Insurance" in this prospectus.

In the event that our insurance policies cannot sufficiently compensate for our losses sustained as a result of damage to items covered or howsoever incurred, we would have to pay for the difference ourselves and our cash flow and liquidity could be adversely affected.

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### **RISKS ASSOCIATED WITH THE PLACING**

#### **Our Controlling Shareholders interests may differ from those of our Company and other shareholders.**

Upon completion of the Placing and the Capitalisation Issue, Welmen, Yui Tak, Ocean Concept, Toprich, Perfect Succeed, Mr. Simon Choi, Mr. John Choi, Mr. Eric Au, Mr. Jerry Au, Mr. Bernard Yeung and Mr. Alex Yeung, being our Controlling Shareholders, will in aggregate own 60.75% of our share capital. They have historically exercised significant influence over us, which we expect to continue in the future.

There can be no assurance that if a conflict of interest arises, our Controlling Shareholders will act in the best interests of our Company or that any conflict of interest will be resolved in our favour. At times, the interests of our Controlling Shareholders may not be consistent with the interests of our other Shareholders. There can be no assurance that they will always take actions that will benefit our other Shareholders. In addition, if our Controlling Shareholders continue to exercise such influence over us, it could have the effect of delaying, deferring or preventing a change in control of the Company, and it could affect our ability to effect certain types of transactions that require approval by special resolution. This could have an adverse effect on the operation of our business and our profitability.

#### **There has been no prior public market for our Shares and an active trading market for our Shares may not develop.**

Prior to the Placing, there has been no public market for our Shares. The Placing Price of the Shares will be determined through negotiations between us and the Sole Global Coordinator, and it may not necessarily be indicative of the market price of the Shares after the Placing is complete. While we have applied to list and deal in the Shares on the Stock Exchange, we cannot assure you that an active trading market will develop and/or if developed will be sustained after the Placing. If an active public market for the Shares does not develop after the Placing, the market price and liquidity of the Shares may be adversely affected.

#### **Our Company is a holding company and our ability to pay dividends is dependent upon the earnings of, and distributions by, our subsidiaries. We may not declare dividends in the future. Payment of dividends will depend upon future earnings, financial condition, cash flows, working capital requirements, capital expenditures and other factors.**

Our Company is a holding company. Our principal assets will, at the completion of the Placing, consist of our equity holdings in our various subsidiaries. See “History, Reorganisation and Corporate Structure” in this prospectus. All of our business operations are conducted through our subsidiaries. Our ability to pay dividends is dependent upon the earnings of our subsidiaries and their distribution of funds to us, primarily in the form of dividends. The ability of our subsidiaries to make distributions to us depends on their distributable earnings (as determined in accordance with the applicable law of the place of incorporation of the relevant subsidiaries), cash flow conditions, restrictions on distributions contained in their articles of association, restrictions contained in their debt instruments, and other arrangements. These restrictions could reduce the amount of distributions that we receive from our subsidiaries, which in turn would restrict our ability to fund group operations and pay dividends on the Placing Shares.

## RISK FACTORS

We cannot guarantee when, if and in what form dividends will be paid on our Shares following the Placing. The amount of future dividend payments that we may make, if any, will depend upon a number of factors, which may include our strategy, future earnings, financial condition, cash flows, working capital requirements, capital expenditures, applicable laws and regulations and other factors. There can be no assurance that we will have sufficient distributable reserves or decide to pay dividends in the future.

**Future sale or major divestment of shares by any of our Shareholders could adversely affect the prevailing market price of our Shares.**

Our Shares held by certain Shareholders are subject to certain lock-up periods, the details of which are set out in the sections headed “Underwriting” and “History, Reorganisation and Corporate Structure” in this prospectus. However, there is no assurance that after the restrictions of the lock-up periods expire, these Shareholders will not dispose of any Shares. Sale of substantial amounts of our Shares in the public market, or the perception that these sales may occur, may materially and adversely affect the prevailing market price of our Shares.

**The liquidity, trading volume and trading price of our Shares may be volatile, which could result in substantial losses for Shareholders.**

The liquidity, the price and trading volume of our Shares may be volatile, which may be subject to a number of factors, including but not limited to:

- actual or anticipated fluctuations in our results of operations;
- changes in earnings estimates or recommendations by securities analysts;
- restrictive regulations or limitations imposed on our industry by relevant authorities;
- actual or potential litigation or regulatory investigations announcements of competitive developments, acquisitions or strategic alliances in our industry;
- recruitment or loss of key personnel by us or our competitors; and
- general macroeconomic and market conditions or other developments affecting us and our industry.

In addition, stock markets and the shares of companies listed on the Stock Exchange have from time to time experienced significant price and volume fluctuations that are disproportionate or not related to the operating performance of such companies. These market fluctuations may also materially and adversely affect the market price of our Shares.

**Our Shareholders’ interest may be diluted as a result of additional equity fund-raising.**

We may finance the future expansion of our operation and business by raising additional funds through the issuance of new equity or equity-linked securities in our Company other than on a pro rata basis to existing Shareholders, and as such the percentage ownership of such Shareholders in us may be reduced. Furthermore, such new securities may confer rights and privileges that take priority over those conferred by the Shares.

## RISK FACTORS

**You may face difficulties in protecting your interests because we are incorporated under Cayman Islands law, which law may provide different protection to minority shareholders than the laws of Hong Kong and other jurisdictions.**

Our corporate affairs are governed by our Memorandum and Articles of Association and by the Companies Law. The laws of the Cayman Islands relating to the protection of the interests of minority shareholders differ in some respects from those in other jurisdictions. Such differences may mean that our minority Shareholders, including you, may have less protection than they and you would otherwise have under the laws of other jurisdictions. For further information, please see Appendix III to this prospectus.

**You may experience difficulty in effecting service of legal process and enforcing judgments against us, our directors and our management.**

Our Company is incorporated in the Cayman Islands. A substantial amount of our assets is located in Macau. Some of our Directors and officers reside outside of Hong Kong. As a result, it may not be possible for investors to effect service of process within Hong Kong or other countries upon such persons or us or to enforce against them or us judgments obtained in such courts.

**Facts and statistics in this prospectus relating to the industry in which our Group operates may not be fully reliable.**

Some of the facts and statistics in this prospectus relating to the clubbing industry in which our Group operates, including those relating to the Macau economy and alcohol consumption market, are derived from various publications of Macau and foreign governmental departments and agencies and obtained in communication with various governmental departments and agencies that the Directors believe are reliable. However, the Directors cannot guarantee that the quality or reliability of such materials. The Directors believe that the sources of the information are appropriate have taken reasonable care in exacting and reproducing such information. They do not believe that such information is false or misleading in any material aspect or that any material fact has been omitted that would render such information false or misleading. The information has not been independently verified by our Group, the Sole Sponsor, any Underwriter or any other party involved in the Placing and no representation is given as to its accuracy or completeness. You should consider how much weight or importance such facts or statistics carry and should not place undue reliance on them.

## **INFORMATION ABOUT THIS PROSPECTUS AND THE PLACING**

### **DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS**

This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Companies Ordinance, the Securities and Futures (Stock Marketing Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the GEM Listing Rules for the purpose of giving information with regard to our Company. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this prospectus 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 in this prospectus misleading.

### **INFORMATION ON THE PLACING**

This prospectus is published solely in connection with the Placing.

The Placing Shares are offered solely on the basis of the information contained and representations made in this prospectus, on the terms and subject to the conditions set out herein. No person is authorised in connection with the Placing to give any information, or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorised by our Company, the Sole Sponsor, the Sole Global Coordinator, the Underwriters and any of their respective directors, officers, employees, agents, affiliates or representatives or any other persons or parties involved in the Placing.

### **PLACING SHARES ARE FULLY UNDERWRITTEN**

This prospectus sets out the terms and conditions of the Placing.

This prospectus is published solely in connection with the Placing, which is sponsored by the Sole Sponsor and managed by the Sole Global Coordinator and is fully underwritten by the Underwriters (subject to the terms and conditions of the Underwriting Agreement). Further information about the Underwriters and the underwriting arrangements is contained in the section headed "Underwriting" in this prospectus.

### **PLACING PRICE**

The Placing Shares are being offered at the Placing Price which will be determined by the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company on or around 4 November 2016 or such later date as agreed by our Company and the Sole Global Coordinator. The Placing Price is currently expected to be not more than HK\$0.26 per Placing Share and not less than HK\$0.2 per Place Share. The Sole Global Coordinator (for itself and on behalf of the Underwriters) may reduce the indicative Placing Price range stated in this prospectus at any time prior to the Price Determination Date. In such case, a notice of the reduction of the indicative Placing Price range will be published on the Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk) and our Company's website at [www.lukhing.com](http://www.lukhing.com).

## **INFORMATION ABOUT THIS PROSPECTUS AND THE PLACING**

If the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company are unable to agree on the Placing Price on the Price Determination Date, or such later date or time as may be agreed between our Company and the Sole Global Coordinator, the Placing will not become unconditional and will lapse.

### **RESTRICTIONS ON SALE OF THE PLACING SHARES**

Each person acquiring the Placing Shares will be required to confirm that he/she is aware of the restrictions on offers and sales of the Placing Shares described in this prospectus.

No action has been taken to permit the offering of the Placing Shares or the general distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction other than Hong Kong or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. Persons who possess this prospectus are deemed to have confirmed with our Company, the Sole Sponsor, the Sole Global Coordinator and the Underwriters that such restrictions have been observed.

The Placing Shares are offered solely on the basis of the information contained and representations made in this prospectus. No person is authorised to give any information in connection with the Placing or to make any representation not contained in this prospectus, and any information or representation not contained in this prospectus must not be relied upon as having been authorised by our Company, the Sole Sponsor, the Sole Global Coordinator, the Underwriters, any of their respective directors, agents, employees or advisers or any other person involved in the Placing.

Prospective applicants for the Placing Shares should consult their financial advisers and take legal advice, as appropriate, to inform themselves of, and to observe, all applicable laws and regulations of any relevant jurisdiction. Prospective applicants for the Placing Shares should inform themselves as to the relevant legal requirements of applying for the Placing Shares and any applicable exchange control regulations and applicable taxes in the countries of their respective citizenship, residence or domicile.

### **STRUCTURE AND CONDITIONS OF THE PLACING**

Details of the structure and conditions of the Placing are set out in the section headed “Structure and conditions of the Placing” in this prospectus.

### **APPLICATION FOR LISTING ON GEM**

Application has been made to the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Placing and the Capitalisation Issue and upon exercise of any options which may be granted under the Share Option Scheme.

No part of the share capital of our Company is listed or dealt in on any other stock exchange and no such listing or permission to deal is being or is proposed to be sought.

Under section 44B(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, any allotment made in respect of any application will be invalid if the listing of, and permission to deal in, the Placing Shares on GEM is refused before the expiration of three weeks from the date of the

## **INFORMATION ABOUT THIS PROSPECTUS AND THE PLACING**

closing of the Placing, or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to our Company by or on behalf of the Listing Division of the Stock Exchange, then any allotment made on application in pursuance of this prospectus shall, whenever made, be void.

Pursuant to Rule 11.23(7) of the GEM Listing Rules, at the time of listing and at all times thereafter, our Company must maintain the minimum prescribed percentage of at least 25% of the issued share capital of our Company in the hands of the public.

Only securities registered on the branch register of members of our Company kept in Hong Kong may be traded on GEM unless the Stock Exchange otherwise agrees.

### **COMMENCEMENT OF DEALINGS IN THE SHARES**

Dealings in Shares on GEM are expected to commence at 9:00 a.m. on Friday, 11 November 2016. Shares will be traded in board lots of 10,000 Shares each and are freely transferable. The stock code for our shares is 8052. No temporary documents or evidence of title will be issued.

### **SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS**

Subject to the granting of the approval for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus on GEM and our Company's complying with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date, or on any other date determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements have been made for the Shares to be admitted into CCASS. Investors should seek the advice of their stockbrokers or other professional advisers for details of those settlement arrangements and how such arrangements will affect their rights and interests.

### **PROFESSIONAL TAX ADVICE RECOMMENDED**

If you are unsure about the taxation implications of the subscription for, purchase, holding or disposal of, dealing in, or the exercise of any rights in relation to the Shares, you should consult your professional adviser. It is emphasised that none of our Company, the Sole Sponsor, the Sole Global Coordinator, the Underwriters, any of their respective directors, agents or advisers or any other person involved in the Placing accepts responsibility for any tax effects on or liabilities of any person resulting from the subscription for, purchase, holding or disposal of, dealing in, or the exercise of any rights in relation to the Shares.

### **HONG KONG SHARE REGISTER AND STAMP DUTY**

All issued Shares upon completion of the Placing are freely transferable and will be registered on our Company's branch register of members to be maintained in Hong Kong by the branch share registrar and transfer office of our Company, Tricor Investor Services Limited, Level 22, Hopewell Centre, 183

## **INFORMATION ABOUT THIS PROSPECTUS AND THE PLACING**

Queen's Road East, Hong Kong. Our Company's principal register of members will be maintained by the principal share registrar and transfer office of our Company in Cayman Islands, PO Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands.

Dealings in Shares registered in the branch register of members of our Company in Hong Kong will be subject to Hong Kong stamp duty.

Unless our Company determines otherwise, dividends payable in HK dollars in respect of the Shares will be sent by ordinary post at the Shareholder's risk to the registered address of each Shareholder or, in the case of joint holders, the first-named holder.

### **EXCHANGE RATE CONVERSION**

In this prospectus, unless otherwise stated, certain amounts denominated in Pataca have been translated into HK dollars or US dollars and vice versa at an exchange rate of MOP1.03 = HK\$1.00 or MOP8.01 = US\$1.00, respectively, and certain amounts denominated in US dollars have been translated into HK dollars and vice versa at an exchange rate of US\$1.00 = HK\$7.78, in each case, for illustration purposes only. Such conversions shall not be construed as representations that amounts in MOP or US dollars were or may have been converted into those currencies and vice versa at such rates or any other exchange rates.

### **ROUNDING**

Any discrepancies in any table between totals and sums of amounts listed therein are due to rounding.

<b>DIRECTORS AND PARTIES INVOLVED IN THE PLACING</b>
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**DIRECTORS**

Name	Address	Nationality
<i>Executive Directors</i>		
Mr. Choi Yiu Ying (蔡耀涇)	Flat B, 2/F 45 Island Road, Deep Water Bay Repulse Bay, Hong Kong	Chinese
Mr. Choi Siu Kit (蔡紹傑)	Flat B, 27/F Kingsford Height 17 Babington Path Mid-levels, Hong Kong	Chinese
Mr. Yeung Chi Shing (楊志誠)	Avenida de Sagres Block 7, Floor 23, Flat D Ed. One Central Residences Macau	Chinese
<i>Non-executive Directors</i>		
Mr. Au Wai Pong Eric (區偉邦)	Unit 302, Tower 2 211 Xingfu Road Shanghai, China	Chinese
Mr. Au Ion Weng (歐潤榮)	Av. Ouidor Arriaga 70 23 Andar G Block A Ed. Fortune Towers Macau	Chinese
Ms. Poon Kam Yee Odilia (潘錦儀)	Flat F, 8/F Braemar Terrace 1 Pak Fuk Road North Point, Hong Kong	Chinese
<i>Independent non-executive Directors</i>		
Mr. Lam Wai Chin Raymond (林偉展)	Flat F, 8/F, Block 2 Robinson Place 70 Robinson Road Mid-levels, Hong Kong	Chinese
Mr. Chan Ting Bond Michael (陳定邦)	Flat B, 21/F Yick King Building 3 Chun Fai Road Hong Kong	Chinese

<b>DIRECTORS AND PARTIES INVOLVED IN THE PLACING</b>
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<b>Name</b>	<b>Address</b>	<b>Nationality</b>
Mr. Tse Kar Ho Simon (謝嘉豪)	Flat B, 19/F Yat Tien Mansion Taikoo Shing Shau Kei Wan, Hong Kong	Chinese

*Please refer to the section headed “Directors and Senior Management” of this prospectus for further information.*

#### **PARTIES INVOLVED IN THE PLACING**

<b>Sole Sponsor</b>	China Everbright Capital Limited 24/F, Lee Garden One 33 Hysan Avenue Causeway Bay Hong Kong
<b>Sole Global Coordinator and Sole Bookrunner</b>	China Everbright Securities (HK) Limited 24/F, Lee Garden One 33 Hysan Avenue Causeway Bay Hong Kong
<b>Joint Lead Managers</b>	China Everbright Securities (HK) Limited 24/F, Lee Garden One 33 Hysan Avenue Causeway Bay Hong Kong  Opus Capital Limited 18/F, Fung House 19–20 Connaught Road Central Central Hong Kong  Ping An Securities Limited Unit 02, 2/F China Merchants Building 152–155 Connaught Road Central Hong Kong

## DIRECTORS AND PARTIES INVOLVED IN THE PLACING

Innovax Capital Limited  
Room 2002, 20/F  
Chinachem Century Tower  
178 Gloucester Road  
Wan Chai  
Hong Kong

### **Legal advisers to our Company**

*As to Hong Kong laws*  
Vivien Teu & Co  
in association with Llinks Law Offices  
Suites 1503–1504 Level 15 ICBC Tower  
3 Garden Road  
Central  
Hong Kong

*As to Macau laws*  
Leong Hon Man Law Office  
12/F, China Law Building  
Avenida da Praia Grande No. 409  
Macau

*As to Cayman Islands laws*  
Appleby  
2206–19, Jardine House  
1 Connaught Place  
Central, Hong Kong

### **Legal advisers to the Sole Sponsor and Underwriters**

*As to Hong Kong laws*  
Mayer Brown JSM  
16th–19th Floor, Prince’s Building  
10 Charter Road  
Central  
Hong Kong

### **Reporting accountants**

HLB Hodgson Impey Cheng Limited  
*Certified Public Accountants*  
31/F, Gloucester Tower  
The Landmark  
11 Pedder St.  
Central  
Hong Kong

### **Compliance adviser**

China Everbright Capital Limited  
24/F, Lee Garden One  
33 Hysan Avenue  
Causeway Bay  
Hong Kong

## CORPORATE INFORMATION

<b>Registered office</b>	PO Box 1350 Clifton House 75 Fort Street Grand Cayman KY1-1108 Cayman Islands
<b>Headquarters and principal place of business in Macau</b>	Suite 2105-2, 2/F The Boulevard City of Dreams Cotai Macau
<b>Principal place of business in Hong Kong registered under Part 16 of the Companies Ordinance</b>	Room 1505, 15/F., Shun Tak Centre West Tower 168-200 Connaught Road Central Sheung Wan Hong Kong
<b>Company website</b>	<b><a href="http://www.lukhing.com">www.lukhing.com</a></b> <i>(information contained in this website does not form part of this prospectus)</i>
<b>Company secretary</b>	Ms. Li Oi Lai (李愛麗) (ACIS, ACS, FCPA, FAIA) 18/F, Tesbury Centre 28 Queen's Road East Wanchai, Hong Kong
<b>Compliance officer</b>	Mr. Choi Siu Kit (蔡紹傑) Flat B, 27/F Kingsford Height 17 Babington Path Mid-Levels, Hong Kong
<b>Authorised representatives</b>	Mr. Choi Siu Kit (蔡紹傑) Flat B, 27/F Kingsford Height 17 Babington Path Mid-Levels, Hong Kong  Ms. Li Oi Lai (李愛麗) (ACIS, ACS, FCPA, FAIA) 18/F, Tesbury Centre 28 Queen's Road East Wanchai, Hong Kong

## CORPORATE INFORMATION

<b>Audit Committee</b>	Mr. Chan Ting Bond Michael (陳定邦) ( <i>chairman</i> ) Mr. Lam Wai Chin Raymond (林偉展) Mr. Au Wai Pong Eric (區偉邦)
<b>Remuneration Committee</b>	Mr. Lam Wai Chin Raymond (林偉展) ( <i>chairman</i> ) Mr. Tse Kar Ho Simon (謝嘉豪) Mr. Au Wai Pong Eric (區偉邦)
<b>Nomination Committee</b>	Mr. Choi Yiu Ying (蔡耀鏗) ( <i>chairman</i> ) Mr. Lam Wai Chin Raymond (林偉展) Mr. Tse Kar Ho Simon (謝嘉豪)
<b>Principal share registrar and transfer office in Cayman Islands</b>	Estera Trust (Cayman) Limited Clifton House 75 Fort Street PO Box 1350 Grand Cayman KY1-1108 Cayman Islands
<b>Hong Kong branch share registrar and transfer office</b>	Tricor Investor Services Limited Level 22 Hopewell Centre 183 Queen's Road East Hong Kong
<b>Principal banker</b>	Bank of China Limited Macau Branch Bank of China Tower Aveni da Doutor Mario Soares Macau

## INDUSTRY OVERVIEW

*This section contains information and statistics relating to the Macau economy and the industry in which we operate. We commissioned Euromonitor, an independent market research firm, as an industry consultant to prepare an industry research report, the Euromonitor Report. The information and data in this section have been derived from third-party sources including the Euromonitor Report, which was prepared primarily as a market tool. References to Euromonitor should not be considered as the opinion of Euromonitor as to the value of any security or the advisability of investing in the Group. While we and our Directors have taken reasonable care in the extraction, compilation and reproduction of the information derived from independent sources, we cannot assure you as to the accuracy or completeness of such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. Neither we nor any of our respective affiliates or advisors, the Sole Global Coordinator, the Sole Sponsor, the Underwriters, nor any of their respective affiliates or advisors have prepared or independently verified the accuracy or completeness of such information directly or indirectly derived from independent sources, and such information may not be consistent with that available from other sources and should not be unduly relied upon.*

*Unless otherwise indicated, information and statistics relating to the clubbing industry in Macau in this and other sections of this prospectus have been derived from the Euromonitor Report.*

### SOURCE OF INFORMATION

In connection with the Placing, we have commissioned Euromonitor, an international market research firm with experience in conducting market research for various industries in initial public offerings of companies listed on the Stock Exchange and an Independent Third Party, to assess the overall industry situation and development trends and to analyse the competitive landscape of clubbing industry in Macau. The total consideration we paid to Euromonitor amounts to US\$51,870.

In compiling and preparing the Euromonitor Report, Euromonitor conducted interviews with industry participants and distributors of alcohol, collect and review information from multiple sources, including national statistics and conducted independent analysis.

The projections are based on the Euromonitor Report on the following assumptions:

- The Macau SAR economy is expected to maintain steady growth over the longer term in spite of economic contractions in 2015 due to key market drivers stated below;
- The Macau SAR social and political environments are expected to remain stable during the forecast period;
- Key market drivers such as the development of the Cotai Strip, the government's priority to promote non-gaming entertainment and the increasing accessibility of Macau as a tourist destination due to infrastructure upgrades are expected to boost the development of the Macau SAR clubbing venue market; and
- Key drivers including the diversification of the Macau SAR's economy to be more resilient and the general development of the tourism industry are likely to drive the future growth of the Macau SAR's clubbing venue market.

# INDUSTRY OVERVIEW

## MACROECONOMIC ENVIRONMENT IN MACAU

### Economic and Demographic Indicators

#### *Strong Economic Growth Fuelled by Gaming Sector Takes a Plunge in 2015*

After years of uninterrupted, spectacular economic growth in Macau propelled by rising gambling revenues, the economic boom came to a screeching halt in 2014 as a confluence of macroeconomic developments, intensifying global competition and political factors put the brakes on the rapid economic expansion. Macau's GDP, which grew by a high CAGR of 13.9% from the period 2010 to 2013, experienced a real contraction of 0.9% in 2014, followed by a drastic decline of 20.3% in 2015.

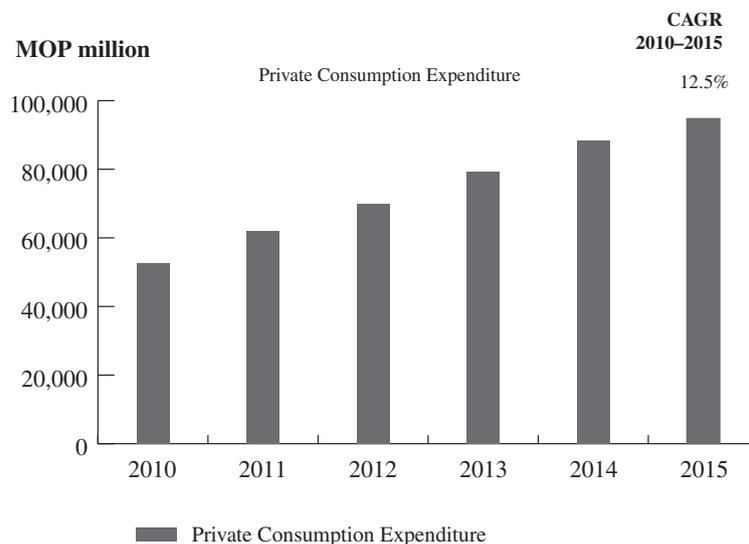
One of the main reasons for the sharp contraction is plunging revenues from the gaming industry, which previously accounted for approximately half of Macau's GDP and more than three-quarters of its tax revenues. Gross gaming revenue in Macau fell by 34.3% from MOP352.7 billion in 2014 to MOP231.8 billion in 2015. The protracted anti-corruption drive by the Chinese central government has struck fear amongst Mainland high-rollers, who were a significant contributor to Macau's gaming revenue. Wary of the scrutiny of China's anti-corruption officers, these big spenders have stayed away from Macau, resulting in the drastic drop in gaming revenues in 2014 and 2015.

#### *Steady Growth in Private Consumption Expenditure from 2010 to 2015*

Private consumption expenditure increased from MOP52.6 billion in 2010 to MOP94.8 billion in 2015, representing a 12.5% CAGR from 2010 to 2015, as local Macanese enjoy higher disposable income and increase discretionary expenditure on entertainment, which could include activities such as clubbing.

The following table sets forth the historical private consumption expenditure in Macau.

#### Private Consumption Expenditure in Macau, 2010–2015



Source: The Census and Statistics Department of the Government of the Macao Special Administrative Region, extracted from Euromonitor Report

## INDUSTRY OVERVIEW

### ***Reduce Over-reliance on Gaming Industry to Achieve Overall Sustainable Development***

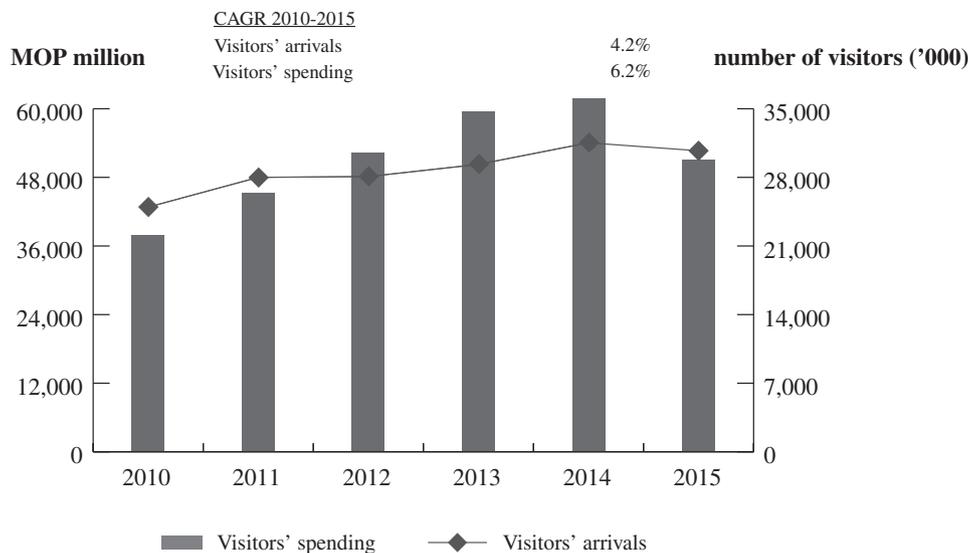
As of first quarter of 2016, Macau experienced its seventh consecutive quarter of GDP decline, with GDP falling by approximately 13.3% quarter-on-quarter, continuing to improve from a fall of 14.4% in fourth quarter of 2015, which could be indicative that the Macau economy has already hit bottom. Gross gaming revenue in Macau fell 9.2% in second quarter of 2016, which is the lowest quarter-on-quarter fall since fourth quarter of 2014. In 2016, the contraction in Macau's economy is expected to continue, albeit at a slower rate, as non-gaming tourism activities remain insufficient to compensate for the plunge in casino revenues. To address this problem, the Macau government has embarked on plans to diversify and grow its non-gaming tourism sector to appeal to a more mass market tourist.

### ***Fall in Visitors' Spending and Visitors' Arrivals in 2015 after Period of Consistent Growth***

Aside from Macau's local population, which forms a stable customer base for clubbing venues in Macau, a key demand driver for the clubbing venue industry includes the tourism industry, indicating the importance of attracting more tourists who are drawn to Macau for a diversity of entertainment activities. Although tourist arrivals in Macau declined in 2015, major clubbing venues were still drawing large crowds. This is likely due to the increase in the proportion of tourists who are visiting Macau for other non-gambling related activities such as concerts and entertainment events. A good example will be the Big Bang 2015 World Tour concert and the annual Asia Entertainment Expo, where visitors have a higher propensity to visit clubbing venues due to collaboration programs. Earlier visitors tended to be more focused on gambling related activities.

Concurrently, visitors' spending, which excludes revenue generated by casinos and other gambling-related activities, grew by a CAGR of 13.0% from 2010 to 2014, before experiencing a significant 17.2% year-on-year decline in 2015. This is due to a fall in average spending per visitor on shopping, accommodation and food and beverage by 20.0%, 15.9% and 5.8% respectively, from 2014 to 2015. Nevertheless, in 2015, visitors' spending still accounted for approximately 13.9% of Macau's GDP. The significance of Macau's tourism industry, independent of its gaming component, indicates its potential to become a main pillar of Macau's economic prosperity in the future.

**Visitors' Spending and Visitors' Arrivals in Macau, 2010–2015**



*Source: The Census and Statistics Department of the Government of the Macao Special Administrative Region, extracted from Euromonitor Report*

# INDUSTRY OVERVIEW

## NIGHT ENTERTAINMENT INDUSTRY IN MACAU

### Vibrant and Diverse Night Entertainment Offerings in Macau

The night entertainment industry in Macau can be categorised based on the operation models and types of services offered as below:

#### *Types of Night Entertainment Venues in Macau*

<b>Night Entertainment Venue Types</b>	<b>Description</b>	<b>Examples of Operators</b>
Bars, Pubs & Lounges	Bars, pubs, lounge bars, and wine bars are characterised by the sale of alcoholic beverages and the food menu is limited to simple dishes. This category also includes beer halls, branded or themed pubs and traditional pubs, where beer is the main alcoholic drink consumed. Such venues are commonly located within resorts, hotels and similar establishments.	Lion's Bar and The Macallan Whiskey Bar and Lounge
Clubbing Venues	Clubbing venues also sell alcoholic beverages and are distinguished by the inclusion of a dance floor and a DJ booth, where a DJ plays recorded dance music genres. Clubbing venues also typically offer floor shows.	Club Cubic and D2
Gentlemen's Clubs	Gentlemen's clubs are generally venues providing adult entertainment, with the audience usually seated at tables, dining and drinking. This category includes venues providing cabaret performances, stripteases, burlesque, and drag show performances.	Divino and Playmates Club
Karaoke/KTV Bars	Karaoke/KTV bars typically offer packaged deals that include a private room with a music entertainment system providing pre-recorded accompaniment to popular songs, drinks and snacks. This category of night entertainment is particularly popular with locals and Mainland tourists, with many independent operators in Macau.	Zillionaire Karaoke and Pub and K Timez

*Source: Euromonitor Report*

### Recent clubbing market development

#### *Clubbing Venues Gaining Popularity*

Clubbing venues, with a dance floor and a DJ playing recorded dance music genres, are a relatively new development in Macau. The typically large floor space of these outlets, which can occupy up to 2,300 square metres, also belies their modest numbers as they are able to accommodate larger crowds compared to other types of night entertainment venues. Therefore, the concept of clubbing has been gradually gaining acceptance with the local crowd during 2010 to 2014.

## INDUSTRY OVERVIEW

Ever since its relocation in 2011, Club Cubic, being a pioneer in the industry, has revolutionised the clubbing scene with modern elements drawn from top clubbing venues worldwide, creating much publicity and attracting many visitors from overseas with its live performances and world-class DJ events. The success of Club Cubic in introducing dance music to the local night entertainment scene has also been instrumental in paving the way for the growth of the clubbing venue industry.

### *Expansion of Cotai Strip to Boost Mass Tourism*

Generally, major night entertainment spots and clubbing venues in Macau tend to be located in the Cotai area, an area housing a row of luxury integrated casino resorts, within close proximity to the casinos for the convenience of high-rollers and tourists, demonstrating the inextricable link between the development of tourism and the clubbing industry.

The Cotai Strip has been undergoing extensive expansion since 2012, with eight massive and distinctively themed integrated resorts being developed. Amid the slump in Macau's gaming industry since mid-2014, coupled with the pressure from the Macau government to pursue diversification away from gambling, the focus of the new developments would include a wider array of entertainment facilities in a bid to shed Macau's reputation as a gambling haven and develop it into a family-friendly tourist destination. The expanded Cotai Strip promises to bring unprecedented levels of glamour and luxury to the region.

### *Stricter Gaming Regulations*

Stricter government regulation governing the gaming industry also has a significant impact on the growth of the clubbing venue industry and the profile of clubbing venue customers. One key regulation which has limited the expansion of casino operators is the cap on the number of gaming tables allowed across all casinos in Macau and the strict monitoring of VIP gaming promoters, also known as junkets. This has impacted Macau's clubbing venue industry, as there are less high rollers in Macau looking to spend extravagantly on entertainment.

## CLUBBING INDUSTRY IN MACAU

### **Business Model of Clubbing Venues in Macau**

#### *Sale of Alcoholic Drinks Constitutes Majority of Revenue*

Clubbing venues in Macau generate the majority of their revenue through the sale of alcoholic drinks within their premises, with a minimum spending required for the booking of tables, private booths and karaoke rooms. For clubbing venues with entrance fees, alcohol sales still forms the majority of their revenue. Membership fees are uncommon in Macau's main clubbing venues although this may change in the future. Furthermore, VIP and high-spending customers also enjoy special privileges, such as the ability to order drinks on credit. Typically, the alcoholic beverage promoter or staff will pay on behalf of the VIP customer, as a form of additional service and settle the final bill with the client outside the club within credit period.

Similarly, customers in clubbing venues typically see the majority of their expenditure going to alcohol purchases, especially bottle service, with Champagne being the most popular in such establishments.

## INDUSTRY OVERVIEW

### Market performance and outlook of the clubbing venues in Macau

#### *From 2010 to 2015*

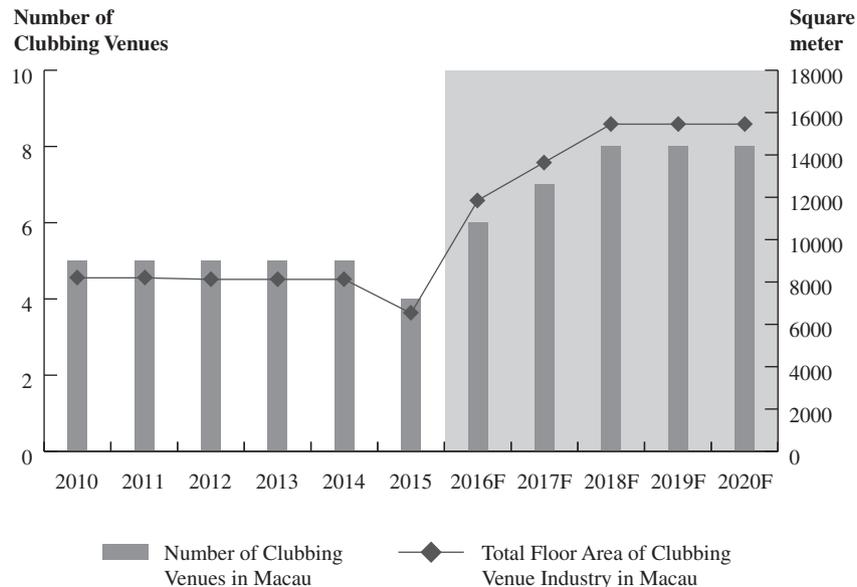
There were approximately five clubbing venues in operation during 2010 to 2015, with only four consistently operating throughout 2010 to 2015. Therefore, the total floor area of the clubbing industry in Macau was shrunk by a CAGR of 4.5% from 8,196.4 square metres in 2010 to approximately 6,524.1 square metres in 2015. From 2010 to 2015, the average floor space of a clubbing venue was approximately 1,630.7 square metres.

#### *From 2016 to 2020*

Before the soft opening of Club Pacha in the fourth quarter of 2015 and its official opening in January 2016, Club Cubic was the largest clubbing venue in Macau in terms of gross floor area. From 2016 onwards, the competition in the clubbing industry is expected to intensify due to the increase in the number of clubbing venues. The opening of Club Pacha, with a floor space spanning approximately 2,787.1 square meters, in conjunction with the planned expansion of Club Cubic and the opening of another mid-sized clubbing venue at the upcoming Wynn Palace, will lead to a significant increase in the total floor space of the industry by end of 2016. In addition, it is expected that two more new mid-sized clubbing venues will open from 2017 to 2020 in the other new resort developments coming online, which will contribute to the rapid growth in clubbing floor area.

The following table sets forth the historical and forecasted number of clubbing venues and total floor area of the clubbing venue industry in Macau from 2010 to 2020.

**Number of Clubbing Venues and Total Floor Area of Clubbing Venue Industry in Macau, 2010–2020F**



*Note:* Number of clubbing venues and total floor are of the clubbing venue industry are considered based on clubbing venues that are in operation on 31 December of each year.

*Source:* Euromonitor Report

## INDUSTRY OVERVIEW

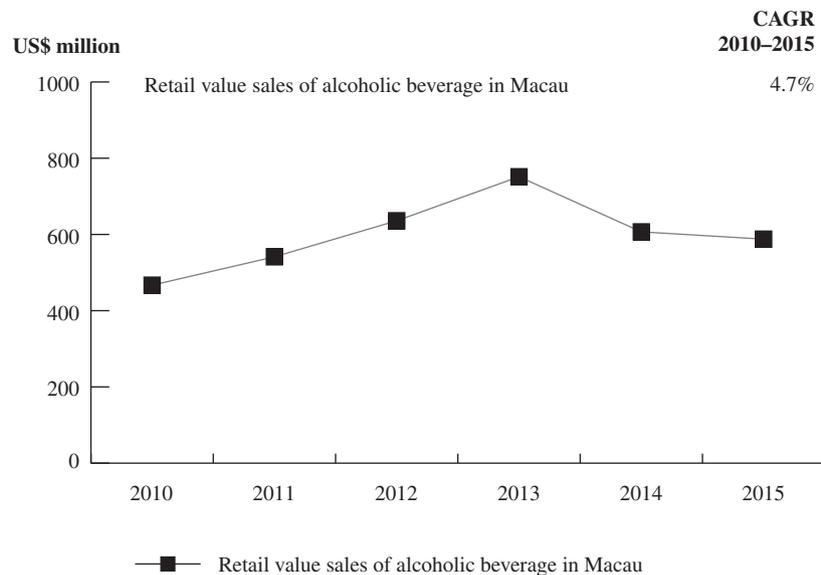
### *Positive market outlook of the clubbing industry in Macau from 2016 to 2020*

Although the Macau economy and tourist arrivals both declined in 2015, the major clubbing venues are still drawing large crowds of tourists. This is likely due to the increase in the proportion of tourists visiting Macau for other non-gambling related activities such as concerts and entertainment events, who also have a high propensity to visit clubbing venues. Domestic demand for clubbing venues among Macanese also has potential for further growth as there was a steady growth in private consumption expenditure from 2010 to 2015. With new attractions, new infrastructural developments, such as the Hong Kong-Zhuhai-Macau Bridge, and resort developments in the pipeline to rejuvenate the Macau tourism industry and diversify the economy, the economy is expected to improve and become more resilient over 2016 to 2020, supporting the development of the clubbing venue industry.

### **Alcoholic beverage Sales**

Revenue generated from the sale of alcoholic beverages contributes significantly to the business of clubbing venues. Clubbing venues are estimated to account for approximately between 6 to 10% of total alcoholic beverage retail sales value in Macau.

#### **Retail Value Sales of Alcoholic Beverage in Macau, 2010–2015**



Source: Euromonitor Report

### ***Decline in Alcoholic Beverage Sales in 2014 and 2015***

The alcoholic beverage market grew rapidly from 2010 to 2013, peaking at a value of US\$751.4 million in 2013 before experiencing a 13.7% decline in 2014, and continued to fall by 9.4% in 2015 to US\$587.7 million. The fast growth from 2010 to 2013 is mainly due to the local consumers' fast growing acceptance of wines and spirits and the opening of new integrated resorts. However, the market subsequently declined in 2014 and 2015 due to the aforementioned anti-corruption drive that has deterred high rollers from visiting and spending in Macau, with liqueur and spirits suffering the most drastic fall.

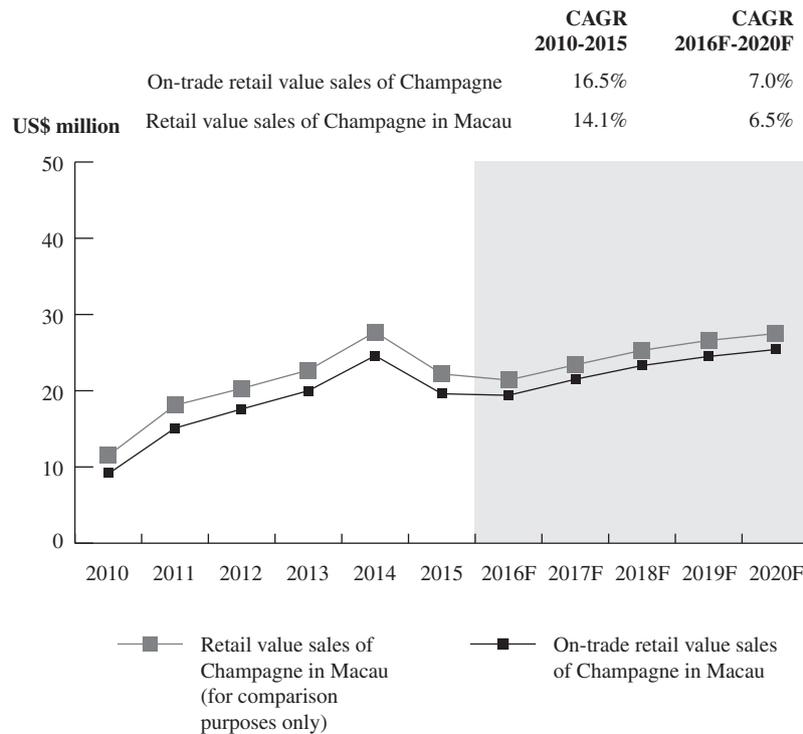
## INDUSTRY OVERVIEW

Among various types of alcoholic beverages, the wines segment, which includes red wine, white wine, port, sparkling wine and Champagne, has a big influence on the market, as it contributes to approximately half of the total value of the alcoholic beverage market in 2015.

### Champagne Sales a Key Focus for Major Clubbing Venues

Although clubbing venues typically sell a wide range of alcoholic beverages including beer, spirits and liqueur, Champagne is the most popular in large clubbing venues that have a strong Western influence. However, this proportion is much lower in smaller clubbing venues, where spirits and liqueur tend to be more popular.

#### On-trade Retail Value Sales of Champagne in Macau, 2010–2020F



Source: Euromonitor Report

Sales of Champagne mostly took place through on-trade channels (such as restaurants, pubs, clubbing venues, casinos and other similar establishments, as opposed to direct retail channels such as supermarkets). This proportion of the total Champagne retail value sales steadily increased from 83.6% in 2010 to 88.6% in 2014 before dipping slightly in 2015 to 88.1%, in tandem with the growth in the number of visitors at Macau’s clubbing venues, bars and lounges.

During 2016–2020, the decline in on-trade sales of Champagne is expected to continue into 2016, with an expected 1.1% fall. However, the on-going resort developments along the Cotai Strip featuring a diverse range of lifestyle attractions and the launch of new clubbing venues are expected to boost growth in the clubbing venues and Champagne sales market. As a result, on-trade retail sales of Champagne is projected to grow at a sustainable CAGR of 7.0% over the forecast period to US\$25.4 million in 2020 to reflect the integral role of clubbing venues in driving Champagne sales.

## INDUSTRY OVERVIEW

The market size of on-trade retail value sales of Champagne in Macau for the year ended 31 December 2015 was US\$19.6 million (equivalent to HK\$152.5 million). Base on such estimate, Club Cubic's champagne sales for the year ended 31 December 2015 represented 35.4% of the market size of on-trade retail value sales of Champagne in Macau for the year ended 31 December 2015.

### *Champagne supply in Macau*

The top three most popular Champagne brands sold in Macau are premium brands Moët & Chandon, Perrier-Jouët and Veuve Clicquot, which are exclusively distributed by the two largest Champagne distributors in Macau. Perrier-Jouët Champagne is distributed exclusively by Seapower in Macau; while Moët & Chandon and Veuve Clicquot Champagne are distributed exclusively by Great Time Limited in Macau.

### *Exclusive partnerships with distributors of Champagne*

In Macau, the Champagne distribution market is relatively consolidated, with approximately 4 major distributors. These distributors are supported by major Champagne brand owners with local offices in Macau or Hong Kong to ensure that there is a sufficient supply of Champagne to satisfy the demand of customers in Macau. For example, Pernod Ricard has a branch office in Hong Kong. Exclusive partnerships between specific establishments and Champagne distributors are not uncommon in Macau's market due to the small size of most establishments and the lack of major suppliers in the Champagne market. Such arrangements have proven to be feasible and even beneficial, such as that between Club Cubic and its supplier for Perrier-Jouët Champagne. Since 2011, Club Cubic has been the largest customer of Seapower and the largest retailing point of Perrier-Jouët Champagne in Macau, by both number of bottles and sales. On the other hand, Seapower provides support by sponsoring Perrier-Jouët Champagne related events organized at Club Cubic. From 2016 to 2020, as more establishments of the appropriate size and scale to support similar exclusive partnerships open in Macau, more of such partnerships might appear on the scene.

### **Future Growth Drivers and Entry Barriers**

#### *Future growth drivers of the clubbing venue market*

##### *— Development of Cotai Area*

The expansion and development of the Cotai Strip is expected to start bearing fruits from 2015 to 2019, with a total of eight new mega-resorts due to finish development and open their doors between mid-2015 and end of 2017. In 2015, Broadway, Galaxy Phase II and Studio City resort majority-owned by Melco Crown Entertainment were officially opened.

In 2016, the US\$2.7 billion Parisian Macau by Sands China Ltd is set to open with its landmark attraction of a scale replica of the Eiffel Tower anchoring its mega-resort. Other mega-resorts are scheduled for opening in 2016 include Wynn Palace, MGM Cotai and Louis XIII, billed to be Macau's most exclusive resort, with 30 Phantom Rolls-Royce cars to chauffeur guests. Last of all, the Lisboa Palace by SJM Holdings Ltd is also set to open in 2017. Collectively, these glamorous mega-resorts are set to revitalize and transform the Cotai Strip into the most important area for Macau's tourism. As a result, it is expected that more tourists will be attracted to clubbing venues located in the Cotai area.

## INDUSTRY OVERVIEW

### — *Government's Priority to Develop Non-Gaming Entertainment*

Macau Government Tourism Office has taken a leading role in promoting and developing non-gaming tourism activities and markets. For example, the Macau government has previously indicated that it would consider the non-gaming tourism-related attractions and amenities that are offered by the new Cotai projects in the allocation of gaming tables to these developments. With the six casino operators being eager to gain limited gaming tables for their new resort developments and renew their gaming concessionaires, which are set to expire between 2020 and 2022, they will seek to boost floor space of and revenue generated from non-gaming facilities. This makes clubbing venues, which is a great source of non-gaming revenue, an important aspect of the integrated resort and casino operators' business. According to figures released by the Macau Gaming Inspection and Coordination Bureau, Melco Crown, which owns the City of Dreams development that houses Club Cubic, recorded approximately 9% of revenues coming from non-gaming activities, which is higher than competitors MGM China Holdings, Galaxy Entertainment and SJM Holdings.

Although it is currently not the industry norm for an integrated resort operator to have a clubbing venue as an attraction, it is likely that with the pressure from the Macau government to diversify their gaming operations to include a wider variety of entertainment offerings, more integrated resort operators will add clubbing venues as an attraction to draw more tourists to Macau. As of August 2016, COD, Studio City and The Venetian Macao are the only integrated resorts with clubbing venues along the Cotai strip, which will have a total of 8 major integrated resort properties as the new The Parisian Macao opens in September 2016.

The Macau government has also partnered with event organisers in publicising the first Road to Ultra electronic dance music festival held in Macau, in 2015. The inaugural Macau International Clubbing Show was also launched in May 2015, in a bid to stimulate interest in Macau's clubbing venue market and foster growth opportunities. The Macau Government Tourism Office's active support of the organisation and promotion of clubbing events, dance music festivals will help to promote a lifestyle and subculture that will benefit the development of the clubbing venue industry in the long run.

### — *Increasing Accessibility of Macau to the Rest of China*

Recent policy changes and infrastructural developments also bode well for Macau's tourism industry and indirectly, clubbing venue industry. For example, in mid 2015 the Chinese central government relaxed travel restrictions to Macau for Mainlanders. Mainland tourists visiting Macau are now permitted to stay in Macau for seven days, as opposed to five previously. They will also be permitted to visit Macau twice every 30 days, as opposed to twice every 60 days, reversing an earlier regulation intended to curb the influx Mainland high rollers visiting Macau.

The Hong Kong-Zhuhai-Macau Bridge, meant to link the three territories and half the transport time between Macau and Hong Kong International Airport, is one of the main infrastructural developments expected to boost tourism for Macau. The completion of the bridge is expected to provide more transport options to Macau and also spur regional tourism among the three areas. This, in turn, could potentially expand the consumer base for the clubbing venue industry in Macau.

## INDUSTRY OVERVIEW

However, reports have suggested that the bridge, which was originally due for completion by end 2016, has been delayed to end 2017 or later, due to construction difficulties and complexities in auxiliary works. Separately, the Macau's Light Rail Transit (LRT) system has also been further delayed, with the line meant to serve the Cotai Strip opening only in late 2018 or later. These delays in infrastructural development have the likelihood of negatively impacting tourist's experience in Macau, as they face long queues and delays in their travel. In spite of the potential detriment that may be caused by infrastructural inadequacies to the development of tourism and its trickle-down effects impeding the growth of the clubbing venue industry, any repercussions are likely to be temporary. It is expected that upon completion, the new Hong Kong-Zhuhai-Macau Bridge and the Light Rail Transit system are will still bring more customers to the doorsteps of Macau's clubbing venues.

### *Market Entry Barriers for the Clubbing Venue Industry*

#### *— Insufficient scale of operation*

New entrants to the clubbing venue industry have to be prepared for the high capital investment involved in setting up a successful club in Macau.

#### *— Lack of a strong network of relevant connections*

The lack of access to a strong network of relevant connections is another entry barrier. For example, connections with popular world-renowned DJs who can draw in the crowds.

#### *— Marketing and promotional activities to build up the brand name in the market*

Club operators also need to invest heavily in organizing events and marketing and promotional activities to establish its brand-name and presence in the market in order to build its customer pool.

### **Competitive Landscape of Clubbing Venues**

#### *Different tiers of clubbing venues*

Customers of high-end clubbing venues generally consist of well-educated, sophisticated tourists who belong to the higher-income socio-economic background. The customers of these clubbing venues, such as Club Cubic and Pacha Macau, typically spend more on bottle service. For example, such customers can spend a bottle of champagne which starts from around MOP1,500 per bottle in such clubbing venues. There is also typically a minimum order by bottles required to secure a table, and a high minimum spending of approximately MOP20,000 per room to book a karaoke room.

Mid-end clubbing venues, frequented by local Macanese or less-well off tourists looking to party on a budget, tend to see lower average spending per customer of around MOP200 to MOP300 per customer.

## INDUSTRY OVERVIEW

### *Overview of the operation of the clubbing venue operators in Macau*

Clubbing Venue Operator <sup>(3)</sup>	Brief Background and History	Gross Floor Area (Sq.ft.)	Location	Estimated average expenditure per customer per night <sup>(1)</sup>
Club Cubic	Club Cubic was the second largest clubbing venue in terms of floor area as at Latest Practicable Date. It is a pioneer in the industry and large-scale VIP-focused clubbing venue which targets the high-end clubbing market. Music events with world-class DJs and artists were also held to attract music lovers.	25,780	City of Dreams, Cotai	MOP1,000
D2	Located in a theme park-cum-shopping centre, D2 has been in operation since 2001 and shares similar shareholders with DD3 but is operated by a separate management team. It targets the cosmopolitan, Westernised clubbers, catering more to the mass market consumers than to VIP customers.	16,000	Macau Fisherman's Wharf	MOP300
DD3	Also located within the same development as D2, DD3, an offshoot from D2, was opened in June 2008, with 20 karaoke rooms to cater to Mainland and Asian tourists who prefer private karaoke rooms to hold their private parties.	22,000	Macau Fisherman's Wharf	MOP300
Bellini Lounge	Opened in 2007 as part of the Venetian resort launch, the Bellini Lounge functions more as a live music bar well-known for its regular live performances and shows, coupled with a small dance floor where patrons can dance to music spun by a DJ as the night progresses.	6,446	The Venetian Macao, Cotai	MOP500
Pacha Macau	Pacha Macau officially launched in early 2016 in the Studio City mega-resort, has become Macau's largest clubbing venue ever since. It is operated by the same management team which operated the original Pacha nightclub in Ibiza, Spain. Similar to Club Cubic, Pacha Macau predominantly targets the high-end VIP customers	30,000	Studio City, Cotai	MOP300–500 <sup>(2)</sup>

*Notes:*

- (1) Average expenditure per customers per night was estimated by Euromonitor based on the trade interviews conducted.
- (2) Estimated average expenditure per customer per night for Pacha Macau is based on average expenditures during the operator's soft launch phase and may not be comparable to the other clubbing venue operators.
- (3) In relation to the nightclub licenses, the holder of these licenses varies for different clubbing venues. Subject to negotiations between landlord and tenant, it is not uncommon for landlords to apply for the nightclub license on behalf of their tenant. Among the three clubbing venues situated in resort properties and in operation as of the end of January 2016, all of them have their licenses held by the landlord.

*Source: Euromonitor Report*

## MACAU REGULATORY OVERVIEW

This section enumerates a summary of the relevant laws and regulations applicable to the business in Macau.

### (A) Regulatory and supervisory authority

Macau Government Tourism Office is the principal regulatory and supervisory authority in charge of Macau's entertainment industry.

Pursuant to administrative Regulation No. 18/2011, the role of the Macau Government Tourism Office, among other things, is to promote the enhancement of service's quality by supporting the training of personnel, notably in the field of tour operators, to represent at an official level, tourism in Macau or elsewhere and liaise with international tourist organizations, to collaborate and encourage the enrichment and diversification of the tourist product of Macau, to ensure compliance with legal standards for the tourism sector and their licensing and to inspect facilities and activities which are subject to its supervision under Macau laws.

### (B) Licenses

Under the Macau laws, there is no legal definition of Night Club and in order for a Night Club to operate, it is required to obtain the relevant licenses depending on the type of activity (dance hall and/or karaoke) to be operated therein.

#### *(1) Karaoke Activity*

Under Article 20, paragraph 1 of the Decree Law no. 47/98/M it is provided that the Macau Government Tourism Office has the competence to license, among others the karaoke activity. Therefore, in order to operate karaoke activity it is required to obtain a license, which Club Cubic has been duly obtained.

Regarding the karaoke activity, under Decree Law no. 47/98/M, the practice or operation of any of the activities or events specified therein is not allowed if the promoter (i.e. operator) or the owner of the establishment has not duly obtained the authorization or license for this purpose in accordance with this law.

The general requirements for the authorization and licensing under this Decree Law are as follows:

- (a) Compliance, in legal terms, of the tax obligations of the activities to be performed;
- (b) the suitability of the premises or place to the nature of the activity or event to be held, particularly in terms of floor area, hygiene, safety, location and respect for environmental balance.

The competent authorities to grant authorization or license may set other requirements or operating rules for certain types of activities or events, by order or other appropriate legal instrument published in the Macau Official Gazette.

## REGULATORY OVERVIEW

Furthermore, the karaoke activity can only be held in hotels, apartment hotels, tourist complexes, hostels or exclusive commercial buildings.

According to the administrative procedure at Macao Government Tourism Office, the applicant is required to submit the following documentation for approval and issuance of the karaoke license:

1. Completed application form
2. Valid certificate of company registration issued by the Commercial and Movable Property Registry
3. Certificate of criminal record of the company's legal representative/individual or similar documents
4. M/1 business tax form from the Finance Services Bureau
5. Location plan with appropriate proportions
6. Declaration of simplifying procedure
7. Receipt and M6 form with its index issued by the Lands, Public Works and Transport Bureau
8. Menus if it provides drinks and/or food for customers

This kind of license is valid for a period of one (1) year and is renewable under the payment of a tax which is imposed by the Macao Government Tourism Office.

### *(2) Dance hall*

In order to operate a dance hall it is required to obtain a license that shall be issued by the Macao Government Tourism Office pursuant to Decree Law No. 16/96/M. Furthermore, in accordance with Ordinance No. 83/96/M and Executive Order 7/2002 the payment of fees are required for the purposes of obtaining the license and further renewals.

In accordance with Decree Law No. 16/96/M, the natural or legal person that intends to operate a dance hall is required to obtain an authorization from Macao Government Tourism Office of the place of the establishment.

The entity responsible for the dance hall shall make a request to be assessed by the Macao Government Tourism Office. While exercising the licensing activity, the Macao Government Tourism Office shall listen to the entities with specific expertise in the various areas, in particular those of urban, sanitary character and fire safety, as provided in the Decree Law No. 16/96/M. It is mandatory to consult the Lands, Public Works and Transport Bureau of Macau ("DSSOPT"), the Municipalities, the Macao Health Department and the Fire Department. In regards to dance hall, it is further required to consult the Macao Public Security Police Force and Macao Cultural Affairs Bureau. These consultations are part of the licensing proceedings and are made before a license is issued by the Macao Government Tourism Office.

## REGULATORY OVERVIEW

According to the administrative procedure at Macao Government Tourism Office, the applicant is required to submit the following documentation for approval and issuance of the dance hall license:

1. Completed application form
2. Valid certificate of company registration issued by the Commercial and Movable Property Registry
3. Completed enquiry form
4. Location plan with appropriate proportions
5. Design plan, a cross-section and a longitudinal section
6. Elevation of every building in a scale of 1:100
7. Declaration of simplifying procedure
8. Receipt and M6 form with its index issued by the Lands, Public Works and Transport Bureau
9. Front view photo of every side of the building
10. Memorandum of description and illustration of project
11. Designs for sound insulation and noise absorbents, including design details, design plans, and technical parameters and manuals of relevant materials
12. M/1 business tax form from the Finance Services Bureau

### **(C) Regulatory regime for Dance Halls**

Pursuant to Ordinance 83/96/M further altered by Executive Order No. 7/2002, the dance halls are only permitted in buildings that are not fully or partially intended for housing.

According to Ordinance 83/96 M as amended by Executive Order no. 7/2002, for the purpose of calculation of capacity, the minimum area required in dance halls is 1 square meter per person, areas which are excluded from this calculation are those areas reserved for musicians or disc jockey.

In the event, the maximum capacity is exceeded, a fine from MOP2,500.00 to MOP15,000.00 may be levied, in accordance with Article 86 of the Decree Law 16/96/M.

In the event the maximum capacity for fire prevention and safety is exceeded, Decree Law no. 16/96/M under Article 81 j) provides overcrowding of a facility as an offence of fire safety that shall be punished with a fine of MOP15,000.00 to MOP35,000.00.

## REGULATORY OVERVIEW

Further to the general requirements, dance halls must have: (i) entry with restricted visibility to the interior; (ii) customer's entry shall be separate for services' entry; (iii) Lobby; (iv) Dressing room located at the entrance; (v) area to dance; (vi) Kitchen and pantry organized according to the intended operation; (vii) Dressing room and separate rooms for staff and artists, if any; (viii) storage area for foodstuffs, drinks and deposit container.

The premises must also be subject to technical building solutions that limit the passage of noise emitted to the outside.

### **(D) Environmental Protection**

#### *Noise Control*

Law No. 8/2014 (Prevention and Control of Environmental Noise) attains the prevention and control of the environmental noise for the protection of health and tranquility of the population.

The provisions of this law apply to noise situations produced by: (i) modification works, maintenance and repair in residential buildings; (ii) Equipment used in construction and other works; (iii) air conditioning equipment and ventilation air; (iv) activities of everyday life and pets in residential buildings; (v) shows, entertainment and similar activities; (vi) any activities in buildings or building units for industry, trade and services; and (vii) activities in public spaces.

Macau Environmental Protection Bureau (DSPA) is responsible for the monitoring of compliance with the provisions that concern (i) works of modification, maintenance and repair in residential buildings; (ii) Equipments used in construction and other works; (iii) air conditioning systems and ventilation air; (iv) shows, entertainment and similar activities; and (v) Industry, trade and services.

On the other hand, the Macau Public Security Police Force (CPSP) shall monitor the compliance of noise in relation to daily living activities and pets in residential buildings and public spaces.

The staff of DSPA, in the exercise of their supervisory functions, enjoys public authority and may ask other public bodies, including the CPSP when collaboration is deemed necessary. The staff shall carry an identification card, whose model is approved by order of the Chief Executive, to be published in the Official Gazette of the Macao Special Administrative Region.

DSPA can request departments and agencies, public or private that have acoustic expertise for the necessary technical support to exercise their duties.

Ordinance No. 241/94/M provides the regulations regarding acoustic activities. Under this Ordinance, noise is split into two periods, night time from 20h00 to 08h00 and daytime from 08h00 to 20h00. It provides as well various types of noise, such as background noise, disturbing noise and uniform noise and the techniques to measure the noise.

**(E) Intellectual Property**

*Copyright Law*

Decree Law No. 43/99/M republished by Law No. 5/2012 relates to the copyright law in Macau.

Musical work is protected under the Macau Copyright Law and the right to divulge, explore a musical work belongs to the copyright owner.

Nonetheless, whenever there is a public performance or public communication of a musical work, the authorization of the copyright owner is required.

Under Article 211 of the Macau Copyright Law, who, without authorization from the holder of the exclusive right of reproduction, reproduce for commercial purposes, in whole or in significant part, directly or indirectly, work, phonogram or videogram shall be punished with imprisonment up to 4 years.

The copyright owner may bring a civil procedure claim against those who used the music without its consent based on a civil claim for “non contractual liability” against the Group, and demand an indemnification that will be based on the economic loss suffered by the copyright owner in respect of licensing fee which it may charge for the use of the subject music, with accrued interest at statutory interest rate.

Furthermore, Macau is a member of the Berne Convention for the Protection of Literary and Artistic Work and most of the musical works, whether such work is local or foreign when used in Macau, especially in karaoke, casinos or hotels, will be protected by Law and the payment of royalties is required for its use.

**(F) Laws and Regulations relating to labor matters in Macau**

The legal regime in relation to labor matters in Macau is mainly based on the following legislations:

14th of August — Decree Law No. 40/95/M (approval of legal regime of reparation of damages caused by industrial accidents and occupational diseases) partially revoked by Law No. 6/2015;

22th of May — Decree Law No. 37/89/M (approval of general regulation of working safety and hygiene of office, service and commercial establishment) rectified by Decree Law No. 40/89/M;

18th of February 1991 — Decree Law No. 13/91/M (determination of sanctions for the incompliance of general regulation of working safety and hygiene of office, service and commercial establishments);

27th of July 1998 — Law No. 4/98/M (Framework Law on Employment Policy and Worker’s Rights) amended by Law No. 21/2009;

## REGULATORY OVERVIEW

2nd of August — Law No. 6/2004 (Law of Illegal Immigration and Expulsion) amended by Law No. 21/2009;

14th of June — Administrative Regulation No. 17/2004 (Regulation on Prohibition of Illegal Work) partially revoked by Law No. 21/2009;

18th of August — Law No. 7/2008 (Labor Relation Law) amended by Law No. 2/2015 and Law No. 10/2015;

15th of October — Law No. 21/2009 (Law of Hiring non-residents workers) amended by Law 4/2010 and Law 4/2013;

17th of August — Law No. 4/2010 (Social Security System).

The legal regime of labor matters in Macau is developed based on 27th of July 1998 — Law No. 4/98/M (Framework Law on Employment Policy and Worker's Rights) which prescribes general principles and directions of labor legislations in different aspects.

In addition to the above-mentioned legislations, 18th of August — Law No. 7/2008 (Labor Relation Law) plays an important role in the labor legal regime which has become effective since 1 January 2009 and has replaced the “old labor law” — 3rd of April 1989 — Decree-Law No. 24/89/M (Labor Relations, Juridical System). It stipulates the basic requirements and conditions for all labor relations, except those which have been excluded explicitly therein. In general, such requirements and conditions stipulated cannot be waived by mutual agreement. All the working conditions of labor relations should not be worse than the basic conditions stipulated in such law.

The employer shall comply with the conditions required under 22nd of May — Decree Law No. 37/89/M (approval of general regulation of working safety and hygiene of office, service and commercial establishment) for its working places in order to provide a safe and clean working condition for its employees, failing which fine and cautious measures will be imposed on the employer according to 18th of February 1991 — Decree Law No. 13/91/M (determination of sanctions for the non-compliance of general regulation of working safety and hygiene of office, service and commercial establishments).

Pursuant to the statutory requirements stipulated under 17th of August — Law No. 4/2010 (Social Security System) and 4th of August — Decree Law No. 40/95/M (approval of legal regime of reparation of damages caused by industrial accidents and occupational diseases), the employer is obliged to participate and contribute to the mandatory social security funds and to obtain compulsory industrial accident insurance for its employees in Macau in accordance with relevant applicable legislations, failing which an administrative fine will be imposed on the employer as legal sanction.

All employees are required to be permanent or non-permanent Macau residents and holders of work permits in case of foreign workers. Hiring of non-resident workers by the employer shall comply with the 15th of October — Law No. 21/2009 (Law of Hiring non-resident workers), and the employer is required to obtain the work permits for foreign workers. Except for certain limited situations stated under 14th of June — Administrative Regulation No. 17/2004 (Regulation on Prohibition of Illegal Work) workers other than Macau residents or holders of work permits will be considered as illegal

## REGULATORY OVERVIEW

workers in Macau and the employers will be criminally liable under 2nd of August — Law No. 6/2004 (Law of Illegal Immigration and Expulsion) and subject to an administrative fine according to the above-mentioned administrative regulation.

The regulatory authorities in charge of labor safety, social security regime and insurance matters are the Labor Department of Macau, Social Security Fund of Macau and Monetary Authority of Macau, respectively.

### **(G) Laws and Regulations relating to taxation in Macau**

Under the Macau Laws, a company registered in Macau should comply with the taxes regime of Macau. According to the business nature of the company, the profits tax and the industrial tax are due and payable as well as the responsibility for the declaration of the professional tax of their staffs generally.

In Macau it is required to declare the annual profits of last year to the Macau Finance Department on April to June for companies belonging to Group A of Profits Tax and on February to March for companies belonging to Group B of Profits Tax. The Macau Finance Department will assess the profits tax payable by the company accordingly. Under the law no. 21/78/M (Profit Tax), and the Law No. 9/2014 as amended by Law No. 5/2015 and the Law No. 15/2015 (Budget law of year 2015 and 2016), the profits tax of the first MOP600,000.00 of the annual profits of the respective year is exempted and the balance will be calculated by the rate from 12% that exceeds this amount for year 2014 and year 2015.

The industrial tax is fixed and calculated according to the business nature of each company and due for the operation. However, all the industrial tax is exempted by the Macau Government in year 2010, 2011, 2012, 2013, 2014, 2015 and 2016. Macau Government will decide whether the exemption will be continued through the budget law of the forthcoming years.

The Tourism Tax is due for the operation of dance halls and karaoke according to Article 1 of the Decree Law No.19/96/M and the tourism tax rate shall be 5% over the total amount of the services provided, in accordance with Article 6 of the above referred Law.

### **(H) Laws and Regulations relating to Anti-money laundering in Macau**

Luk Hing Macau, contrary to financial institutions and banks, is not required to comply with the Anti-money Laundering and Counter-Terrorist Financing Legislation and Regulations. Nevertheless, Luk Hing Macau must refrain from any illegal activity, including but not limited to money laundering.

### BUSINESS DEVELOPMENT

Our history can be traced back to 2010, when Luk Hing Macau was incorporated to establish and operate Club Cubic. Since January 2011 and prior to the Reorganisation, Mr. John Choi (as trustee for and on behalf of Ocean Concept) together with other investors owned Luk Hing Macau through Star Century. Prior to establishment of Luk Hing Macau, Mr. Simon Choi and Mr. John Choi (through Ocean Concept) together with other ultimate shareholders of our Company including Mr. Eric Au, Mr. Jerry Au, Mr. Bernard Yeung, Mr. Tommy Poon and its then other investors established a clubbing venue being the Old Cubic, in the name of Cubic at Room 202, 2/F, AIA Tower, No. 251A-301 Avenida Comercial De Macau, Macau in December 2008. Since 2010, Mr. Simon Choi and Mr. John Choi have controlled more than 50% of the equity interest of Ocean Concept.

In 2009, City of Dreams, an integrated resort development in Cotai, Macau was opened. Considering the needs of clubbing venue inside City of Dreams to meet the needs of visitors and driving customer flow to the complex and potential business opportunities, Mr. John Choi (as trustee for and on behalf of Ocean Concept) and other investors planned to open a clubbing venue in the complex through Star Century. The reason for the trust arrangement of Mr. John Choi is to streamline the corporate structure and enhance efficiency and convenience in operation. In April 2010, Star Century entered into the Operating Agreement with COD in respect of the establishment and operation of the new club in City of Dreams. The club was named as Club Cubic and was opened in April 2011, and Old Cubic was closed in August 2010.

Over the years, we have established our market position and become a premium clubbing and entertainment clubbing business operator based in Macau. In terms of gross floor area, Club Cubic was the second largest operating clubbing venue in Macau as at the Latest Practicable Date according to the Euromonitor Report. Since its opening, Club Cubic has achieved a high level of publicity and media attention. As a result of our success in actively introducing a diverse array of music and dance performances by internationally acclaimed DJs, such as Afrojack, dadalife, deadmau5, Fatboy Slim, Major Lazer, Porter Robinson, Steve Aoki, Tiesto and Zedd; and artists such as Akon, Big Bang, Chris Brown, Flo Rida, LMFAO, Lil Jon, Ludacris, Nelly, Ne-Yo, PSY and other live performances, Club Cubic and events hosted therein have been widely reported and introduced by the media as well as Macau Government Tourism Office.

## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

### Business Milestones

The following table sets forth the business milestones of our business:

<b>Month/Year</b>	<b>Development milestones</b>
May 2010	Establishment of Luk Hing Macau
April 2011	Opening of Club Cubic, with Flo Rida, an internationally renowned artist, performing at the grand opening
April 2012	LMFAO, an internationally renowned music group, performed in Club Cubic
November 2012	PSY, an internationally renowned artist, performed in Club Cubic, which was his first performance in Macau
January 2013	Steve Aoki, an internationally renowned DJ, performed in Club Cubic
April 2013	Akon, an internationally renowned artist, performed in the second anniversary party of Club Cubic
December 2013	Club Cubic was reported by travel.cnn.com as one of Macau's three top clubs
July 2014	Club Cubic was ranked the fourth among the "World's Top 10 Clubbing Brands" by Forbes China (福布斯中文網)
December 2014 and 2015	Official after party of Asia Entertainment Expo was held at Club Cubic
June 2015	2015 Road to Ultra Macau event was held at Club Cubic
July 2015	Deadmau5, an internationally renowned DJ, performed in Club Cubic
July 2015	Chris Brown, an internationally renowned artist, performed in Club Cubic
October 2015	Tiesto, an internationally renowned DJ, performed in Club Cubic
October 2015	Official after party of Big Bang 2015 World Tour Concert in Macau was held at Club Cubic
January 2016	Club Cubic was awarded the 2015 Best Nightclub in Hong Kong and Macau Award by hkclubbing.com
February 2016	Tiesto, an internationally renowned DJ, performed in Club Cubic
March 2016	Steve Aoki, an internationally renowned DJ, performed in Club Cubic
March 2016	Shogun, an internationally renowned DJ, performed in Club Cubic
April 2016	5th Anniversary Party featuring Jason Derulo, an internationally renowned artist, was held at Club Cubic
September 2016	2016 Road to Ultra Hong Kong event was held in Hong Kong

## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

For further details of milestone events in 2014, 2015 and the four months ended 30 April 2016, please see “Business — Event Organisation”.

### CORPORATE DEVELOPMENT

Our Company has a number of direct and indirect subsidiaries incorporated or established in the BVI, Macau and Hong Kong. Further information of our operating subsidiaries and their respective corporate history is set forth below. We underwent certain Reorganisation steps for the purpose of the Listing, further information of which is set forth in the paragraphs under “Reorganisation” below.

#### **Our Company**

Our Company was incorporated as an exempted company in the Cayman Islands with limited liability on 30 November 2015 and is the holding company of our subsidiaries. As at the date of incorporation, it was held as to 100% by Mr. John Choi. As at the Latest Practicable Date, all allotted and issued shares of our Company were held as to 81%, 9%, 5%, 2.5% and 2.5% by Welmen (which was owned as to 30.3111% by Yui Tak, 7.0667% by Mr. John Choi, 7.0667% by Mr. Simon Choi, 16.0566% by Mr. Eric Au, 16.0444% by Mr. Jerry Au, 11.1111% by Mr. Bernard Yeung and 12.3444% by Mr. Alex Yeung, respectively), Kenbridge (wholly owned by Mr. Tommy Poon), Mr. Gordon Au, Dynamic Charm (wholly owned by Mr. Andrew Fan) and Active Harvest (wholly owned by Mr. Richard Lum), respectively.

As a result of our Reorganisation, our Company, through Luk Hing Development BVI and Luk Hing International BVI, indirectly holds all the equity interests in our principal operating subsidiary, Luk Hing Macau, which is principally engaged in the business of operating the clubbing and entertainment business in Macau. Please refer to the paragraph headed “Reorganisation” below in this section for further details about our Reorganisation.

#### **Our subsidiaries in the BVI, Macau and Hong Kong**

##### *Luk Hing Development BVI*

Luk Hing Development BVI was incorporated in the BVI on 8 December 2015 as a limited liability company with an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1.00 each. At the time of its establishment and as at the Latest Practicable Date, Luk Hing Development BVI was held as to 100% by our Company. Luk Hing Development BVI is an investment holding company.

As a result of our Reorganisation, Luk Hing Development BVI directly holds 50% of all the equity interests in our principal operating subsidiary, Luk Hing Macau. Please refer to the paragraph headed “Reorganisation” below in this section for further details about our Reorganisation.

##### *Luk Hing International BVI*

Luk Hing International BVI was incorporated in the BVI on 8 December 2015 as a limited liability company with an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1.00 each. At the time of its establishment and as at the Latest Practicable Date, Luk Hing International BVI was held as to 100% by our Company. Luk Hing International BVI is an investment holding company.

## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

As a result of our Reorganisation, Luk Hing International BVI directly holds 50% of all the equity interests in our principal operating subsidiary, Luk Hing Macau. Please refer to the paragraph headed “Reorganisation” below in this section for further details about our Reorganisation.

### *Luk Hing Macau*

Luk Hing Macau is the operating subsidiary of our Group and was incorporated in Macau on 20 May 2010 as a limited liability company with an authorised share capital of MOP25,000 divided into one share of MOP25,000. As at the date of incorporation, the one share in Luk Hing Macau was allotted and issued to Star Century which in turn was wholly-owned by Mr. John Choi. At the time of opening of Club Cubic in April 2011, Star Century was owned as to 27.28% by Ocean Concept (through Mr. John Choi as the trustee), 27.27% by Galician Venture (wholly owned by Mr. Eric Au), 9.09% by Mr. Jerry Au, 9.09% by Honour Focus Limited (wholly owned by Mr. Tommy Poon), 9.09% by Mr. Choy Wai Zak, 9.09% by Bovine Capital (owned by Mr. Yeung Chung Leung (being the father of Mr. Bernard Yeung), Mr. Bernard Yeung and Ms. Mak Kai Fai (being the spouse of Mr. Bernard Yeung), as to 10%, 80% and 10% respectively), and 9.09% by Alliance Hill (wholly owned by Mr. Alex Yeung), respectively. Since then, Ocean Concept remained to be the single largest shareholder (through Mr. John Choi as the trustee). Since 2010, Mr. Simon Choi and Mr. John Choi have controlled more than 50% of the equity interest of Ocean Concept.

As at 1 January 2014, Star Century was owned as to 27.28% by Ocean Concept (through Mr. John Choi as the trustee), 9.09% by Galician Venture (wholly owned by Mr. Eric Au), 9.09% by Century Beyond (wholly owned by Mr. Lam Shing Fai Patrick), 9.09% by Big Classic (wholly owned by Mr. Chan Wan Shiu Simon), 9.09% by Mr. Jerry Au, 9.09% by Honour Focus Limited (wholly owned by Mr. Tommy Poon), 9.09% by Mr. Choy Wai Zak, 9.09% by Bovine Capital (owned by Mr. Yeung Chung Leung (being the father of Mr. Bernard Yeung), Mr. Bernard Yeung and Ms. Mak Kai Fai (being the spouse of Mr. Bernard Yeung), as to 10%, 80% and 10% respectively), and 9.09% by Alliance Hill (wholly owned by Mr. Alex Yeung), respectively. The shareholders since then conducted various shares transfers for restructuring purposes. On 14 June 2014, Honour Focus Limited transferred 909 shares to Magic Soho (then owned by Mr. Tommy Poon and an Independent Third Party as to 80% and 20%, respectively and became wholly owned by Mr. Tommy Poon since 14 December 2015) at a nominal consideration of HK\$909 and Mr. Choy Wai Zak transferred 909 shares to Privilege Management (wholly owned by Mr. Choy Wai Zak) at a nominal consideration of HK\$909.

As a result of the aforesaid transfers, Star Century was held as to 27.28% by Mr. John Choi on trust for and on behalf of Ocean Concept, 9.09% by Galician Venture, 9.09% by Century Beyond, 9.09% by Big Classic, 9.09% by Mr. Jerry Au, 9.09% by Privilege Management, 9.09% by Magic Soho, 9.09% by Bovine Capital, and 9.09% by Alliance Hill respectively. In November 2015 and December 2015, Privilege Management, Big Classic and Century Beyond transferred their shareholding interests in Star Century to other shareholders. For details please see “Reorganisation” below.

The reason for the trust arrangement of Mr. John Choi is that the parties intended to streamline the corporate structure and enhance efficiency and convenience in operation. Ocean Concept was incorporated in Hong Kong on 11 August 2006 as a limited liability company. Since 1 January 2014, Ocean Concept was owned as to 20.05% by independent shareholders and 79.95% by Toprich, which in turn is owned as to at least 51% by Springtime Global Limited, which is owned by Mr. John Choi and Mr. Simon Choi as to 50% and 50%, respectively. Other shareholders of Toprich include Independent

## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Third Parties and associates of Mr. John Choi and Mr. Simon Choi. In November and December 2015, Mr. John Choi and Mr. Simon Choi have further acquired equity interest in Ocean Concept through acquisition of equity interest in Toprich, and Toprich has further acquired equity interest from other shareholders of Ocean Concept. The consideration for the share transfers was determined after arm's length negotiation primarily with reference to the historical earnings and future prospects of Ocean Concept, including Luk Hing Macau and other business investments of Ocean Concept and has been fully settled. Since 22 December 2015 and as at the Latest Practicable Date, Toprich was indirectly owned by Mr. Simon Choi and Mr. John Choi as to 50% and 50% respectively through Perfect Succeed, and Toprich in turn owned 88.29% shareholding interest in Ocean Concept, while the remaining equity interest of Ocean Concept was held as to 5.19%, 1.78%, 1.33% 1.42% and 1.99% by five Independent Third Parties, respectively. Ocean Concept is principally engaged in investment holding of the businesses of catering service.

As part of the Reorganisation, on 25 January 2016, Star Century divided the one share of MOP25,000 it held into two shares of MOP12,500 each and transferred one share of MOP12,500 in Luk Hing Macau to Luk Hing Development BVI for a total consideration of MOP12,500 and one share of MOP12,500 in Luk Hing Macau to Luk Hing International BVI for a total consideration of MOP12,500. The consideration was determined with reference to the nominal value of the shares in Luk Hing Macau. As a result, Luk Hing Macau was owned as to 50% by Luk Hing Development BVI and 50% by Luk Hing International BVI respectively.

### *Luk Hing HK*

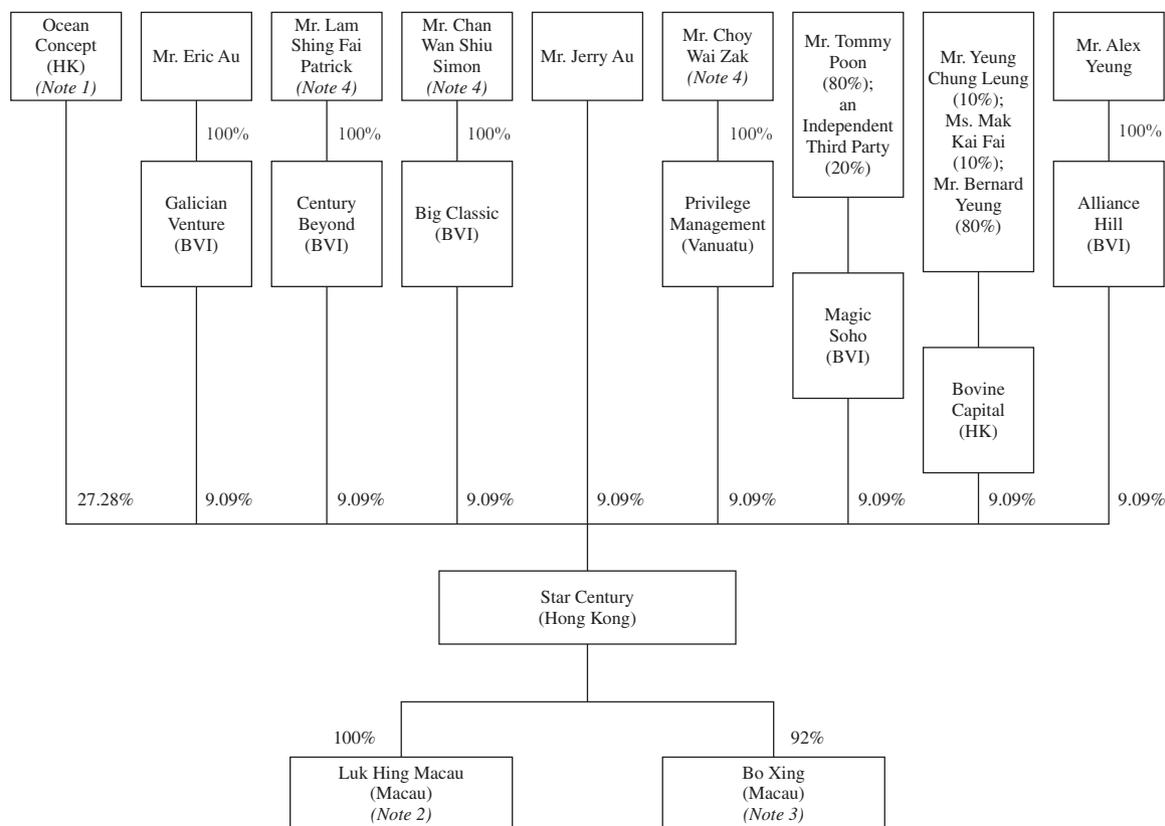
Luk Hing HK was incorporated in Hong Kong on 12 January 2016 as a limited liability company with a total issued share of one share which was allotted to Luk Hing Macau. Luk Hing HK is principally engaged in providing administrative and marketing functions of our Group. Since incorporation, Luk Hing HK has been wholly owned by Luk Hing Macau.

As a result of our Reorganisation, the Company currently directly and indirectly wholly owns the above subsidiaries. Please refer to the paragraph headed "Reorganisation" below in this section for further details about our Reorganisation.

# HISTORY, REORGANISATION AND CORPORATE STRUCTURE

## REORGANISATION

Prior to the Reorganisation, our subsidiaries were held by Star Century. The following chart sets forth our Group's corporate and shareholding structure immediately before the Reorganisation:



*Notes:*

- (1) Mr. John Choi held 27.28% shareholding interests in Star Century on trust in favour of Ocean Concept since 31 January 2011. As at the Latest Practicable Date, Ocean Concept was owned as to 88.29% by Toprich and as to 5.19%, 1.78%, 1.33% 1.42% and 1.99% by five Independent Third Parties. Mr. Simon Choi and Mr. John Choi own 50% and 50% of the equity interest of Perfect Succeed, which owns 100% equity interest in Toprich. For further details, please see “— Our subsidiaries in BVI, Macau and Hong Kong — Luk Hing Macau”.
- (2) Luk Hing Macau has been owned as to 100% by Star Century since 20 May 2010 until 24 January 2016, the day before the shareholding was transferred entirely to Luk Hing Development BVI and Luk Hing International BVI.
- (3) In addition to operating the clubbing and entertainment business, Star Century is also engaged in the businesses of catering service in the SOHO, which is a food and beverage area in City of Dreams in Macau through Bo Xing and its subsidiary, Xin Limited. The remaining 8% shareholding interest in Bo Xing is held by an Independent Third Party.
- (4) Mr. Lam Shing Fai Patrick, Mr. Chan Wan Shiu Simon and Mr. Choy Wai Zak ceased to have any shareholding interest in our Group upon completion of Reorganisation and became Independent Third Parties.

## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

In order to prepare for the Listing, we underwent the Reorganisation which involved the following steps:

(1) Transfers of shares in Star Century by various shareholders

In November 2015 and December 2015, Privilege Management, Big Classic and Century Beyond disposed 909, 1,000 and 1,000 shares in Star Century (representing the then 9.09%, 10% and 10% of the shareholding interesting in Star Century) to other shareholders. Details of these share transfers in Star Century are set out in the table below:

Name of vendor:	Privilege Management	Big Classic	Century Beyond
Name of purchasers:	Mr. John Choi, Galician Venture, Century Beyond, Big Classic, Mr. Jerry Au, Magic Soho, Bovine Capital and Alliance Hill (as to 272, 91, 91, 91, 91, 91 and 91 shares)	Mr. John Choi, Mr. Simon Choi, Mr. Jerry Au and Alliance Hill (as to 389, 389, 111 and 111 shares)	Mr. John Choi, Mr. Simon Choi, Mr. Jerry Au and Galician Venture (as to 111, 111, 333 and 445 shares)
Date of sale and purchase agreement:	11 November 2015	2 December 2015	22 December 2015
Number of shares in Star Century purchased:	909	1,000	1,000
Amount of consideration paid:	HK\$4,810,182 (inclusive of cash consideration of HK\$4,000,000 and discharge of an outstanding sum of HK\$810,182 owed by Privilege Management to Star Century)	HK\$5,322,622 (inclusive of cash consideration of HK\$4,400,440 and discharge of an outstanding sum of HK\$922,182 owed by Big Classic to Star Century)	HK\$5,322,622 (inclusive of cash consideration of HK\$4,792,440 and discharge of an outstanding sum of HK\$530,182 owed by Century Beyond to Star Century)
Payment date of consideration:	11 November 2015	2 December 2015	22 December 2015
Basis of determination of consideration:	The consideration was primarily determined based on arm's length negotiations primarily with reference to the historical earnings and future prospects of the Group and Privilege Management's waiver of shareholders' loan to Star Century.	The consideration was primarily determined based on arm's length negotiations primarily with reference to the historical earnings and future prospects of the Group and Big Classic assigning its shareholders' loan to the purchasers.	The consideration was primarily determined based on arm's length negotiations primarily with reference to the historical earnings and future prospects of the Group and Century Beyond assigning its shareholders' loan to the purchasers.
Completion date:	17 November 2015	22 December 2015	22 December 2015

## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Upon completion of the above share transfers, Star Century was owned as to 27.28% by Ocean Concept (which was held on trust by Mr. John Choi in favour of Ocean Concept), 6.36% by Mr. John Choi, 6.36% by Mr. Simon Choi (out of which 1.36% was held on trust by Mr. John Choi in favour of Mr. Simon Choi), 14.45% by Galician Venture, 14.44% by Mr. Jerry Au, 10% by Magic Soho, 10% by Bovine Capital and 11.11% by Alliance Hill, respectively.

- (2) On 30 November 2015, our Company was incorporated in the Cayman Islands as an exempted company with limited liability with an authorized share capital of HK\$100,000 divided into 10,000,000 Shares of HK\$0.01 each of which one Share was issued to an initial subscriber, which transferred the one Share to Mr. John Choi on the same date. Following such transfer, the then entire issued share capital of our Company was owned by Mr. John Choi.
- (3) On 8 December 2015, Luk Hing Development BVI was incorporated in the BVI as a limited liability company with an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1.00 each, of which one share was allotted and issued, credited as fully paid, to our Company. Accordingly, Luk Hing Development BVI became a direct wholly-owned subsidiary of the Company.
- (4) On 8 December 2015, Luk Hing International BVI was incorporated in the BVI as a limited liability company with an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1.00 each, of which one share was allotted and issued, credited as fully paid, to our Company. Accordingly, Luk Hing International BVI became a direct wholly-owned subsidiary of the Company.
- (5) Establishment of immediate holding companies of our Company

On 2 November 2015, Kenbridge was incorporated in the BVI as a limited liability company with an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1.00 each and one share was allotted and issued, credited as fully paid, to Mr. Tommy Poon.

On 30 November 2015, Welmen was incorporated in the BVI as a limited liability company with an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1.00 each and one share was allotted and issued, credited as fully paid, to Mr. Alex Yeung.

- (6) On 19 January 2016, Welmen allotted and issued, credited as fully paid, 3,031.11 shares, 706.67 shares, 706.67 shares, 1,605.56 shares, 1,604.44 shares, 1,111.11 shares and 1,233.44 shares to Yui Tak, Mr. John Choi, Mr. Simon Choi, Mr. Eric Au, Mr. Jerry Au, Mr. Bernard Yeung and Mr. Alex Yeung, respectively. Upon completion of the share allotment, Welmen was owned as to 30.3111% by Yui Tak, 7.0667% by Mr. John Choi, 7.0667% by Mr. Simon Choi, 16.0566% by Mr. Eric Au, 16.0444% by Mr. Jerry Au, 11.1111% by Mr. Bernard Yeung and 12.3444% by Mr. Alex Yeung, respectively.

## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

- (7) On 19 January 2016, Mr. John Choi transferred the one Share held by him in our Company to Welmen for a consideration of HK\$0.01 being the par value. On the same date, our Company allotted 8,999 Shares to Welmen and 1,000 Shares to Kenbridge at par. Upon completion of the share transfer and allotment, our Company was owned as to 90% by Welmen and 10% by Kenbridge, respectively.
- (8) On 12 January 2016, Luk Hing HK was incorporated in Hong Kong as a limited liability company with a total issued share of one share which was allotted to Luk Hing Macau. Since incorporation, Luk Hing HK has been wholly owned by Luk Hing Macau.

(9) Pre-IPO Investment

On 20 January 2016, Dynamic Charm completed the acquisition of 250 Shares, representing the then 2.5% shareholding of the Company from Welmen and Kenbridge at a consideration of HK\$1,125,000 and HK\$125,000, respectively, which was primarily determined with reference to historical earnings and future prospects of the Group. For details, please see the paragraph headed “Investment by the Pre-IPO Investors”.

On 21 January 2016, Mr. Gordon Au completed the acquisition of 500 Shares, representing the then 5% shareholding of the Company from Welmen and Kenbridge at a consideration of HK\$2,250,000 and HK\$250,000, respectively, which was primarily determined with reference to historical earnings and future prospects of the Group. For details, please see the paragraph headed “Investment by the Pre-IPO Investors”.

On 26 January 2016, Active Harvest completed the acquisition of 250 Shares, representing the then 2.5% shareholding of the Company from Welmen and Kenbridge at a consideration of HK\$1,125,000 and HK\$125,000, respectively, which was primarily determined with reference to historical earnings and future prospects of the Group. For details, please see the paragraph headed “Investment by the Pre-IPO Investors”.

Upon completion of the abovementioned pre-IPO investments, our Company was owned as to 81%, 9%, 5%, 2.5% and 2.5% by Welmen, Kenbridge, Mr. Gordon Au, Dynamic Charm and Active Harvest respectively.

- (10) On 25 January 2016, Star Century transferred its 50% shareholding in Luk Hing Macau to Luk Hing Development BVI for a nominal consideration of MOP12,500 and 50% shareholding in Luk Hing Macau to Luk Hing International BVI for a nominal consideration of MOP12,500, respectively. Upon completion of the share transfer, Luk Hing Macau became an indirect wholly-owned subsidiary of the Company.

## **HISTORY, REORGANISATION AND CORPORATE STRUCTURE**

### **INVESTMENT BY THE PRE-IPO INVESTORS**

#### **Investment by Dynamic Charm**

Pursuant to a sale and purchase agreement dated 20 January 2016 entered into between Welmen, Kenbridge and Dynamic Charm, Dynamic Charm agreed to acquire 225 Shares from Welmen and 25 Shares from Kenbridge, representing the then 2.5% interest in our Company at a consideration of HK\$1,125,000 and HK\$125,000, respectively. The consideration was negotiated on an arm's length basis and primarily determined with reference to historical earnings and future prospects of the Group.

Dynamic Charm is a limited liability company incorporated in the BVI and is wholly-owned by Mr. Andrew Fan, who is a business acquaintance of Mr. John Choi since 2000, and was introduced to our Company through Mr. John Choi. To our best knowledge and belief, Dynamic Charm is principally engaged in investment holding, and Mr. Andrew Fan and Dynamic Charm are Independent Third Parties save for being a Shareholder of the Company. Further, to our best knowledge and belief, Mr. Andrew Fan is a private investor interested in investments in clubbing and entertainment industry.

#### **Investment by Mr. Gordon Au**

Pursuant to a sale and purchase agreement dated 21 January 2016 entered into between Welmen, Kenbridge and Mr. Gordon Au, Mr. Gordon Au agreed to acquire 450 Shares from Welmen and 50 Shares from Kenbridge, representing the then 5% interest in our Company at a consideration of HK\$2,250,000 and HK\$250,000, respectively. The consideration was negotiated on an arm's length basis and primarily determined with reference to historical earnings and future prospects of the Group.

To our best knowledge and belief, Mr. Gordon Au is an Independent Third Party (save for being a Shareholder of our Company) and a personal friend of Mr. John Choi since 1995, and was introduced to our Company through Mr. John Choi. To our best knowledge and belief, Mr. Gordon Au is a private investor interested in investments in clubbing and entertainment industry.

#### **Investment by Active Harvest**

Pursuant to a sale and purchase agreement dated 26 January 2016 entered into between Welmen, Kenbridge and Active Harvest, Active Harvest agreed to acquire 225 Shares from Welmen and 25 Shares from Kenbridge, representing the then 2.5% interest in our Company at a consideration of HK\$1,125,000 and HK\$125,000, respectively. The consideration was negotiated on an arm's length basis and primarily determined with reference to historical earnings and future prospects of the Group.

Active Harvest is a limited liability company incorporated in the BVI and is wholly-owned by Mr. Richard Lum, who is a business acquaintance of Mr. John Choi since 2015, and was introduced to our Company through Mr. John Choi. To our best knowledge and belief, Active Harvest is principally engaged in investment holding, and Mr. Richard Lum and Active Harvest are Independent Third Parties save for being a Shareholder of our Company. Further, to our best knowledge and belief, Mr. Richard Lum is a private investor interested in investments in clubbing and entertainment industry.

## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

### Principle terms of the Pre-IPO Investment

The principal terms and conditions of the investment of each of our Pre-IPO Investors are as follows:

Name of Pre-IPO Investor	:	Dynamic Charm	Mr. Gordon Au	Active Harvest
Date of sale and purchase agreement	:	20 January 2016	21 January 2016	26 January 2016
Number of shares purchased	:	250 Shares in the Company	500 Shares in the Company	250 Shares in the Company
Amount of consideration paid	:	To Welmen: HK\$1,125,000 To Kenbridge: HK\$125,000 Total: HK\$1,250,000	To Welmen: HK\$2,250,000 To Kenbridge: HK\$250,000 Total: HK\$2,500,000	To Welmen: HK\$1,125,000 To Kenbridge: HK\$125,000 Total: HK\$1,250,000
Payment date of consideration	:	22 January 2016	22 January 2016	27 January 2016
Basis of determination of the consideration	:	The consideration was determined based on arm's length negotiation primarily with reference to historical earnings and future prospects of the Group.	The consideration was determined based on arm's length negotiation primarily with reference to historical earnings and future prospects of the Group.	The consideration was determined based on arm's length negotiation primarily with reference to historical earnings and future prospects of the Group.
Cost per share and discount to the Placing Price	:	Approximately HK\$0.037 per Share after the Capitalisation Issue. Assuming an Placing Price of HK\$0.23 per Placing Share (being the mid-point of the indicative Placing Price range), the price paid by the Pre-IPO Investor is equivalent to a discount of approximately 83.9% to such price per Placing Share.	Approximately HK\$0.037 per Share after the Capitalisation Issue. Assuming an Placing Price of HK\$0.23 per Placing Share (being the mid-point of the indicative Placing Price range), the price paid by the Pre-IPO Investor is equivalent to a discount of approximately 83.9% to such price per Placing Share.	Approximately HK\$0.037 per Share after the Capitalisation Issue. Assuming an Placing Price of HK\$0.23 per Placing Share (being the mid-point of the indicative Placing Price range), the price paid by the Pre-IPO Investor is equivalent to a discount of approximately 83.9% to such price per Placing Share.
Use of proceeds from the pre-IPO investment	:	Not applicable. The investments by the Pre-IPO Investors were by way of purchasing the Shares in the Company from Welmen and Kenbridge, the shareholders of the Company.		
Strategic benefits to the Company	:	Our Directors are of the view that our Company can benefit from the Pre-IPO Investors' commitment to our Company and their investments demonstrate their confidence in our operation and serve as an endorsement of our performance, strength and prospects.	Our Directors are of the view that our Company can benefit from the Pre-IPO Investors' commitment to our Company and their investments demonstrate their confidence in our operation and serve as an endorsement of our performance, strength and prospects.	Our Directors are of the view that our Company can benefit from the Pre-IPO Investors' commitment to our Company and their investments demonstrate their confidence in our operation and serve as an endorsement of our performance, strength and prospects.

## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Shareholding in the Company to be held by the Pre-IPO Investor upon Listing	: 1.875%	3.75%	1.875%
Put Option	:	Should the Listing fail to complete within 12 months from the completion date of the respective sale and purchase agreement (or such other date as may be agreed by the parties) (the “Proposed Listing Date”), the Pre-IPO Investors may exercise a put option pursuant to which the sellers shall purchase the Shares held by the Pre-IPO Investors at the original transfer price. The put option is exercisable within two months after the Proposed Listing Date and will not continue after Listing.	
Directors nomination	: Nil	Nil	Nil
Other special rights	: Nil	Nil	Nil

### Lock-up and public float

The Shares held by Dynamic Charm, Mr. Gordon Au and Active Harvest are subject to a lock-up period from the date of the respective sale and purchase agreement to the date of six months after the Listing Date.

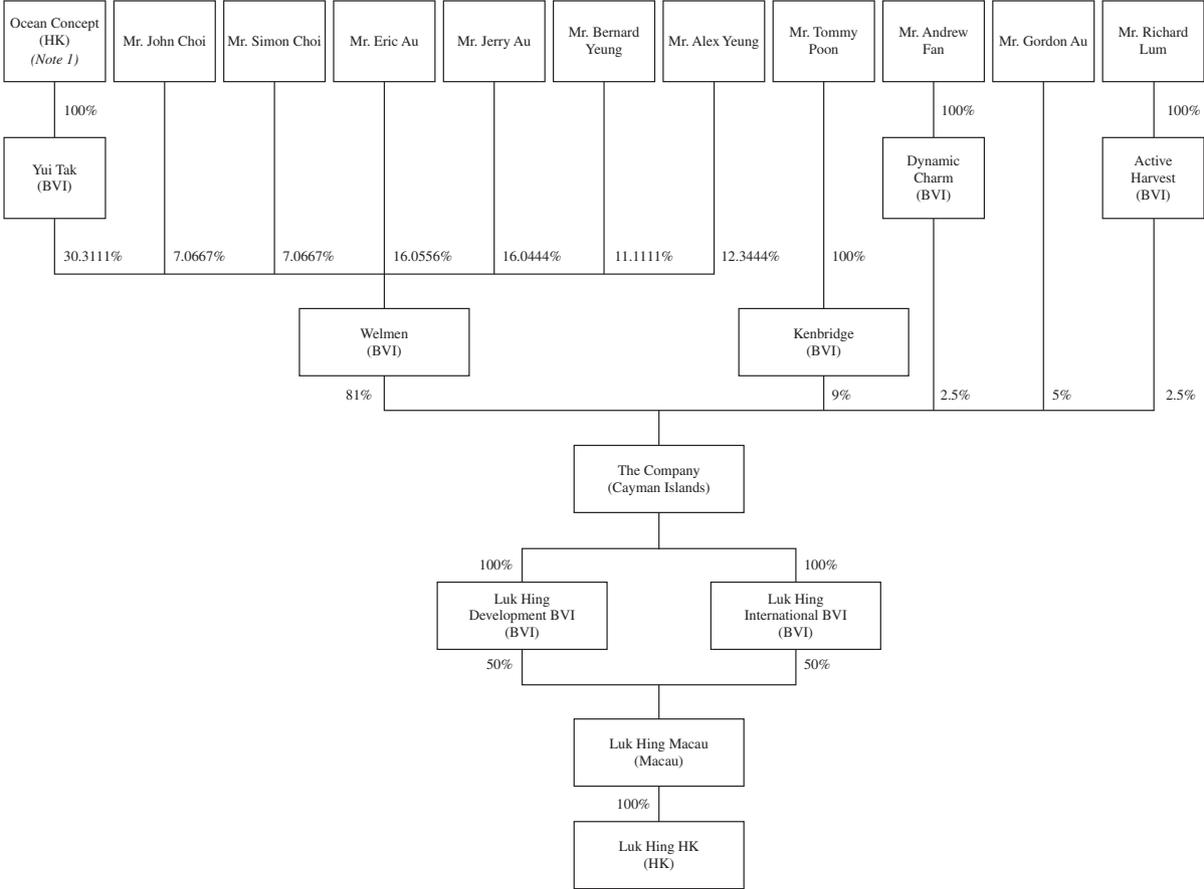
As none of Dynamic Charm, Mr. Gordon Au or Active Harvest is a connected person of our Company, Shares held by Dynamic Charm, Mr. Gordon Au and Active Harvest will be counted as part of the public float for the purposes of Rule 11.23 of the GEM Listing Rules.

### Sole Sponsor’s confirmation

The Sole Sponsor considers that the terms of the investments by Dynamic Charm, Mr. Gordon Au and Active Harvest are of normal commercial terms and confirms that the pre-IPO investment mentioned above is made in compliance with the Interim Guidance on Pre-IPO Investments HKEx-GL29-12, and the Guidance Letter HKEx-GL43-12 issued by the Stock Exchange on pre-IPO investments.

# HISTORY, REORGANISATION AND CORPORATE STRUCTURE

The corporate structure of our Group after the Reorganisation but immediately prior to the Capitalisation Issue and the Placing is set out below:

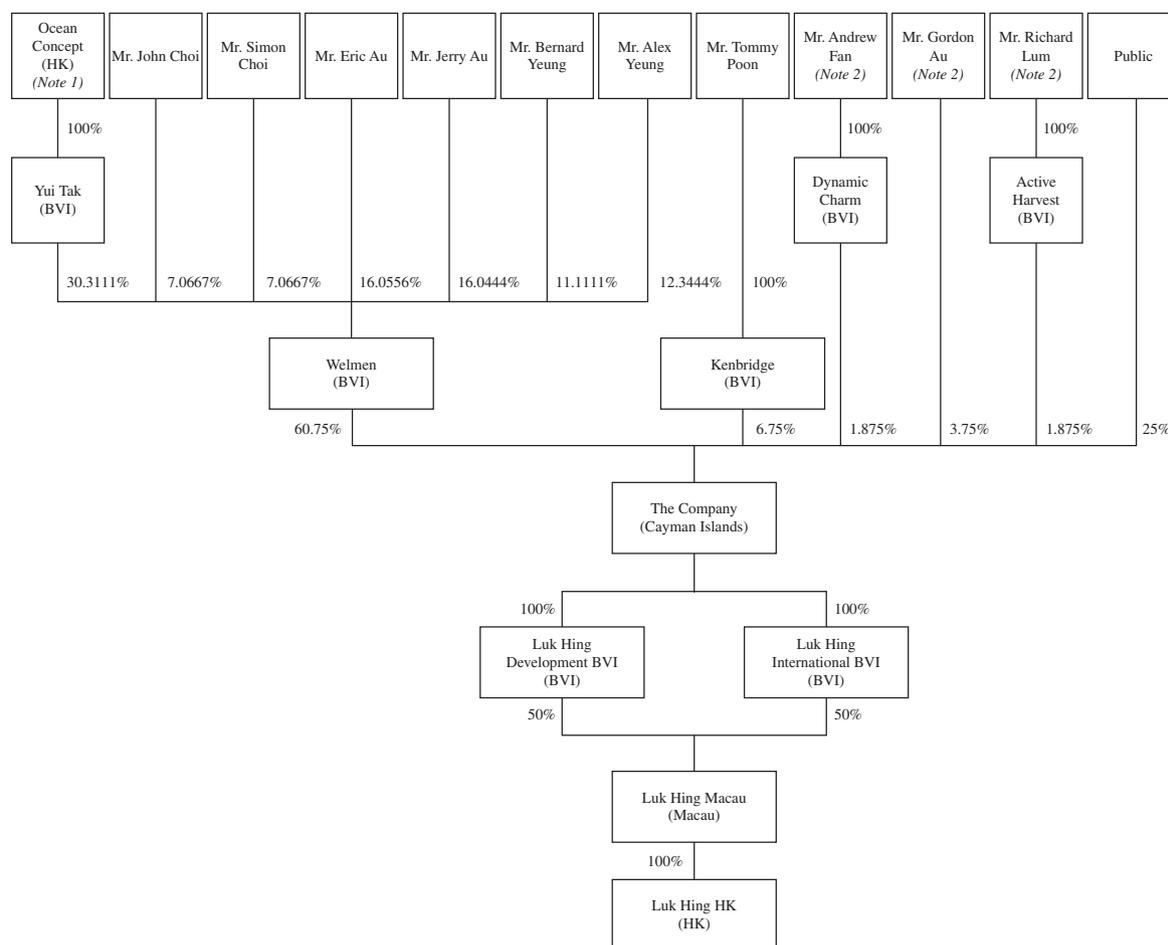


*Note:*

(1) As at the Latest Practicable Date, Ocean Concept was owned as to 88.29% by Toprich and as to 5.19%, 1.78%, 1.33% 1.42% and 1.99% by five Independent Third Parties. Mr. Simon Choi and Mr. John Choi own 50% and 50% of the equity interest of Perfect Succeed, which owns 100% equity interest in Toprich.

## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

The following chart sets forth our shareholding structure immediately following completion of the Capitalisation Issue and the Placing (taking into no account of any Shares that may be issued pursuant to the exercise of any option which may be granted under the Share Option Scheme):



*Notes:*

- (1) As at the Latest Practicable Date, Ocean Concept was owned as to 88.29% by Toprich and as to 5.19%, 1.78%, 1.33% 1.42% and 1.99% by five Independent Third Parties. Mr. Simon Choi and Mr. John Choi own 50% and 50% of the equity interest of Perfect Succeed, which owns 100% equity interest in Toprich.
- (2) Mr. Andrew Fan, Mr. Gordon Au and Mr. Richard Lum are not connected persons of our Group, and the Shares held by them are counted as part of the public float pursuant to Rule 11.23(7) of the GEM Listing Rules.

Mr. Tommy Poon and Kenbridge have undertaken to our Company and the Sole Global Coordinator that both of them will not dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of any of their direct or indirect shareholding interest of our Company until the date which is six months from the Listing Date.

## **HISTORY, REORGANISATION AND CORPORATE STRUCTURE**

### **Macau Legal Compliance**

Our Macau Legal Advisers have confirmed that all necessary approvals, permits and licences required under the Macau laws and regulations in connection with the Reorganisation have been obtained, and the Reorganisation has complied with all applicable Macau laws and regulations.

## **OVERVIEW**

We are a premium clubbing and entertainment business operator based in Macau, primarily engaged in operating Club Cubic located in the City of Dreams in Cotai, Macau and organising featured events therein. In December 2013, Club Cubic was reported by travel.cnn.com as one of Macau's three top clubs. In July 2014, Club Cubic was ranked the fourth among the "World's Top 10 Clubbing Brands" by Forbes China (福布斯中文網). In January 2016, Club Cubic was awarded by hkclubbing.com as the 2015 Best Night Club in Hong Kong and Macau. According to the Euromonitor Report, Club Cubic was the second largest clubbing venue in Macau in terms of gross floor area as at the Latest Practicable Date.

We strive to establish Club Cubic as a premium and high-end clubbing and entertainment venue. According to the Euromonitor Report, the estimated average expenditure per customers per night in Club Cubic is generally higher than other clubbing venues in Macau as identified by Euromonitor. For details, please refer to "Industry Overview — Overview of the operation of the clubbing venue operators in Macau" in this prospectus.

During the Track Record Period, through our principal activities, namely (i) our clubbing business, and (ii) our music-related event organised in Club Cubic, we generated our revenue primarily from sale of beverage in Club Cubic from retail customers and sponsorship income received from corporate customers and beverage suppliers, including Seapower and COD, comprising of sponsorship fee from corporate customers for displaying their logos or products during the events and incentive fee from beverage suppliers according to our purchase amount from them. Sale of beverage is the largest product sale segment of our Group, and accounted for approximately 78.3%, 74.0% and 80.3% of our revenue for the years ended 31 December 2014 and 2015 and the four months ended 30 April 2016, respectively. In line with our premium and high-end positioning, we primarily promote Champagne, which are generally sold at over MOP1,500 per bottle, as our principal beverage products. According to the Euromonitor Report, the market size of on-trade retail value sales of Champagne in Macau for the year ended 31 December 2015 was US\$19.6 million (equivalent to HK\$152.5 million). Based on such estimate, our Champagne sales accounted for approximately 35.4% of the market size of on-trade retail value sales of Champagne in Macau for the year ended 31 December 2015.

For the years ended 31 December 2014 and 2015 and the four months ended 30 April 2016, sale of Champagne represented 55.8%, 58.2% and 62.3% of our beverage sales, and 43.6%, 43.0% and 50.0% of our total revenue for the same period. Perrier-Jouët, being a premium Champagne brand and one of the top three most popular Champagne brands sold in Macau according to the Euromonitor Report, is our major products and accounted for 92.3%, 94.5% and 96.9% of our Champagne sales for the years ended 31 December 2014 and 2015 and the four months ended 30 April 2016. As confirmed by Seapower which is the exclusive distributor of Perrier-Jouët Champagne in Macau, since the opening of Club Cubic in the present venue in 2011, we have been the largest customer and retailing point of Perrier-Jouët Champagne in terms of both (i) number of bottles and (ii) sales in Macau. The rank symbolizes our success in establishing Club Cubic as a premium and high-end clubbing and entertainment hotspot in Macau.

### **Clubbing business**

Club Cubic is located on the 2nd and 3rd Floor at The Boulevard, City of Dreams in Cotai, Macau. We obtained from COD the right to operate Club Cubic for a term until 31 March 2020, which may be extended to March 2025 subject to the terms therein under the Operating Agreement. In exchange, we pay COD a portion of the profit of Club Cubic plus a fixed base fee. For details of our relationship with COD, please refer to “— Relationship with COD”.

Club Cubic was the second largest clubbing venue in Macau in terms of gross floor area as at the Latest Practicable Date according to the Euromonitor Report. With a gross floor area of 25,780 square feet across two levels, Club Cubic strives to offer premium clubbing and entertainment experience by providing a sensational clubbing venue and live entertainment space of stylish art lighting coupled with music and live performances for our customers. Customers can enjoy high quality music and live performances by DJs, dancers and performers on the performance stage, supplemented by both alcoholic and non-alcoholic beverages and snacks. Facilities ranging from dance floor, bars and private karaoke rooms are available with a view to suiting the needs of different customers in Club Cubic. For details of our club, please see “— Our Club and Services” below.

### **Event organisation**

Leveraging our success in clubbing business, we are also engaged in organising music-related featured events to offer music entertainment to our customers. In general, our Group conducts the overall organisation, ranging from sourcing of DJs, marketing, ticketing, stage design and set up as well as offering Club Cubic as the venue for the event. Since opening of Club Cubic in April 2011, we have successfully introduced internationally renowned DJs such as Afrojack, deadmau5, Steve Aoki, Tiesto and Zedd and artists such as Akon, Big Bang, Chris Brown, LMFAO and PSY to perform in Club Cubic at our featured events in order to attract media and public attention and further enhanced our premium and high-end image. We believe our strong brand recognition allow Club Cubic to attract more customers and music lovers, and, as a result, we maintained a relatively stable revenue from our regular operation during the Track Record Period. In addition to enhancing our reputation, organising such featured events will also benefit our Group by stimulating customer traffic by attracting music-lovers who would attend our club for the performance, which will boost up our entrance fee income as well as beverage sale income. Sponsorship fee, being an income source in addition to beverage sale and entrance fee may also be received from corporate customers for displaying their logos or products during the events for promotion purpose. In respect of featured events which we engaged internationally renowned DJs and artists to perform, we in general charge a higher entrance fee per guests, a higher minimum charge for reserving a table or private karaoke room and a higher rate for corporate customers to sponsor the event. Hence it would benefit our Group by increasing the average spending per retail customer and average sponsorship fee per corporate customer.

In June 2015, we organised the 2015 Road to Ultra Macau event inside Club Cubic. The 2015 Road to Ultra Macau event is the first Road to Ultra event hosted in the Greater China region (excluding Taiwan). Having the opportunity to organise the event and being selected as the venue for hosting the event symbolised our market recognition. In addition, it enables us to enhance our reputation of our Club Cubic and Cubic brand over the region and increase the potential customers who did not know our brand before. We held the 2016 Road to Ultra event in Hong Kong on 17 September 2016.

For details of our event organisation, please see “— Event organisation” below.

## **Expansion**

We are in the process of preparing for the expansion of our Club Cubic and extend the club venue to a premises adjacent to the venue of Club Cubic. We expect to allocate HK\$26.2 million for the decoration, furniture and fixtures for the expansion area and the expansion is expected to be funded by our net proceeds from the Placing and our internal resources. We have not incurred or committed any amount as at the Latest Practicable Date. For details, please see “— Our Club and Services — Club Cubic — Expansion Plan” below.

According to the Euromonitor Report, major night entertainment spots and clubbing venues in Macau tend to be located in the Cotai area, within close proximity to the casinos for the convenience of high-rollers and tourists, demonstrating the inextricable link between the development of tourism and the clubbing industry. Amid the slump in Macau’s gaming industry since mid-2014, coupled with the pressure from the Macau government to pursue diversification away from gambling, the focus of the new developments would include a wider array of entertainment facilities in a bid to shed Macau’s reputation as a gambling haven and develop it into a family-friendly tourist destination. The Macau Government Tourism Office has also actively supported the organisation and promotion of clubbing events, dance music festivals to help promote a lifestyle and subculture that will benefit the development of the clubbing venue industry in the long run. As a result, our Directors are of the view that Club Cubic is located at a strategic location to capture the future opportunities in Cotai area. In addition, our Directors are of the view that our well established premium and high-end brand image and proven track record as well as our large scale of operation, that Club Cubic is the second largest clubbing venue in Macau in terms of gross floor area as at the Latest Practicable Date according to the Euromonitor Report, and experienced management team with profound industry knowledge will enable us to attract customer traffic and hence provide us the competitive advantage in capturing growth opportunities and maintaining our market position.

With a view to further diversifying our business and expanding our coverage, we are exploring opportunities to open new club(s). We may also consider suitable investments and partnerships with local partners where opportunities may arise.

During the Track Record Period, despite the negative impact from the decline of gaming industry in Macau, we achieved a steady growth of our business, in terms of our total revenue and average spending per customer visit through offering featured events with internationally renowned DJs and artists with high popularity and media interest at such point of time. For the year ended 31 December 2014 and 2015 and the four months ended 30 April 2015 and 2016, we organised 64, 47, 15 and 13 featured events, respectively. Despite the decrease of number of featured events, our revenue from featured events remained stable (i) at approximately HK\$54.3 million and HK\$54.0 million for the ended 31 December 2014 and 2015, and (ii) at approximately HK\$10.7 million and HK\$13.2 million for the four months ended 30 April 2015 and 2016. In addition, we recorded an increase of revenue for the top five featured events (i) from approximately HK\$11.7 million in 2014 to approximately HK\$22.1 million in 2015, and (ii) from approximately HK\$6.3 million for the four months ended 30 April 2015 to approximately HK\$9.8 million for the respective period in 2016. The overall percentage of revenue contribution from the top five featured events to our revenue also increased from approximately 9.7% in 2014 and 17.6% in 2015 to approximately 28.1% for the four months ended 30 April 2016. This is in line with our strategic focus.

## BUSINESS

We maintained a stable level of revenue during the Track Record Period. For the two years ended 31 December 2014 and 2015, our revenue was respectively approximately HK\$120.3 million and HK\$125.5 million, which represented an annual growth of approximately 4.3%. For the two years ended 31 December 2014 and 2015, our net profit was respectively approximately HK\$8.8 million and HK\$9.4 million, representing an increase of 6.8% primarily as a result of the increase of our revenue of approximately HK\$5.2 million from 2014 to 2015, and offset against the non-recurring listing expense of approximately HK\$2.5 million recognised during the year ended 31 December 2015 for the preparation of the Listing. Excluding the effect of non-recurring listing expenses and without taking into account the relevant taxation impact, our adjusted net profit for the year ended 31 December 2015 would be HK\$11.9 million, which was 35.2% higher than that of 2014.

For the four months ended 30 April 2016, we had a revenue and net loss of approximately HK\$35.0 million and HK\$0.5 million respectively primarily as a result of the non-recurring listing expense of approximately HK\$2.9 million recognised for the four months ended 30 April 2016. Excluding the effect of non-recurring listing expenses and without taking account into the relevant taxation impact, our adjusted net profit for the four months ended 30 April 2016 would be at approximately HK\$2.4 million, representing an increase of approximately 9.1% when compared to that of 2015.

### COMPETITIVE STRENGTHS

#### **Our leading position and strong brand recognition in clubbing market in Macau**

According to the Euromonitor Report, clubbing venues are a relatively new development in Macau, and Club Cubic is considered the pioneer of the modern clubbing scene in Macau. Since its relocation in 2011, Club Cubic has revolutionised the clubbing scene with modern elements, creating much publicity and attracting many visitors from overseas with its live performances and DJ events. Leveraging our market position and effort of our management team, our Group has recognised a stable level of revenue during our Track Record Period, and maintained business relationship of three to five years with our five largest suppliers in general. Our Cubic brand has become a widely recognised clubbing brand name in Macau. Club Cubic and events hosted therein have been widely reported and introduced by the media as well as Macau Government Tourism Office. For our key honors and recognition that we received during the Track Record Period, please refer to “— Honours and recognition.”

As a result of our leading position, we are able to regularly attract internationally renowned DJs and performers to perform in our club. Please see also “— Competitive Strength — We have established to offer a high standard, premium entertainment and clubbing and entertainment experience and established network of internationally acclaimed DJs and artists” below. Such proven track record and experience in cooperation with famous DJs and performers enable us to reinforce our leading position. In addition, some of the events are provided with products of internationally renowned brands for display or as souvenirs. Such engagements further strengthen our brand awareness and recognition. We are of the view that our cooperation with internationally acclaimed DJs and performers and corporate customers enable us to maintain our understanding in the changing industry dynamics and customer requirements, which in turn facilitates a more effective planning in our services as well as marketing strategies to maintain our leading position.

## BUSINESS

As confirmed by Seapower, Club Cubic has been the largest retailing point of Perrier-Jouët Champagne in terms of both number of bottles and sales in Macau since 2011. According to the Euromonitor Report, on-trade retail value sales of Champagne market size in Macau is expected to increase during 2016 to 2020. According to the Euromonitor Report, the market size of on-trade retail value sales of Champagne in Macau for the year ended 31 December 2015 was US\$19.6 million (equivalent to HK\$152.5 million). Based on such estimate, our Champagne sales accounted for approximately 35.4% of the market size of on-trade retail value sales of Champagne in Macau for the year ended 31 December 2015. Our Directors believe that with our leading market position and strong brand recognition, we are well-positioned to benefit from further growth in the industry in Macau.

### **We are established to offer a high standard, premium clubbing and entertainment experience and established network with internationally acclaimed DJs and artists**

Our Group endeavours constantly to keep abreast of the latest trends and developments in the clubbing business, evaluates new concepts globally and endeavours to keep the music, visual effects, design and decoration and sound equipment in Club Cubic up to date. Mixed with hip hop, electro, techno, house and funky tunes, our customers can enjoy music and relax with their friends and business associates in the club, which is featured to be an exciting environment of ultra-stylish art lighting. To cater for different needs of our customers, we also offer five private karaoke rooms of different themes, accommodating approximately 10 to 38 guests per room at Club Cubic. Please see “— Private Karaoke Rooms” for details.

Resident DJs, dancers and performers stationed in Club Cubic provide live performances on the performance stage to our customers. Our Group collaborates with such musical talents to ensure the consistency of the quality of music performance at Club Cubic. Since the launch party in April 2011 featured by Flo Rida and Lil’Jon which drew massive attention of music enthusiasts, celebrities and the public in the region, well-known DJs and artists are often invited to perform at Club Cubic. Please see also “— Entertainment, Music and Lighting Equipment” for details. Our Group believes that Club Cubic’s reputation and our continuing success in marketing are key attractions when inviting guest DJs and artists to perform. From marketing perspective, collaboration with such internationally acclaimed DJs and artists allow us to attract customers and enable us to maintain the market awareness of our brand and our reputation.

In 2015, we organised the 2015 Road to Ultra Macau event at Club Cubic. We usually organise featured events on Fridays, Saturdays or during festivals or major functions in Macau, which provide experience driving customers to attend our club with friends during the festivals. For details, please see “— Event Organisation”. Music lovers and the general public who have not visited Club Cubic may have a chance to know and understand our brand, culture and clubbing and entertainment services provided through reading the relevant news in the media as well as words-of-mouth among other music lovers. As a result, it will enable us to expand the base of our potential customers. Moreover, such reputation reinforces our premium and high-end image and benefits our Group in attracting well-known DJs and artists to perform in our club again.

Our Directors believe that our efforts above contribute to our success in maintaining the reputation of Club Cubic and attracting customers by offering premium clubbing and entertainment experience.

**Strategic location and large scale of operation in Cotai, Macau**

Club Cubic is located at the City of Dreams in Cotai, Macau. According to the Euromonitor Report, located between Taipa and Coloane islands, a stretch of 5.2 square kilometres of reclaimed land, housing a row of luxury integrated casino resorts known as the Cotai Strip. According to the Euromonitor Report, the Cotai Strip has been undergoing extensive expansion since 2012, with eight massive and distinctively themed integrated resorts being developed. Amid the slump in Macau's gaming industry since mid-2014, coupled with the pressure from the Macau government to pursue diversification away from gambling, the focus of the new developments would include a wider array of entertainment facilities in a bid to shed Macau's reputation as a gambling haven and develop it into a family-friendly tourist destination. The expanded Cotai Strip promises to bring unprecedented levels of glamour and luxury to the region. According to the Euromonitor Report, the Macau Government Tourism Office's active support of the organisation and promotion of clubbing events, dance music festivals will help to promote a lifestyle and subculture that will benefit the development of the clubbing venue industry in the long run. For details, please see "Industry Overview — Future growth drivers of the clubbing venue market" in this prospectus.

Club Cubic is the second largest clubbing venue in Macau in terms of gross floor area. Coupled with both private karaoke rooms as well as dance floor and performance stage, we strive to offer entertainment experience to different types of customers, including both generous spenders seeking private and VIP treatments, tourists and relatively younger music lovers and party goers.

As a result, our Directors are of the view that Club Cubic is located at a strategic location, and believe that our strong brand recognition in the clubbing industry and large scale of operation will enable us to attract customer traffic and hence provide us the competitive advantage in capturing growth opportunities and maintaining our market position.

**We have an experienced management team with profound industry knowledge**

We have an experienced management team with expertise in the clubbing and entertainment business. Our management team has extensive industry experience and a proven track record. Led by our executive Directors, our management team members have in general over seven years of experience in the industry we operate or in restaurant business industry. In particular, Mr. Simon Choi (our chairman of Board, executive Director and chief executive officer) and Mr. John Choi (our executive Director and managing director) have led the management of Old Cubic since its opening in 2008, and have accumulated in-depth experience in clubbing industry as well as the Macau market. All of our executive Directors have served in Club Cubic since its opening in April 2011 and their profound industry knowledge has contributed to our success. Further information about our Directors and senior management is set out in "Directors and Senior Management" in this prospectus.

Our Directors believe that the collective experience and knowledge of our management team would enable our Group to understand the needs of our customers and industry trends timely and efficiently, as well as formulating and implementing our business strategies to drive our future growth.

## **BUSINESS STRATEGIES**

Our Group's objective is to maintain its status as a premium clubbing and entertainment business operator in Macau. To achieve this, we intend to implement the following strategies:

### **Continue to expand the scale of Club Cubic**

According to the Euromonitor Report, Club Cubic is the second largest clubbing venue in Macau in terms of gross floor areas. We expect to utilise the part of the proceeds of the Placing for expansion of Club Cubic, by constructing an area adjacent to our existing venue. Based on our expansion plan, the expanded area will be used for karaoke rooms primarily.

Accordingly, our Directors believe that the expansion will further strengthen our competitiveness and leading market position with a larger capacity to cater the needs of our customers, and to capture potential growth opportunities.

We expect to allocate HK\$26.2 million for the decoration, furniture and fixtures for the expansion area and the expansion is expected to be funded by our net proceeds from the Placing and our internal resources. We have not incurred or committed any amount as at the Latest Practicable Date.

For details, please see “— Overview of our Club and Services — Club Cubic — Expansion Plan” below. Our Directors believe that the larger club size facilitates our Group to build on our advantage of economies of scale with larger capacity for customers and potentially greater volumes of beverages sales as a result.

### **Strategically focus on organising featured events with internationally renowned DJs and artists with high popularity and media interest, and leveraging our experience to organising events in other venues**

For the years ended 31 December 2014 and 2015 and the four months ended 30 April 2016, we organised 64, 47 and 13 featured events respectively inside Club Cubic. Some of the events are provided with products of internationally renowned brands for display or as souvenirs. Our engagements in these events is a testament of the quality of our services and our brand recognition. Despite the negative impact from the decline of gaming industry in Macau, by way of strategically organising featured events with internationally renowned DJs and artists with high popularity and media interest at such point of time, such as 2015 Road to Ultra Macau (under the internationally renowned Ultra music festival label) and the after party of Big Bang concert (which captured the opportunity of the artists performing after their concert and attracting the concert audiences and other music lovers to attend), we were able to offset the impact and record an increase in our total revenue in 2015 as compared with 2014. For the four months ended 30 April 2016, we continued to engage internationally renowned DJs and artists, such as Tiesto, Steve Aoki and Jason Derulo. For details, please see “— Event Organisation” below.

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We will continue the strategic focus of engaging internationally renowned DJs and artists with high popularity and media interest at such point of time to perform in Club Cubic. We are of the view that the above approach benefits us in terms of both (i) enhancing our reputation and (ii) increasing our revenue:

- *Enhancing our reputation:* the events we organised have been widely reported and introduced by the media as well as Macau Government Tourism Office. Music lovers and the general public who have not visited our club may have a chance to know and understand our brand, culture and clubbing and entertainment services provided through reading the relevant news in the media as well as words-of-mouth among other music lovers. As a result, it will enable us to expand the base of our potential customers. Moreover, such reputation reinforces our premium and high-end image and benefits our Group in attracting well-known DJs and artists to perform in our club again. We believe our strong brand recognition allow Club Cubic attract more customers and music lovers, and, as a result, we maintained relatively stable revenue from our regular operation during the Track Record Period.
- *Increasing our revenue:* organising such featured events is one of our strategies to stimulate customer traffic by attracting music-lovers who would attend our club for the performance, which will boost up our entrance fee income as well as beverage sale income. Sponsorship fee may also be received from corporate customers for displaying their logos or products during the events for promotion purpose. In addition, in respect of featured events which we engaged internationally renowned DJs and artists to perform, we in general charge a higher entrance fee per guests, a higher minimum charge for reserving a table or private karaoke room and a higher rate for corporate customers to sponsor the event based on the popularity of the guest DJs and artists. Hence it would benefit our Group by increasing the average spending per customer and average sponsorship fee per corporate customer. For details, please see “— Pricing policy”. For the years ended 31 December 2014 and 2015 and the four months ended 30 April 2016, we recorded revenue of HK\$11.7 million, HK\$22.1 million and HK\$9.8 million for the top five featured events in terms of revenue, representing 9.7%, 17.6% and 28.1% of our revenue of the same period, which is in line with our strategic focus of organising featured events with internationally renowned DJs or artists to perform.

Leveraging our experience in event organisation, we target to engage in the business of event organisation in other venues. We believe that it will enable us to diversify our revenue streams, while synergies and cross-selling opportunities based on our proven track record in event organisation can also be created. In addition, events conducted outside Club Cubic would enable us to access larger scale of participants and gain media attention, which will promote the image and brand of our club in other regions. In June 2015, we organised the 2015 Road to Ultra Macau event inside the venue of Club Cubic, which is the first Road to Ultra event ever hosted in the Greater China region (excluding Taiwan). We organised the Road to Ultra event in 2016 outside Club Cubic in Hong Kong on 17 September 2016. For details, please refer to the paragraph headed “— Event Organisation — Road to Ultra” below.

**Continue to strengthen the quality of our customer service and enhancing clubbing and entertainment experience**

Our Group is committed to delivering superior service to every customer during every visit and provides training to all service personnel regarding our Group's standardised service procedures and its drinks offerings. Club Cubic is supervised by Mr. Steven Chu, our general manager, who strives to provide consistent and attentive customer service. Our Group strives to ensure its frontline club personnel understand the importance of attentive customer interaction. Accordingly, we have established policies and target to maintain appropriate serving staff-to-table ratio of 1 to 1 in the main hall and staff-to-room ratio of 2 staff to 1 room in the private karaoke rooms and adopted a set of strict table service standards designed to meet the expectations of the customers. Our Group has introduction and on-the-job training programmes to our employees to ensure the consistency of its high quality customer services.

Our Group intends to continue to strengthen these measures in order to motivate its employees and attract new talent, in turn strengthening its customer services. We will continuously introduce new sound and lighting equipment so that our customers would have new experience while visiting our club. We believe such improvement would be a driver for customers to visit our club again.

**Strengthen the effort in marketing of our brand and reinforce brand recognition**

Our Group recognises the importance of brand recognition and awareness in attracting potential customers to visit our club, which is one of the keys to success of our business. Recognising the impact of social media on today's customers and in particular the target customers which we believe would pay attention to social media development closely, we actively use modern social media and mobile and online marketing platforms to promote our business and events in addition to direct marketing strategies. Our customers can connect to us and obtain updates through our website as well as official Facebook, WeChat, Weibo, Instagram and Youtube accounts. Through these mobile and online platforms, we communicate with our customers regularly which strengthen our connection with them and further promoting our brand awareness towards the public and potential customers. For details, please see “— Sale and Marketing — Marketing and Promotion” below. Leveraging our success in the Macau market and strength in active use of modern social media and mobile and online marketing platforms during the Track Record Period, we will continue to devote resources in various marketing channels to promoting our overall brand image and building customer awareness.

Our marketing team regularly reviews our marketing efforts and feedbacks and formulates strategies with a view to delivering a positive image of our brand while increasing the brand awareness. In addition, we will continue to utilise external resources and have engaged professional public relationship agencies to leverage our profile and image within the industry as well as establishing and implementing online and mobile promotion strategies.

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Other marketing channels and methods such as collaboration with other event-listing and ticket booking websites, promotion on taxis, hotel shuttle buses and email direct marketing as well as street promotion in popular tourist areas in Macau and Hong Kong are also applied to expand our customer exposure and customer base. As online and mobile platforms continue to be a growing trend of marketing entrenched in the lives of the public, we believe our strategic use of social media and online and mobile platforms coupled with other marketing channels would enable us to achieve strong exposure to our customers and potential customers and benefits our reputation and results of operations.

Our Group will continue promoting its Club Cubic through its marketing, promotional initiatives and customer relationships. For details of our marketing strategy, please refer to “— Sales and Marketing — marketing and promotion” below.

### **Expansion in regions other than Macau**

With a view to further diversifying our business and expand our coverage, we are exploring opportunities to expand our operations in regions other than Macau. We may also consider suitable investments and partnerships with local partners or through franchise arrangement where opportunities may arise.

Pursuant to the Operating Agreement, we shall not own, operate or have any interest in any business similar to Club Cubic within Macau without the consent of COD during the term of the Operating Agreement. For details, please see “— Relationship with COD — Operating Agreement” below. Accordingly, in the event that any business opportunity for opening of another clubbing venue in Macau arises, we shall negotiate with COD to obtain its consent before proceeding with such plan. Without the consent from COD, our future expansion of clubbing venues will be limited to opportunities outside Macau during the term of the Operating Agreement. Due to the above restriction, we will focus on business opportunities outside Macau, if such opportunities arise.

In general, for selection of a new site of business, we will first conduct site visits on the potential site as well as market visit at competitors’ clubs to understand the competitive landscape and features of the market. After that we will conduct forecast analysis and studies on the local legal and compliance requirements. If the management considers that expanding into the city is feasible, we will conduct negotiations with landlords and local partners on terms of the lease at the site as well as other terms of cooperation and management of the new club, and then we will engage designers to conduct design on the structure and layout of the new club. Final decision will be made upon confirmation of preparatory work and budget, then we will enter into agreements with landlords and local partners.

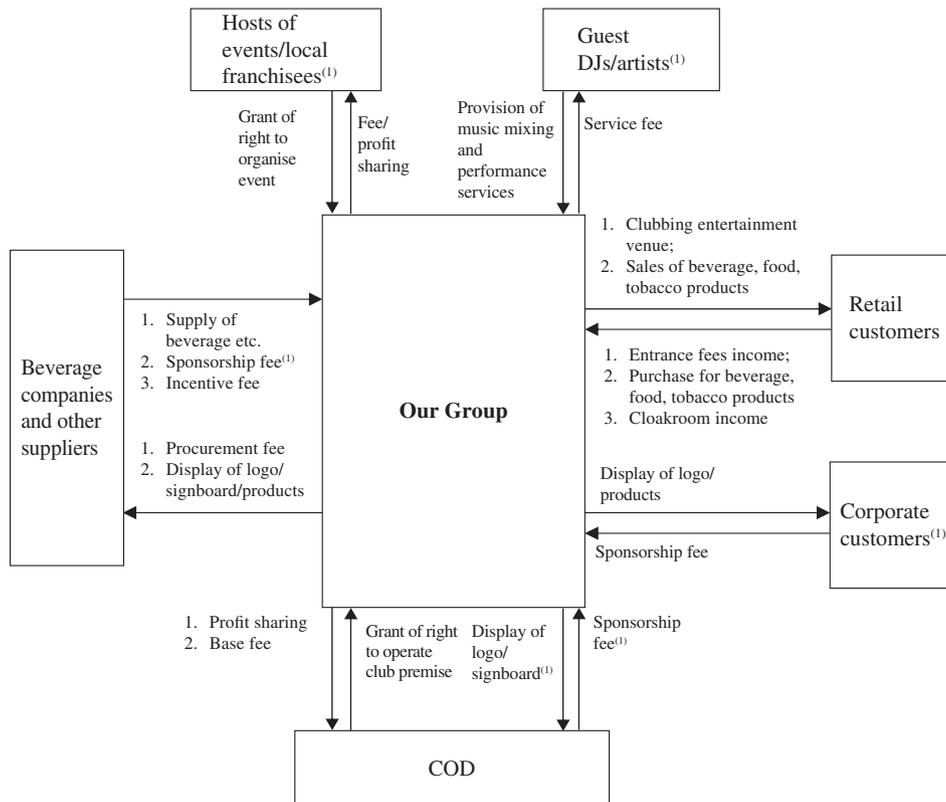
We are exploring opportunities to act as a clubbing venue operator/investor in China. Terms of this potential project are still subject to analysis and studies, and no binding or non-binding memorandum of understanding or agreement has been signed. Investors should be aware that this project may or may not proceed.

Save for the expansion plan to extend the club venue to a premises adjacent to the venue of Club Cubic and as discussed above, our Directors confirm that we did not identify any acquisition target or target for opening new club and had not entered into any memorandum of understanding for opening of any new club as at the Latest Practicable Date.

# BUSINESS

## OUR BUSINESS AND REVENUE MODEL

The following chart summarises the business and revenue model of our principal business:



*Note:*

(1) In general, these parties and items are involved or engaged for featured events only.

During the Track Record Period and as at the Latest Practicable Date, we have operated Club Cubic which strives to be a premium clubbing and entertainment venue in which retail customers can enjoy high quality music and live performances by resident DJs, dancers and performers on the two-level performance stage every night, supplemented by snacks and both alcoholic and non-alcoholic beverages. Customers may also enjoy private party or karaoke party at our private karaoke rooms. Facilities ranging from a dance floor, bars and private karaoke rooms are available with a view to suiting the needs of different customers in Club Cubic. In return, we earn entrance fees income, beverage, food and tobacco products sale income as well as income from cloakroom charges.

Club Cubic is located at 2nd and 3rd Floor at The Boulevard, the City of Dreams in Cotai, Macau. We obtained from COD the right to operate Club Cubic for a term until 31 March 2020 under the Operating Agreement, which may be extended to March 2025 subject to the terms therein. In exchange, we pay COD a portion of the profit of Club Cubic plus a fixed base fee. For details of our relationship with COD, please refer to “— Relationship with COD” and “— Procurement and suppliers — Major Suppliers” below.

## BUSINESS

Leveraging our success in clubbing business, we are also engaged in organising music-related featured events to offer music entertainment to our customers. In general, our Group conducts the overall organisation, ranging from sourcing of DJs, marketing, ticketing, stage design and set up as well as offering Club Cubic as the venue for the event. In addition to our usual beverage sale to and entrance fee from retail customers, for featured events, we would also procure corporate customers to offer sponsorship fee to us in exchange for display of logo or signboard of their companies or products during the events. Moreover, as an attraction to customers' interests and public attention, we usually invite guest DJs/artists to perform in the club as a supplement to the performance of our resident DJs, dancers and performers. During the Track Record Period, a number of internationally-renowned DJs and artists have been invited to perform in Club Cubic during featured events. Based on our track record of event organisation business, we have cooperated with various hosts of events and have been granted with the right to organise their events, such as the 2015 Road to Ultra Macau event, official after party of Asia Entertainment Expo in 2014 and 2015, Official Mix Mag Party in 2015, Macau International Clubbing Show DJ Festival in 2015 and Official DJ Mag Party in 2016. On 17 September 2016, we held the 2016 Road to Ultra Hong Kong event in Hong Kong, in which we primarily received beverage sale income for beverage sold, entrance fee for retail customers attending the event, sponsorship fee from corporate customers. For details, please see "— Event Organisation" below.

During the Track Record Period, we have also provided the venue of Club Cubic to COD for the Taboo show and record a small portion of revenue of HK\$4.0 million, HK\$2.9 million and HK\$0.6 million for the years ended 31 December 2014 and 2015 and the four months ended 30 April 2016. Taboo show ceased to be performed since April 2016. We would not receive such revenue after March 2016.

Set out below is the breakdown of our revenue by operations for the two years ended 31 December 2015 and the four months ended 30 April 2016:

	Notes	Year ended		Year ended		Four months ended	
		31 December 2014		31 December 2015		30 April 2016	
		HK\$'000	%	HK\$'000	%	HK\$'000	%
Regular operation	1	62,028	51.5	68,665	54.7	21,180	60.6
Featured events	2	54,344	45.2	53,984	43.0	13,178	37.6
Events rental income	3	3,977	3.3	2,872	2.3	621	1.8
		<u>120,349</u>	<u>100.0</u>	<u>125,521</u>	<u>100.0</u>	<u>34,979</u>	<u>100.0</u>

*Notes:*

1. Regular operation refers to regular events held in Club Cubic, such as industry night, ladies night and girls' night out and normal days without events. Incentive fee income with reference to purchase amount of beverage during the Track Record Period were all recorded under this category of income.
2. Featured events refer to events which we specifically organise and not our regular events, and are usually held on Fridays, Saturdays, or during festivals and major functions in Macau. For the years ended 31 December 2014 and 2015 and the four months ended 30 April 2016, we organised 64, 47 and 13 featured events respectively inside Club Cubic.
3. This income stream represents rental income received from providing the club premises for corporation customers' functions. During Track Record Period, the amount was generated from providing the venue in relation to Taboo show to COD.

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In the course of our operation, we record our revenue under a number of service/product categories. The table below sets forth a breakdown of our revenue by service/product categories:

	<b>Year ended 31 December 2014</b>		<b>Year ended 31 December 2015</b>		<b>Four months ended 30 April 2016</b>	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Sales of beverage, food and tobacco products	97,869	81.3	96,669	77.0	29,057	83.1
Sponsorship income	9,930	8.3	14,263	11.4	2,320	6.6
Entrance fee income	8,244	6.9	11,480	9.1	2,891	8.3
Events rental income	3,977	3.3	2,872	2.3	621	1.8
Cloakroom income	<u>329</u>	<u>0.2</u>	<u>237</u>	<u>0.2</u>	<u>90</u>	<u>0.2</u>
	<u>120,349</u>	<u>100.0</u>	<u>125,521</u>	<u>100.0</u>	<u>34,979</u>	<u>100.0</u>

During the years ended 31 December 2014 and 2015 and the four months ended 30 April 2016, our Group generated approximately 81.3%, 77.0% and 83.1% of our revenue from sales of beverage, food and tobacco products. Less than 12.0% of the total revenue was generated from other club operations (including cloakroom income, events rental income and entrance fee income). The rest of our revenue, representing approximately 8.3%, 11.4% and 6.6% of our revenue, was generated from the sponsorship income in relation to sponsorship fees received from the corporate customers for brand displaying and promotions at Club Cubic during featured events and incentive fee from beverage suppliers during the Track Record Period.

### OUR CLUB AND SERVICES

#### Club Cubic

We are a premium clubbing and entertainment business operator based in Macau, primarily engaged in operating Club Cubic located in the City of Dreams and organising featured events therein. Club Cubic is currently the second largest clubbing venue in Macau in terms of gross floor area according to the Euromonitor Report. With a gross floor area of 25,780 sq. feet across two levels, Club Cubic strives to offer premium clubbing and entertainment experience by providing a sensory clubbing venue and live entertainment space of stylish art lighting and music and live performances for our customers. Customers can enjoy high quality music and live performances by resident DJs, dancers and performers on the performance stage, supplemented by both alcoholic and non-alcoholic beverages and light food. Facilities ranging from dance floor, bars and five private karaoke rooms are available with a view to suiting the needs of different customers in Club Cubic.

#### Expansion plan

It is expected that we will utilise part of the proceeds from the Placing to conduct an expansion of the premises of Club Cubic. The expanded area will be primarily used as private karaoke rooms.

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It is expected that we will apply the premium and high-end image and theme on the expansion and adopt the same level of service quality, and we will increase our staff number to cover the expanded area. We expect to allocate HK\$26.2 million for the decoration, furniture and fixtures for the expansion area and the expansion area is expected to be funded by our net proceeds from the Placing and our internal resources. Please see also “Future Plans and Use of Proceeds”. We have not incurred or committed any amount as at the Latest Practicable Date.

We have finalised the decoration plan, and that it will take a period of approximately three to eight months from the time when we have agreed the renovation and decoration plan with COD to grand opening, which will be subject to relevant license approval procedures and other factors such as sufficient supply of manpower and sound and lighting equipment purchased by us. The capacity of the expanded area will depend on the agreement with COD as to the area which we may use for the expansion. Subject to our discussion with COD and the government authorities in relation to the renovation and decoration and layout plan, we expect to conduct the expansion by two phases so that the expanded area may be opened for business by stages. The first phase of the expansion area is expected to comprise a gross floor area of 4,000 square feet, and represents an investment by the Group in the fit-out of such area of not less than MOP15.0 million in accordance with the approved plan according to our agreement with COD; and the second phase is expected to comprise a gross floor area of 4,000 square feet and represents an investment by the Group in the fit-out of such area of not less than MOP5.0 million in accordance with the approved plan according to our agreement with COD. Please see also “— Relationship with COD — Operating Agreement” in relation to our commitment on the expansion based on our agreement with COD. We expect that the first phase expansion and the second phase expansion will open for business in or about first half-year of 2017 and before the end of 2017, respectively. Subject to the then market conditions, opening of the second phase expansion may be subject to the situation and market reception of the first phase expansion after its opening or open concurrently with the first phase expansion.

We will set up a designated management team which will be responsible for selection and engaging relevant designers and other professional consultants, as well as supervising the progression of the implementation of the renovation and decoration plan. They will work closely with our marketing team in relation to the promotion of the expansion, and will monitor the progress of application for relevant licenses. We may open the second phase expansion after the first phase expansion has been opened for business, such that once the first phase expansion has been opened, we may review the results of operation and further enhance the expansion at subsequent stage. Such arrangement may reduce the potential investment risks as a smaller amount of investment may be applied and a portion of the expanded area will be opened to generate operating cashflow at an earlier stage.

It is currently expected that the expansion area under the expansion plan would primarily be used for private karaoke rooms. The cost structure would remain largely similar to our existing cost structure with beverage costs and staff costs being our major cost components. Depreciation and variable cost such as cost of inventories sold, staff costs, property rentals and related expenses will be increased following the expansion.

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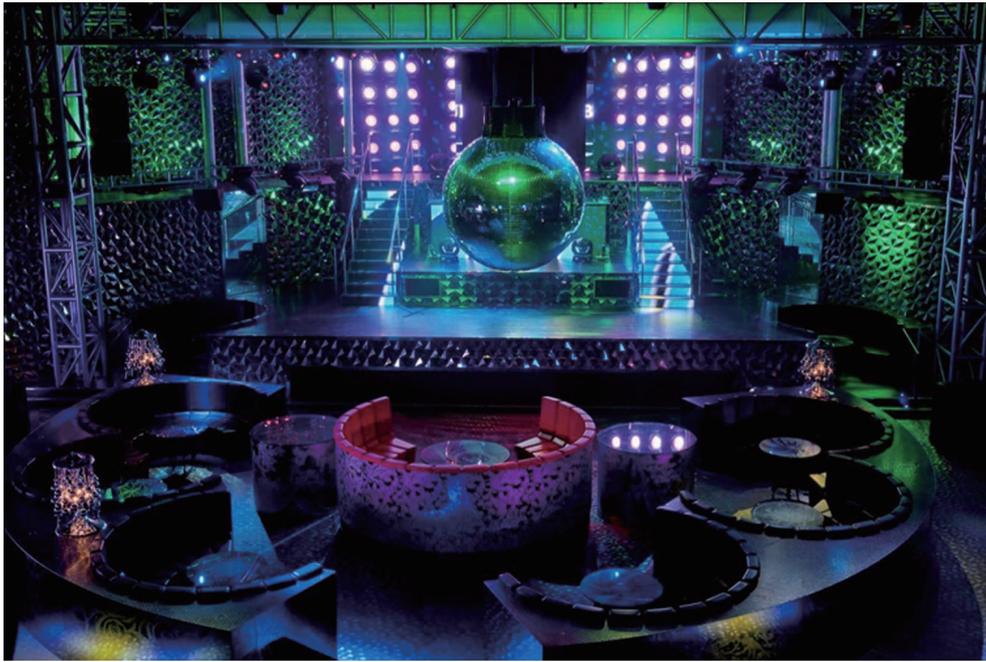
Additional revenue, mainly beverage sales and entrance fee, is expected to be generated from the expansion area. The minimum charge for reserving each karaoke room is generally higher than the tables in the main hall. In addition, the expansion area will also share some fixed overheads of the existing area (such as bars and cloakroom), resulting in better cost efficiency in operations. Therefore, assuming a similar utilisation rate of the karaoke room as that during the Track Record Period, it is expected that the overall profit margin for the expansion area would be higher than that of the main hall. If the profit margin for the existing area remains stable, the expected higher profit margin of the expansion area would improve the overall profitability of the Group going forward.

We expect our breakeven point and investment payback point for the expansion and our new club(s) to be in line with our historical breakeven point and investment payback point, subject to factors which include but not limited to (i) investment size, (ii) expenditure of the grand opening, (iii) market reception, (iv) timing of commencement of operation. In general, the greater the amount invested, the longer the period of time would be required for the club to achieve investment payback. In the event that the grand opening expenditure is smaller, it is expected that the period of time to achieve breakeven point and investment payback point would be shorter. Market reception will be affected by the intensity of competition in the local market and our ability to implement marketing and promotion strategies such as inviting internationally renowned DJs or artists to perform in the new club, as well as economic condition and other factors which may be beyond our control. There is no guarantee that the expansion and our new club will receive positive market reception. The market reception of a club that is not as positive as we expect would likely to record a longer period of time required to achieve breakeven and/or investment payback. In addition, a new club whose first several months of operation falls within a low season would likely require a longer period of time to achieve breakeven point and investment payback point. For details regarding seasonality, please refer to the section headed “— Seasonality” below. In general, we use the historical profit margin of Club Cubic as one of the criteria to evaluate the commercial feasibility of new project(s).

In addition, there are inherent risks that our expansion plan may be subject to delay or may not be successfully implemented. For further details, please see the paragraph headed “We may not be able to successfully implement our expansion plans” in the section headed “Risk Factors” in this prospectus.

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The following pictures show some of the key features and environment of Club Cubic:



*Performance stage and dance floor*



*Gothic bar*



*One of the private karaoke rooms in Club Cubic*

Our Group monitors changing trends and tastes and tailors our brand image and marketing activities to our target customers based on the key features of Macau and in particular the Cotai Strip as a famous tourist destination. Coupled with both private karaoke rooms as well as dance floor and performance stage, we strive to offer entertainment experience to different types of customers. As a whole, we aim to target customers aged from 18 to 50 being middle and high level spenders, tourists, music lovers and party goers.

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The table below summarises key operating data of Club Cubic:

Address	Suite 2105-2, 2/F, The Boulevard, City of Dreams, Cotai, Macau
Commencement date	1 April 2011
Expiry date of Operating Agreement	31 March 2020, which may be extended to March 2025 subject to the terms therein.
Gross floor area	25,780 square feet
Number of floors	2
Maximum capacity for purposes of licensing <sup>1</sup>	501 persons (Main hall: 260 persons; 2nd floor: 111 persons; staff: 130 persons)
Maximum capacity for the purpose of fire safety and prevention <sup>2</sup>	1,227 persons
Operation hours	approximately 11 p.m. to 6 a.m.
Number of operation days per year	365
Number of months taken to achieve breakeven point <sup>3</sup>	3 <sup>5</sup>
Number of months taken to achieve investment payback point <sup>4</sup>	40 <sup>5</sup>
Expiry date of major licenses/permits	
Dance hall license	31 December 2016 <sup>6</sup>
Karaoke license	7 March 2017 <sup>6</sup>

	<b>Year ended 31 December</b>		<b>Four months ended 30 April</b>	
	<b>2014</b>	<b>2015</b>	<b>2015</b>	<b>2016</b>
Approximate number of customer visits <sup>7</sup>	137,000	132,000	37,000	38,000
Average spending per approximate number of customer visit <sup>8</sup>	HK\$776.9	HK\$821.1	HK\$826.8	HK\$843.1
Number of featured events organised <sup>9</sup>	64	47	15	13

*Notes:*

1. Maximum capacity as referred to in the dance hall license granted by Macau Government Tourism Office. Based on the inspection reports issued by the Macau Government Tourism Office during the Track Record Period, the number of visitors at Club Cubic had not exceeded the maximum capacity and we have not been levied any penalty by the Macau Government Tourism Office.

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2. Maximum capacity as referred to in the Fire and Life Safety Report submitted to the Lands, Public Works and Transport Bureau of Macau and reviewed by the Macau Fire Department. As confirmed by our Directors, during the Track Record Period, we have not been levied any penalty by Macau Fire Department.
3. The number of month(s) since the commencement of business of the club at which the monthly revenue is at least equal to the monthly expenses.
4. The point of time at which the net profit accumulated from the commencement of business of a club covers the costs of opening and operations, including incurred capital expenditures and ongoing cash and non-cash operating expenses.
5. The calculation takes into account the total capital expenditure for the setting up of Club Cubic, which were contributed by both COD and us, while the net profit before any profit sharing were used.
6. The one-year licenses are subject to renewal annually.
7. Customer visit refers to the number of entries into the club premises. For the avoidance of doubt, if a guest entered into and left the club several times in one night, it will be counted as multiple number of customer visits. Events rental income and sponsorship income are excluded for the purpose of calculation of the average spending per approximately number of customer visit.
8. Average spending per approximate number of customer visits is calculated by dividing our total income from retail customers including (i) sales of beverage, food and tobacco products; (ii) entrance fees income; and (iii) cloakroom income by our customer visits.
9. Featured events refer to events which we specifically organise and not our regular events, and are usually held on Fridays, Saturdays, or during festivals and major functions in Macau.

### ENTRANCE FEES INCOME

Entrance fees income represents ticket income we receive from guests attending our club. Entrance fees income in general ranges from MOP200 to MOP650 per customer. We charge a higher fee during featured events, in particular when internationally renowned DJ or artist with high popularity and media attention is engaged. We may waive the entrance fees in respect of customers such as customers who make booking for a table or a private karaoke room and reaching certain minimum charge, female guests during events, or certain hotel or casino staff card holders.

### BEVERAGE, FOOD AND TOBACCO PRODUCTS

We generates our revenue from sales of beverage, food and tobacco products during the Track Record Period.

	<b>Year ended 31 December</b>				<b>Four months ended</b>	
	<b>2014</b>		<b>2015</b>		<b>30 April 2016</b>	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Beverage	94,159	96.2	92,874	96.0	28,091	96.7
Food	2,745	2.8	2,854	3.0	707	2.4
Tobacco	965	1.0	941	1.0	259	0.9
	<u>97,869</u>	<u>100.0</u>	<u>96,669</u>	<u>100.0</u>	<u>29,057</u>	<u>100.0</u>

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### Beverage

The table below shows the breakdown of revenue by type of beverage sold during the Track Record Period:

Type of beverage	Year ended 31 December		2015		Four months ended	
	2014		2015		30 April 2016	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Champagne	52,536	55.8	54,026	58.2	17,505	62.3
<i>Perrier-Jouët Champagne</i>	48,509	51.5	51,073	55.0	16,958	60.4
Spirits	29,976	31.8	27,801	29.9	6,776	24.1
Others <sup>1</sup>	11,647	12.4	11,047	11.9	3,810	13.6
Total	<u>94,159</u>	<u>100.0</u>	<u>92,874</u>	<u>100.0</u>	<u>28,091</u>	<u>100.0</u>

*Note:*

1. These drinks consist of cocktails and liqueurs, wine, beer and non-alcoholic drinks served in Club Cubic.

For the two years ended 31 December 2014 and 2015 and the four months ended 30 April 2016, sales of Champagne was the major source of beverage sales. Perrier-Jouët, one of the renowned and prestige Champagne brands, is the best-selling brand of Champagne in Club Cubic. During the Track Record Period, Seapower was our largest supplier. For details, please refer to “— Procurement and Suppliers — Major Suppliers” below.

With a view to capturing the market trend and providing new experience to our customers, we in general review our menu on a quarterly basis. Featured drinks, such as special drinks during Halloween, are offered during featured events to create a festive atmosphere impressing our customers inside the club premises and to boost up sales during the events.

### Food

As a clubbing venue, Club Cubic’s food offerings mainly include snacks, primarily being served as side dishes to accompany drinks. Occasionally, customers at private karaoke rooms would like to order meals, in which case we would order delivery from restaurants nearby. During the Track Record Period, sale of food represented only approximately 2.3%, 2.3% and 2.0% of our revenue for the years ended 31 December 2014 and 2015 and the four months ended 30 April 2016.

### Tobacco

Tobacco sales represent less than 1% of our revenue during the Track Record Period. Since smoking is prohibited inside the club premises, our staff will provide guidance and direct customers who purchase tobacco products to smoke outside Club Cubic.

## **ENTERTAINMENT, MUSIC AND LIGHTING EQUIPMENT**

During the Track Record Period, we have regularly engaged internationally acclaimed guest DJs and artists to perform in Club Cubic, aimed to provide premium clubbing and entertainment experience to our customers and in particular music lovers. Performances by internationally acclaimed DJs, including Afrojack, dadalife, deadmau5, Fatboy Slim, Major Lazer, Porter Robinson, Steve Aoki, Tiesto and Zedd; and artists including Akon, Big Bang, Chris Brown, Flo Rida, LMFAO, Lil Jon, Ludacris, Nelly, Ne-Yo, PSY have been widely reported. In general, we target to engage guest DJs or artists to perform in the club premises during featured events which are usually held on Fridays, Saturdays, or during festivals and major functions in Macau.

During the Track Record Period, we have engaged over 10 independent agents to negotiate and procure guest DJs and artists to perform in Club Cubic. As to the largest independent agent we engaged during the Track Record Period, we have cooperated for five years. We have also negotiated with guest DJs and artists directly and engaged them to perform in Club Cubic.

We believe our large pool of agent network and our track record of engaging internationally acclaimed DJs and artists have strengthened our market position and network with DJs and artists, which further reinforces our ability to attract famous DJs and artists to perform in our club. In 2014 and 2015 and the four months ended 30 April 2016, we successfully invited approximately 57, 55 and 14 guests DJs/artists to perform in Club Cubic.

In addition to guest DJs and artists, with a view to maintaining Club Cubic as a sensory clubbing venue and live entertainment, we are dedicated to providing high quality music and live performances by resident DJs, dancers and performers on the performance stage. We select music and maintain regular discussions and reviews with DJs to optimise customers' experience inside the club. Music genres mainly include electronic dance music and hip hop and are mixed by DJs on-stage to energise the customers and boost up the atmosphere inside the club.

The Macau Association of Composers, Authors & Publishers ("MACA") is a collective management organization, or a musical society established under the current law and regulations regarding copyrights in Macau. Under the laws of Macau, a collective management organization may grant licenses for performing musical recordings in public. MACA is currently a licensing body for musical works in Macau, and has signed reciprocal agreements with more than thirty overseas musical societies. As confirmed by COD Hotels, (i) it has an arrangement with MACA under a blanket license agreement from January 2014 to December 2016 pursuant to which it has covered the overall use of music inside Club Cubic, (ii) pursuant to the blanket license agreement, Club Cubic shall be licensed to use and perform any of the musical works of which MACA possesses the relevant license or authority during the term of the blanket license agreement, and (iii) the fee paid under the blanket license agreement is paid on an annual basis by COD Hotels to MACA, the payment for the year ending 31 December 2016 has been made and there is no other amount outstanding under the blanket license agreement. Pursuant to a confirmation letter from MACA to COD Hotels, (i) Club Cubic is licensed to publicly perform the musical compositions and works licensed under the blanket license agreement, for the term from January 2014 to December 2016, between MACA and COD Hotels, and that (ii) no amount is due from Club Cubic to MACA until the license year of 2016 under the blanket license agreement. Hence, there is no outstanding fee pursuant to the agreement. Therefore, our Macau Legal Advisers are of the opinion that Luk Hing Macau complies with all laws and regulations regarding the

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Macau Copyright Law. As the agreement was made between COD Hotels and MACA, COD Hotels may charge a fee for the music used in Club Cubic, while no fee was charged during the Trade Record Period. COD Hotels further confirmed that (i) it will not charge Luk Hing Macau any fee for the use and performance of music inside Club Cubic for the period between 1 January 2014 and 31 December 2016, (ii) when COD and MACA enter into any further agreement which does not materially differ from the terms of the blanket license agreement, COD Hotels agreed not to charge Luk Hing Macau any fee for the use and performance of music inside Club Cubic for the duration of such further agreement, and (iii) if there is a material difference in the terms of any further agreement entered into between COD Hotels and MACA from that of the blanket license agreement, COD Hotels agreed that any fees levied on Luk Hing Macau by COD Hotels for the use and performance of music inside Club Cubic for the duration of such further agreement between COD Hotels and MACA shall be reasonable and calculated with reference to the standard tariff for night clubs quoted by MACA from time to time.

Based on the current standard tariff quoted by MACA, the annual fee to be paid by our Group in the event we enter into agreement with MACA directly would be not more than MOP100,000. Hence, we are of the view that there will not be material change of our Group's cost structure and financial performance even if there is such charge from COD to our Group in the future.

In order to ensure the appropriate use of musical works in Club Cubic, we have implemented internal control procedures as follows:

- (i) Maintaining a list of musical works in use: to ensure that all musical works in use are covered by the relevant license from MACA, we maintain a list of music, which is distributed to our resident DJs. Our resident DJs should only play these musical works in Club Cubic;
- (ii) Regular check of our list of musical works in use: we check the list we maintain against the database of MACA every two months to ensure that the music we play are covered by its licenses; and
- (iii) Updating of our list of musical works in use: in the event that there is any update as to the licensing authority of MACA on the musical works on our list, we will revise the list where necessary and update our resident DJ.

During the Track Record Period and as at the Latest Practicable Date, there were no present or threatened legal proceedings against the Group with respect to our use of musical work in Club Cubic. In the event that Luk Hing Macau (and/or its employee(s), where applicable) is exposed to actual or potential arbitration, litigation or administrative proceedings in relation to the use and performance of music inside Club Cubic, subject to compliance with relevant laws and regulations and COD Hotels' contractual obligations, COD Hotels agree to provide reasonable assistance to Luk Hing Macau (and/or its employee(s), where applicable) to defend such proceedings.

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We believe one of the key factors of our success during the Track Record Period lies in our effort in offering high standard and innovative visual and sound experience to our customers. Our lighting director will cooperate with the stage DJ and apply visual effect in the venue which we believe will boost up atmosphere inside the club. Visual effect on the LED screen on the stage and lighting effects are mixed by our lighting director simultaneously on the stage and around the club, to lively reflect the tempo and rhythm of music, while dancers and performers conducting acrobatics shows would perform on the stage to amplify the vibrant atmosphere of the club.

The fact that we have successfully attracted internationally renowned DJs and artists to perform in Club Cubic indicates the recognition on our investment in music and lighting equipment by music industry peers. In addition, our Group also holds the exclusive license in Macau and Hong Kong for one of the world's largest dance music events — the Road to Ultra music festival, and we have organised the 2015 Road to Ultra Macau event in Club Cubic. This also represents that set up and design of Club Cubic has been recognised by internationally renowned dance music event labels.

As at 30 April 2016, we have engaged two resident DJs and nine dancers/performers. We have cooperated with the resident DJs for over three years.

### **PERFORMANCE STAGE AND DANCE POOL**

The two-level performance stage is about 646 square feet in size, situated next to the dance floor on the lower level of the club. DJs, dancers and other performers offer dynamic performances on the stage and customers can enjoy dancing in the dance floor or enjoy the performances under vibrant lighting effect mixing and matching with the tempo and rhythm of music inside the club.

### **PRIVATE KARAOKE ROOMS**

There are five private karaoke rooms in Club Cubic, all situated at the upper level of the club. The size of the rooms ranges from about 280 to 1,110 square feet, accommodating generally approximately 10 to 38 guests per room. Each private karaoke room has been designed and decorated under a special and unique theme under a featured colour, and equipped with karaoke and audio equipment. Customers can enjoy privacy and quieter environment inside the private karaoke rooms as well as watching performances on the performance stage in the balcony connected to most of the private karaoke rooms.

### **EVENT ORGANISATION**

During the Track Record Period, we have organised music-related featured events inside the premises of Club Cubic as one of our strategies to enhance our income and reputation. In respect of event organisation business we can earn (i) beverage sales and (ii) entrance fee income from guests attending the event, as well as (iii) sponsorship fee from customers sponsoring or endorsing the events in exchange for displaying their logos or products during the event. In line with our positioning and strategies, we target to strategically organise featured events with internationally renowned DJs and artists with high popularity and media attention at such point of time to perform in Club Cubic in order to attract media and public attention as well as further enhancing our premium and high-end image. Please see “— Business Strategies — Exploring additional and diversified revenue streams by organising more featured events and leveraging our experience in organising events inside the premises of Club Cubic to organising events in other venues”.

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From the stage of event planning as to the flow and plan of the event, sourcing and coordinating different working groups such as DJs and performers, designing stage, sound and visual effects, marketing and ticket sales, logistics arrangement to on-site management of the events, we believe we are able to conduct a one-stop event organisation based on requirements of event hosts or our corporate customers.

Some of the events are provided with products of internationally renowned brands for display or souvenirs. Such cooperation is a testament of the quality of our services and our brand recognition. Some of the milestone events during the Track Record Period and up to the Latest Practicable Date include: 2016 Road to Ultra Hong Kong event, 2015 Road to Ultra Macau event, and official after parties of Asia Entertainment Expo and Big Bang Concert.

The following table sets forth the ranking of the top five featured events ranked by revenue:

### Top five featured events during year ended 31 December 2014

	Date	Major sponsor	Revenue (HK\$'000)	Beverage sales (HK\$'000)	Others <sup>1</sup> (HK\$'000)	
1.	Performance by Ne-yo, an internationally renowned singer and Grammy Award winner	27 September 2014	Seapower	3,137	1,301	1,836
2.	Cubic Tunes — Live it! Presents ROAR 3rd Anniversary Party	5 April 2014	Seapower	2,977	1,737	1,240
3.	New Year's Eve featuring with Dannic	31 December 2014	Seapower	2,138	1,385	753
4.	Performance by Afrojack, an internationally renowned DJ and Grammy Award winner	4 October 2014	Seapower	1,868	1,153	715
5.	Winter Wonderland with DJ Hello Kitty	24 December 2014	Seapower	1,613	985	628
The revenue generated by top five featured events			11,733	6,561	5,172	
<b>Revenue for the year</b>			<b>120,349</b>	<b>94,159</b>	<b>26,190</b>	

*Note 1:* Others primarily include sponsorship income and entrance fees income.

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### Top five featured events during year ended 31 December 2015

	Date	Major sponsor(s)	Revenue (HK\$'000)	Beverage sales (HK\$'000)	Others <sup>1</sup> (HK\$'000)	
1.	2015 Road to Ultra Macau	13 June 2015	Seapower, COD, a car distributor, a wine distributor, a beverage distributor	7,998	1,896	6,102
2.	Performance by Tiesto, an internationally renowned DJ and Grammy Award winner	2 October 2015	Seapower, COD	4,593	2,132	2,461
3.	Official after party of Big Bang 2015 World Tour Concert in Macau	24 October 2015	—	4,321	2,347	1,974
4.	4th Anniversary Party featuring 2 Chainz	18 April 2015	Seapower	2,798	1,216	1,582
5.	Performance by Chris Brown, an internationally renowned singer and Grammy Award winner	24 July 2015	Seapower	2,414	1,311	1,103
The revenue generated by top five featured events			<u>22,124</u>	<u>8,902</u>	<u>13,222</u>	
<b>Revenue for the year</b>			<u><b>125,521</b></u>	<u><b>92,874</b></u>	<u><b>32,647</b></u>	

Note 1: Others primarily include sponsorship income and entrance fees income.

### Top five featured events during four months ended 30 April 2016

	Date	Major sponsor(s)	Revenue (HK\$'000)	Beverage sales (HK\$'000)	Others <sup>1</sup> (HK\$'000)	
1.	5th Anniversary Party featuring Jason Derulo, an internationally renowned artist and various awards winner	9 April 2016	Seapower	3,468	2,635	833
2.	Performance by Tiesto, an internationally renowned DJ and Grammy Award Winner	19 February 2016	—	3,171	2,473	698
3.	Performance by Steve Aoki, an internationally renowned DJ and ranked as the top 10 DJ in 2015 by DJ Mag, an international dance music magazine	24 March 2016	Seapower	1,700	954	746
4.	Performance by Shogun, an internationally renowned DJ and ranked as top 47 DJ in 2015 by DJ Mag, an international dance music magazine	26 March 2016	—	776	710	66
5.	Performance by Mightyfools	23 April 2016	—	698	623	75
The revenue generated by top five featured events			<u>9,813</u>	<u>7,395</u>	<u>2,418</u>	
<b>Revenue for the period</b>			<u><b>34,979</b></u>	<u><b>28,091</b></u>	<u><b>6,888</b></u>	

Note 1: Others primarily include sponsorship income and entrance fees income.

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The revenue generated from these top five featured events amounted to HK\$11.7 million, HK\$22.1 million, and HK\$9.8 million contributing 9.7%, 17.6% and 28.1% of the revenue for the years ended 31 December 2014 and 2015 and the four months ended 30 April 2016, respectively.

Below are the major steps involved in the planning and organisation of a featured event in general:

*Selection of date and theme of event:* In general, we will plan and select the date and theme of featured events to be organised approximately two to six months in advance before the event date. Regular weekly events such as industry night (in which entrance fee for certain hotel and casino staff cardholders or staff will be waived), ladies' night, girls' night out (in which entrance fee for female customers entering the club subject to certain conditions will be waived) are held on weekdays to increase sales and attract customer traffic. Featured events are usually held on Fridays and Saturdays and during festivals and major functions in Macau, such as valentine party in February, Club Cubic opening anniversary party in April, full moon party during mid-autumn festival in September, Halloween party in October and Christmas eve party and new year eve count-down party in December, are also expected to be organised on a regular basis. In some occasions such as organising internationally renowned events e.g. Road to Ultra and official after party of Asia Entertainment Expo, we will negotiate with the hosts and/or local franchisee to obtain the right to organise the events, and a fee to them and/or profit sharing arrangement may be agreed with them.

*Preliminary discussion with corporate customers:* After we have selected the date and theme of event, we will approach potential customers to conduct preliminary discussions as to display of their logos and products, endorsement of their names for the events, and other promotion arrangements in exchange for sponsorship fee from them. Through the preliminary discussion, we will understand the expectation and requirements on selection of DJs and artists, multi-media equipment, general plan as to the flow of the event, budget or other specific requirements. In general, potential sponsors will consider whether the event fits their brand images and the promotion effect on their brand as to making the decision to sponsor an event. During the Track Record Period, Seapower and COD are our major source of sponsorship fee. For Seapower, given it is our major supplier of beverage products, the potential of increasing customer traffic in the club and hence increasing beverage sale will also be taken into consideration. Similarly, as the club situates inside the City of Dreams, the potential of increasing awareness of the City of Dreams complex and increasing attendance of tourists and visitors as well as hotel guests staying in the hotels will be considered. We expect there will be around one to four corporate customers sponsoring each featured event in general. Sometimes we cooperate with brand owners or distributors to offer products for display or as souvenirs in the club for promotion purpose instead of obtaining sponsorship income.

*Formulating a detailed proposal:* We will review and consider the use of suitable guest DJs and artists, multi-media equipment, expertise etc. according to the needs, expectation and requirement of corporate customers and the theme of the events, and obtain fee quotes and confirm availabilities of DJs and artists through their agencies. We will then prepare a detailed proposal setting out the plan and flow of the event, decoration and set-up of stage, budget and other details.

*Confirmation of proposal:* We will further discuss with relevant corporate customers (and hosts of events if applicable) based on the proposal, and further amendment will be made if necessary based on feedbacks. If additional requirements or changes on the plan are raised or requested, we may further negotiate and revise the fee. A final proposal will be presented for approval.

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*Commencing of preparation work:* We will then commence work according to the final proposal. We will discuss and finalise the procedures, run-down, safety and work allocation internally. In general, our marketing team and audio and visual team will take charge and supervise the progress of relevant preparation work from time to time, such as stage set up, audio and visual preparation, costume and other on-site preparation and decoration as selection of suppliers where appropriate. Engagement with guest DJs and artists will be confirmed and agreed.

*Implementation and execution of the event:* During the day time of the date of event, we will set up the stage, conduct rehearsals among DJs, artists, dancers and performers if necessary. In general, the event we undertake will be held and completed within one night. We will issue our invoice to corporate customers upon completion of the event. For events which we invite internationally renowned DJs or artists, we may request corporate customers to pay part of the fee upon confirmation of engagement of the DJs or artists.

### **Organising events outside the venue of Club Cubic**

Leveraging our experience in event organisation, we target to engage in the business of event organisation in other venues and outdoor. We believe that it will enable us to diversify our revenue streams, while synergies and cross-selling opportunities based on our proven track record in event organisation can also be created. In addition, events conducted outside Club Cubic would enable us to access larger scale of participants and gain media attention, which will promote the image and brand of our club in other regions.

Our Directors are of the view that the popularity and awareness of the DJs and/or artists would be a core factor in terms of attracting audience and customers to attend a music-related event. Leveraging our track record in cooperation with internationally-renowned DJs and artists, we believe we will be able to continue to attract renowned DJs and artists to perform in events outside Club Cubic. We further organized 10 featured events at Club Cubic between May to June 2016. We will strive to explore opportunities to cooperate with suitable DJs and artists during festival days or public holidays where appropriate. In addition, the organisation of Road to Ultra Hong Kong would further boost up our clientele and network in obtaining sponsors. Based on these advantages, we would strive to utilise our event organisation business accumulated during the Track Record Period and apply on organising events outside Club Cubic. We are in the process of exploring cooperation possibilities in Hong Kong, and expect to launch music-related events in addition to the Road to Ultra event in Hong Kong in 2017. We have entered into agreements with a local music magazine and a renowned event production house based in Hong Kong which have experiences in organising events in Hong Kong and Macau with international DJs and artists respectively, such that, for any of the events to be organised and/or invested by each of them in Hong Kong or Macau, it agrees to invite our Group to co-organize and/or co-invest in all such event(s). We believe this arrangement would benefit our development of event organisation business outside Club Cubic.

Our Directors are of the view that our Group possesses the requisite experience and ability to organise events outside of Club Cubic and Macau because (i) we have established network and track record of engaging internationally acclaimed DJs and artists which would be a crucial factor in attracting audience and such network can also be utilised in events outside Club Cubic, (ii) our established network and experience in negotiation on terms with beverage suppliers would enable us to engage beverage suppliers for events outside Club Cubic, (iii) we have accumulated experience in the overall

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design and management of stage and music and lighting effects for events in Club Cubic, which may also be applied for events outside Club Cubic, (iv) our particular awareness on safety and compliance which has been consistently maintained during the Track Record Period, (v) there are abundant number of contractors providing ancillary services such as stage construction, audio, lighting, visual, security crews in Hong Kong and Macau, and (vi) we may utilise our accumulated experience and maintain overall coordination and design of the events outside Club Cubic.

### *Road to Ultra*

Road to Ultra events are single-stage events organised in a number of cities such as Macau, Taipei, Singapore, a number of cities in South America, etc. It is organised under the “Ultra Music Festival” label, which is an internationally renowned annual outdoor electronic music festival conducted in a number of cities since 1999.

Under our agreement with the brand owner of Road to Ultra, we are licensed to and obliged to organise the Road to Ultra event in Macau or Hong Kong for five years since 2015 annually. In June 2015, we organised the 2015 Road to Ultra Macau inside the premises of Club Cubic, which is the first Road to Ultra event hosted in the Greater China region (excluding Taiwan). We, as the organiser, were responsible for planning as to the flow and plan of the event, sourcing and coordinating different working groups such as DJs and performers, designing stage, sound and visual effects, marketing and ticket sales, and logistics arrangements to on-site management the event. The event was widely reported and attracted media and public attention. Internationally renowned DJs and artists such as Porter Robinson, 2manydjs and DVBBBS participated and performed in the event.

We received beverage sale income for beverage sold during the event, entrance fee for retail customers attending the event and sponsorship fee from corporate customers sponsoring the event. Our revenue from the 2015 Road to Ultra Macau event amounted to approximately HK\$8.0 million, representing 6.4% of our revenue for the year ended 31 December 2015.

In 2016, we held the Road to Ultra event on 17 September 2016 outside Club Cubic in Hong Kong. Internationally renowned DJs and artists such as Knife Party, Martin Garrix, Galantics and Marshmello participated and performed in the event.

For the Road to Ultra event held in 2016 (and future events up to 2019, subject to, among others, the parties’ mutual consent to the total investment fund for any particular future event), we have entered into an agreement with two other parties (the “**Cooperating Parties**”) which would (i) contribute in aggregate 60% of the investment amount for the organisation of the events and (ii) provide ancillary services including marketing and consultancy services for the events, in return they would be entitled to 60% of the profits (or loss, if applicable) of the events. Our Group will contribute the remaining 40% of the investment amount and maintain the overall responsibilities for the organisation of the events, and will be entitled to 40% of the profits (or loss, if applicable) of the events. Various matters such as approval of budgets, selection of venue and contractors for design, development, construction and production of the venue and the program of the event shall be subject to approval by all parties. If for whatsoever reasons, the parties cannot mutually agree on any decision or motion, such as the payments of any over budget items on expenditures, for the events to which a full consent from all parties are to be obtained for such decision or motion to be passed (“**Deadlocks**”), the parties agree that for each of such Deadlocks situation, the project manager (who is designed as an authorised representative of our

Group) shall be responsible to make the final decision. Our Directors are of the view that this arrangement will reduce the potential risks and burden of capital contribution of our Group for the event.

## **SALES AND MARKETING**

### **Marketing and Promotion**

With a view to consolidating our competitive strength and maintaining a consistent brand image, we target customers aged from 18 to 50 being middle and high level spenders, tourists, casino gamblers, music lovers and party goers. Our Group recognises the importance of brand recognition and awareness in respect of attracting potential customers to visit our club, which we believe is one of the keys to success of our business. Leveraging our success in the Macau market and strength in active use of modern social media and mobile and online marketing platforms during the Track Record Period, we will continue to devote resources in various marketing channels to promoting our overall brand image and build customer awareness. Our marketing team, regularly reviews our marketing efforts and feedbacks and formulates strategies with a view to delivering a positive image of our brand while increasing the brand awareness. In addition, we will utilise external resources and have engaged professional public relationship agencies to leverage our profile and image within the industry as well as establishing and implementing online and mobile promotion strategies. Our major marketing and promotion efforts include:

#### *Mobile and online marketing platform*

Recognising the impact of social media on today's customers, and in particular the target customers which we believe would pay attention to social media development closely. We actively use modern social media and mobile and online marketing platforms to promote our business and events in addition to direct marketing strategies. Our customers can connect to us and obtain updates through our website as well as official Facebook, WeChat, Weibo, Instagram and Youtube accounts. Through these mobile and online platforms, we communicate with our customers regularly to strengthen our connections with them and promote our brand awareness towards the public and potential customers. It also provides opportunities for our customers to leave feedback or raise questions regarding our events and services and we may provide prompt response to them through the platforms. As at 30 April 2016, we had more than 45,500, 900, 32,300 and 3,500 subscribers to our Facebook, WeChat, Weibo and Instagram accounts, respectively. In addition, our Youtube channel had attracted over 66,000 views as to videos uploaded by our Group. The large pool of subscribers and audience represents a strong base of potential customers to our club and recognition of our reputation and publicity towards potential customers.

Further to promotions through our own platforms, we have collaborated with event-listing and ticket booking websites so that our potential customers can readily access our information. We expect to enhance our website so that customers can also purchase tickets online at our website in the future.

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### *Direct marketing*

We collaborate with hotels in Macau and deliver promotion SMS to hotel guests, and offering special discount or complimentary drinks to hotel guests. Email direct marketing are also applied to keep our customers abreast of upcoming events and promotions in the club.

### *Promotion in public area and hotels and street promotion*

We cooperate with taxis and hotels so that posters and promotion video will be placed inside taxis, hotel shuttle buses as well as inside hotel areas. Club Cubic is also recommended by various hotels as a tourist spot in Macau to their guests. We also conduct street promotion in popular tourist areas in Macau and Hong Kong mainly by distributing flyers, setting up display stands, and approaching customers to introduce our club and upcoming events.

### *Collaboration with trendy and internationally renowned brands*

We consider that establishing a trendy image of our club is consistent with our image and positioning as a premium clubbing and entertainment business operator. Accordingly, we expect to increase collaboration with trendy and internationally renowned brands, which aims to the effect of gaining awareness outside the industry as well as reinforcing our brand image as a trendy and premium entertainment space.

### *Organisation of events*

We consider organisation of events as one of the promotion and marketing channels of our premium and high-end brand image and to increase public and media attention to our club, particularly given the presence of internationally renowned DJs and artists performing in the club during the events.

Please see also “— Event Organisation” above.

## **Customers**

During the Track Record Period, our customers mainly included retail customers as well as corporate customers and beverage suppliers who contributed to sponsorship income. During the Track Record Period, our five largest customers included corporate customers and beverage suppliers including Seapower (who primarily contributed to sponsorship income), COD and individual retail customers (who contributed to beverage, food and tobacco products sale and entrance fees income primarily). Seapower is also our largest supplier during the Track Record Period. For details, please refer to “— Procurement and Suppliers — Relationship with Seapower” below. We have developed business relationship with our five largest customers during the Track Record Period ranging from one to five years. For the two years ended 31 December 2014 and 2015 and the four months ended 30 April 2016, our five largest customers in aggregate accounted for approximately 15.0%, 17.5% and 16.0% respectively of our total revenue, and our largest customer, Seapower, accounted for approximately 8.7%, 9.2% and 5.7% of our total revenue during the same periods, and has developed around five years of business relationship with us.

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One of the five largest customers for the year ended 31 December 2014 is a nephew of Mr. Au Ion Weng (a non-executive Director) and a cousin of Mr. Jerry Au (a Controlling Shareholder). He was a VIP customer, contributed to HK\$988,000, representing 0.8% of our revenue for the year ended 31 December 2014. Our transactions with him were conducted under normal commercial terms and no special discount was granted. Under our credit policy to VIP customers, a credit period of 60 days was granted to him. In May 2014, our Group discovered that he was untraceable after we had implemented the relevant follow up procedures. In line with our accounting policy, his then outstanding sum owed to our Group which amounted to approximately HK\$569,000 was regarded as provision for impairment of account receivable. For details regarding our credit terms with VIP customers, please see “— Credit Control and Credit Sales Settlement” below.

Our Directors confirmed that, saved as disclosed above, none of our Directors, any of their respective close associates or any Shareholder who owns 5% or more of the issued share capital of the Company immediately following completion of the Placing had any interest in any of our five largest customers during the Track Record Period.

### **Pricing**

As to beverage price, we in general charge a premium on a cost-plus basis with reference to the procurement price, after considering factors such as types of beverage sold, the market trend, prices quoted by competitors and the spending power of target customers. Our suppliers in general do not impose any restriction as to our pricing of beverage products to our customers. We review our beverage menu generally each quarter.

As to entrance fee, we adjust the price with reference to factors such as seasonality, customer traffic, whether it is weekday or weekend, event promotional effort made and whether internationally renowned DJs or artists were present. In general, prices range from MOP200 to MOP650. Higher prices will be charged during featured event days and in particular when internationally renowned DJs or artists with high popularity and media attention perform in the event.

Minimum charge is imposed to customers reserving a table or a private karaoke room, while entrance fee may be waived. We impose the minimum charge with reference to the expected number of customers who may enjoy the table or private karaoke room, plus a premium that the customers could secure the table or room and enjoy the privacy. For featured events which we engaged internationally renowned DJs or artists to perform, the minimum charge will be increased after taking into account the popularity of the relevant DJs or artists performing in the events, as well as the demand from customers for the performance based on our expectation.

As to sponsorship fee, we will charge with reference to factors such as the spending power of corporate customers and brand owners, whether internationally renowned DJs or artists are performing during the event, and display setting and method of the brand and logo of the relevant corporate customer. If internationally renowned DJs or artists are engaged in the event, we expect to charge at a higher rate as the costs for the event will be higher and that the promotion effect for the relevant customer is expected to be higher.

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### Seasonality

During the Track Record Period, our customer visits reached the peak in the fourth quarter with approximately 37,000 visits in both 2014 and 2015, and hit the bottom in the first quarter with approximately 31,000 visits in 2014 and approximately 26,000 visits in 2015. Such fluctuations over the quarters were primarily because there are more festival days, such as Halloween and Christmas; vacation days, such as National Day golden week, and functions, such as Macau Grand Prix, during the fourth quarter, whereas there were fewer customers during Chinese New Year in the first quarter.

Our quarterly revenue fluctuation reflected similar seasonal pattern. During the Track Record Period, our unaudited quarterly revenues were the highest in the fourth quarter at approximately HK\$35.1 million in 2014 and HK\$39.2 million in 2015, and the lowest in the first quarter at approximately HK\$25.4 million in 2014 and HK\$22.7 million in 2015.

To leverage on the seasonality effect on our customer traffic pattern and further boost up our revenue during the peak seasons, as evidenced by our top five featured events during the Track Record Period, we strategically organised featured events with internationally renowned DJs and artists with high popularity and media interest during the fourth quarter.

Our quarterly financial performance is subject to a combination of factors, including but not limited to seasonal factors aforementioned and the effect of non-recurring expenses. During the Track Record Period, our unaudited net profit in the fourth quarter was approximately HK\$3.3 million in 2014 and HK\$3.2 million in 2015, which included non-recurring listing expense of approximately HK\$2.5 million, whereas our unaudited net profit in the first quarter was approximately HK\$1.8 million in 2014 and HK\$1.7 million in 2015.

### SETTLEMENT AND CASH MANAGEMENT

The table below sets forth the revenue from our retail customers (including beverage, food and tobacco products sales, entrance fees income and cloakroom income) divided by the settlement methods over the periods indicated:

	<b>Four months ended</b>		
	<b>Year ended 31 December</b>		<b>30 April</b>
	<b>2014</b>	<b>2015</b>	<b>2016</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Cash	62,877	57,920	20,729
Credit cards	40,580	46,153	10,791
Others ( <i>Note</i> )	<u>2,985</u>	<u>4,313</u>	<u>518</u>
	<u><u>106,442</u></u>	<u><u>108,386</u></u>	<u><u>32,038</u></u>

*Note:* Others primarily represents settlement through hotel internal settlement system and by cheques.

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We have provided training to our staff and implemented the following procedures in respect of settlement and cash management:

### *Retail Customers*

- (i) Majority of settlement by retail customers is settled through credit card payment or cash. For settlement by retail customers who have been granted with credit period, please see “— Credit Control and Credit Sales Settlement” below. For payment made by cash, it will be checked against the tender report from the point of sale system. As many customers pay cash for settlement of bills, our Group handles considerable amounts of cash every day. To prevent any misappropriation of cash, we have implemented guidelines for the role of cashiers and logistics with respect to collection of cash payment.
- (ii) In order to avoid misappropriation of cash by the employees of the Group and that all sale transactions are captured by our point of sale system prior to delivery of drinks, we implement internal procedures including but not limited to the segregation of duties between the front-line service staff, the bartenders and the cashiers. For example, upon receipt of an order for beverage from a customer, the front-line service staff will be responsible for placing the order under the point of sale system, and the bartender will prepare under the records of point of sale system and hand over the beverage to front-line service staff to the customers. Our cashier will be responsible for issue the bills and front-line service staff are responsible for arranging settlement by the retail customers, then the cashier will check and deposit the cash received from the customers. Any discrepancies of invoices with the ordering record or cancellation of invoices or other queries will be reported to our control room and approved by supervisory staff. Our control room will check the amount of cash in the safe at the start of work everyday, and check the balance of cash and credit card payment and credit sales records with cashier against tender report with the point of sale system record at the closure of business everyday. Cash save for a certain sum of cash for operation on the next day will be deposited to the bank in the morning after closure of business every night, except on weekends or public holidays during which cash will be kept at the safe in the club. Our finance department will maintain relevant records.
- (iii) In case of any discrepancy between the sales record and cash received, the club general manager will investigate. If the amount of cash received exceeds the cash sales record, the extra cash will be deposited into the bank as extra income and if the amount of cash received is less than the cash sales record, the respective cashier will be accountable for the discrepancy.

For details of credit sales settlement, please refer to “— Credit Control and Credit Sales Settlement” below.

In addition, we have implemented internal policies to prevent occurrence of fraud, theft, bribery and other misconduct involving our employees, such as restrictions against receipt of gifts, favours, entertainment and payments from suppliers or customers.

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### *Sponsorship fee from corporate customers*

As to suppliers or other corporate customers who sponsored us during featured events, in general, the sponsorship fee would be settled upon completion of the relevant event through bank transfer in general. On a case-by-case basis, for certain larger-scale events which we may incur a higher upfront cost such as inviting renowned DJs or artists, we may negotiate with the corporate customers and obtain a certain portion of the income prior to the event. In general, our corporate customers are granted a credit period of up to 30 days to settle our sponsorship fee.

Our Directors confirmed that our Group did not experience any misappropriation of cash by our employees, customers, or other relevant third parties that had any material adverse impact on its business and results of operations during the Track Record Period and up to the Latest Practicable Date.

### **CREDIT CONTROL AND CREDIT SALES SETTLEMENT**

In respect of most of our retail customers, the customers will settle the bill at the delivery of drinks in general. For certain customers (“VIP customers”), we may offer to grant credit period to them to settle the bill. In general, the credit period will last for up to 60 days. Generally, VIP customers would sign on the invoices to acknowledge their purchase at the delivery of drinks. All VIP customers and their respective credit period shall be approved by an executive Director and/or finance department. The finance department will closely monitor the credit situation, and the sale manager shall follow up closely with the customers to settle the outstanding bills. We will conduct review in respect of the customer’s financial and credit background, historical spending amount, and frequency of visiting our club, on a case-by-case basis before recognising a customer as a VIP customer. For the years ended 31 December 2014 and 2015 and the four months ended 30 April 2016, the total sales on credit to VIP customers were HK\$15.6 million, HK\$21.8 million and HK\$9.4 million, respectively representing 13.0%, 17.4% and 26.8% of our total revenue. As at 31 December 2014 and 2015 and 30 April 2016, we had HK\$2.2 million, HK\$2.6 million and HK\$6.2 million receivables outstanding from these VIP customers, respectively.

To minimize our credit risks arising from the defaults by VIP customers and to ensure the completeness and accuracy of the settlement of sales, we have the following internal controls in place:

- Relevant sale manager will assess the background and its financial condition of VIP customers to compile and submit a VIP customer application, which include information such as credit amount, credit period and signatures of the VIP customer;
- The application will be reviewed and approved by an executive Director and/or finance department;
- All the VIP customers are required to provide contact and identity particulars for future follow up;
- Our finance department will review the settlement records and the aging of all account receivables on a regular basis;

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- When settlement is received from VIP customers or our sales manager, our finance department would reconcile the amount received with the relevant invoices being settled;
- For customers with their balances outstanding beyond the credit period granted by us, our finance department will notify staff of Club Cubic to stop sales on credit until the defaulted balances are recovered;
- We reserve the right to apply a late payment charge to the debit notes, calculated at interest rates by reference to prime bank interest rates in Macau for the period from the payment due date to the date of settlement;
- We would issue the first reminder to customers within 30 days from the payment due date and a final warning would be issued within 15 days since the date of the first reminder if the defaulted balances remain outstanding after the first reminder;
- If we received no settlement from the customers within 15 days since the date of the final warning, we may initiate legal action against the defaulted customers with the approval from executive Directors and/or chief executive officer; and
- We will only restore the credit granted to defaulted customers when a bank guarantee or pledge of specific assets is available.

During the credit period granted to the VIP Customers, our sale manager will be responsible to follow up with VIP Customers for settlement. Certain VIP Customers (the “**Relevant Customers**”) would pay the sum to the sale manager personally for the settlement of the payable. For convenience sake, after the sale manager has collected the sums from a number of Relevant Customers, the sale manager would use his personal credit cards to settle the outstanding invoices of such Relevant Customers to our Group (the “**Settlement Arrangement**”). No discount or benefits were provided to the Relevant Customers and/or the relevant sale manager for the Settlement Arrangement. For the years ended 31 December 2014 and 2015 and the four months ended 30 April 2016, there were respectively 50, 53 and nil Relevant Customers who settled their outstanding invoices through the Settlement Arrangement. For the years ended 31 December 2014 and 2015 and the four months ended 30 April 2016, the aggregate amount settled through the Settlement Arrangement was approximately HK\$5.0 million, HK\$5.4 million and nil, respectively, representing 4.2%, 4.3% and nil of our revenue for the relevant period.

The sale transactions settled under the Settlement Arrangement are accounted for consistently as all other sale transactions that are directly settled by the retail customers. Sales are recognised at the time when invoices are issued to customers including both retail customers and VIP Customers and are recorded in our point-of-sales system. In relation to the completeness and accuracy of all sale transactions, including those under the Settlement Arrangement, we have internal control measures in place to ensure all sales transactions are captured by our point-of-sale system such that we could effectively avoid misappropriation of cash by our employees. For details, please refer to the internal control procedures as set out in the “— Settlement and Cash Management” above.

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To ensure the settlement made by Relevant Customers under the Settlement Arrangement is timely and accurately accounted for, we implemented the following internal control measures:

- The finance department would regularly contact the sale manager to confirm the updated status of the account receivables, including the expected date of settlement. The finance department would then follow up with the sale manager on the expected date of settlement;
- Staff in the finance department would also directly contact the VIP Customers and Relevant Customers occasionally to update the amount of account receivables and the settlement status and compare the record in account receivables master file, including the amount of receivables, the actual date of settlement and the expected date of settlement;
- If any discrepancies were noted, investigation would be conducted by the finance department. Any irregularities would be reported to the head of finance department and the Directors; and
- Sale manager was also regularly reminded of his obligation to timely deposit the account receivables received.

We also have the additional internal control procedures in place to avoid the misappropriation of assets by our employees. For example, the club operation team will reconcile the daily sales report with the daily inventory movement. In case of any discrepancy between the sales record and the inventory level, the club general manager will investigate. Should there be any mistakes on the part of staff, the relevant staff will be accountable for the discrepancy.

Our Directors confirm that (i) since February 2016, the Settlement Arrangement have ceased and all customers shall settle their outstanding payable to our Group directly in cash or through credit card payment, and our sale manager will not use his personal credit cards to settle payment to our Group on behalf of the Relevant Customers; and (ii) the sales transactions under the Settlement Arrangement have been properly settled during the Track Record Period and up to the cessation of Settlement Arrangement.

As advised by our Macau Legal Advisers, we have not breached any laws rules or regulations of Macau as to the above Settlement Arrangement. During the Track Record Period and up to the Latest Practicable Date, we have not been involved in any dispute in relation to the above Settlement Arrangement.

As a result of our credit control procedures discussed above, we only incurred provision for impairment of account receivable from our customers of approximately HK\$617,000 for the year ended 31 December 2014 primarily due to one of the VIP customers, being a nephew of Mr. Au Ion Weng (a non-executive Director) and a cousin of Mr. Jerry Au (a Controlling Shareholder). No provision for impairment of account receivable was incurred in 2015.

## **PROCUREMENT AND SUPPLIERS**

During the Track Record Period, our suppliers mainly included beverage suppliers, suppliers of fruit for mixing of cocktail and side dishes and tobacco. Save as Seapower being our largest supplier for the years ended 31 December 2014 and 2015 and the four months ended 30 April 2016 and other suppliers who offer incentive fee to us with reference to our purchase amount, in line with market

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practice, we had not entered into any long-term contract with our suppliers, and the terms and conditions set out in our purchase orders placed with different types of suppliers for each order may differ. For the two years ended 31 December 2014 and 2015 and the four months ended 30 April 2016, we have purchased from ten or more suppliers for beverage products other than Seapower, and the purchases from these suppliers accounted for approximately 26.6%, 30.2% and 23.5% of our total purchases. In general, these beverage suppliers have cooperated with us for one to five years, respectively.

Based on our contract with Seapower, Seapower has the right to increase the wholesale prices of the products during the term of contract with one month's written notice when its supplier increases its wholesale prices to Seapower. Accordingly, we are of the view that we may have sufficient time to review the prices we charge our retail customers and make appropriate increment where necessary to reflect the increase in procurement prices. In addition, since Seapower may only increase its prices to us when its supplier increases its wholesale prices to Seapower and that we are Seapower's largest customer and retailing point of Perrier-Jouët Champagne in terms of both (i) number of bottles and (ii) sales in Macau and given our long relationship of cooperation, we are of the view that our procurement prices would be comparable and competitive among other clubbing venues which purchase Perrier-Jouët Champagne from Seapower, and that we may shift such increment to our retail customers.

Our suppliers are selected carefully based on a set of selection criteria, which includes (i) ability to meet specification and standards, (ii) product and service quality; (iii) pricing of the products and services; (iv) quality control methods and practices, and reliable delivery method; and (v) past performance. We would only purchase beverage products from suppliers who have passed selection procedures.

To the best knowledge of our Directors, we did not have any incident where any of our Directors or employees was involved in any bribery or kick back arrangement with suppliers during the Track Record Period.

During the Track Record Period and up to the Latest Practicable Date, we had not experienced any significant problems with the quality of beverage products provided by our suppliers, any material limitations in the supply nor any shortage of our beverage products. For details regarding quality control on procurement of beverage products, please see "— Quality Control."

In general, credit terms granted by suppliers to us are around 45 days.

### **Major Suppliers**

During the Track Record Period, our five largest suppliers include Seapower being our largest beverage supplier, COD who sub-distributed beverage and other consumables to us and other restaurants inside the City of Dreams, other beverage suppliers, suppliers of fruit for mixing of cocktail and side dishes. We have developed business relationships with our five largest suppliers during the Track Record Period ranging from 3 to 5 years. For the years ended 31 December 2014 and 2015 and the four months ended 30 April 2016, our five largest suppliers in aggregate accounted for approximately 95.5%, 91.8% and 94.1% of our total purchases, and our largest supplier, Seapower, accounted for

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approximately 73.4%, 69.8% and 76.5% of our total purchases during the respective period, and have developed 5 years of business relationship with us. The chart below sets forth the particulars of our five largest suppliers during the Track Record Period:

### Five largest suppliers for the year ended 31 December 2014

Rank	Name of suppliers	Principal Business	Commencement of business relationship	Types of products or services procured	Procurement amount (HK\$ million)	Percentage of our total purchases
1	Seapower	Beverage supplier	2011	Beverages (being Pernod Ricard's products)	16.3	73.4%
2	COD	City of Dreams operator	2011	Primarily beverages, food and tobacco	3.4	15.3%
3	Independent supplier A	Beverage supplier	2011	Beverage	0.8	3.6%
4	Independent supplier B	Fruit supplier	2013	Food, primarily fruit for mixing of cocktail and side dishes	0.5	2.3%
5	Independent supplier D	Tobacco supplier	2011	Tobacco	0.2	0.9%

### Five largest suppliers for the year ended 31 December 2015

Rank	Name of suppliers	Principal Business	Commencement of business relationship	Types of products or services procured	Procurement amount (HK\$ million)	Percentage of our total purchases
1	Seapower	Beverage supplier	2011	Beverages (being Pernod Ricard's products)	16.2	69.8%
2	COD	City of Dreams operator	2011	Primarily beverages, food and tobacco	3.4	14.7%
3	Independent supplier A	Beverage supplier	2011	Beverage	0.8	3.4%
4	Independent supplier B	Fruit supplier	2013	Food, primarily fruit for mixing of cocktail and side dishes	0.5	2.2%
5	Independent supplier C	Beverage supplier	2013	Beverage	0.4	1.7%

### Five largest suppliers for the four months ended 30 April 2016

Rank	Name of suppliers	Principal Business	Commencement of business relationship	Types of products or services procured	Procurement amount (HK\$ million)	Percentage of our total purchases
1	Seapower	Beverage supplier	2011	Beverages (being Pernod Ricard's products)	5.2	76.5%
2	COD	City of Dreams operator	2011	Primarily beverages, food and tobacco	0.7	10.3%

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Rank	Name of suppliers	Principal Business	Commencement of business relationship	Types of products or services procured	Procurement amount (HK\$ million)	Percentage of our total purchases
3	Independent supplier A	Beverage supplier	2011	Beverage	0.2	2.9%
4	Independent supplier B	Fruit supplier	2013	Food, primarily fruit for mixing of cocktail and side dishes	0.2	2.9%
5	Independent supplier C	Beverage supplier	2013	Beverage	0.1	1.5%

Our Directors confirmed that none of our Directors, any of their respective close associates or any Shareholder who owns 5% or more of the issued share capital of the Company immediately following completion of the Placing had any interest in any of our five largest suppliers during the Track Record Period.

### Relationship with Seapower

During the Track Record Period, our largest supplier was Seapower who accounted for approximately 73.4%, 69.8% and 76.5% of our total purchases for the years ended 31 December 2014 and 2015 and the four months ended 30 April 2016, respectively.

Based on our aim to offer premium clubbing and entertainment experience, we select our beverage suppliers among distributors of internationally renowned brands. Seapower is the exclusive distributor of Pernod Ricard's products in Macau. According to the Euromonitor Report, the brand owner of Perrier-Jouët Champagne is Pernod Ricard, an internationally renowned producer of premium distilled beverages, which was founded in 1975 and headquartered in Paris, France. It has an extensive portfolio of 37 premium brands, including Absolut Vodka, Chivas Regal, Martell and another Champagne brand — G.H. Mumm. For the years ended 31 December 2014 and 2015 and the four months ended 30 April 2016, sale of Pernod Ricard's products by us accounted for approximately HK\$62.1 million, HK\$63.5 million and HK\$20.4 million, representing approximately 51.6%, 50.6% and 58.2% of our revenue, respectively, among which Perrier-Jouët Champagne accounted for approximately HK\$48.5 million, HK\$51.1 million and HK\$17.0 million, representing approximately 40.3%, 40.7% and 48.5% of our revenue.

Salient terms of our procurement contract with Seapower are as follows:

- i. Tenure — The procurement contract has a term of one year and renewable by the parties upon negotiation.
- ii. Product specification — A list of Pernod Ricard's products to be sold by Seapower including Perrier-Jouët Champagne, spirits such as cognacs, vodkas and whiskeys, and wine is set out inside the procurement contract.
- iii. Price — Wholesale price of the beverage products are provided by Seapower to us. Seapower has the right to increase the wholesale prices of the products during the term of contract with one month's written notice when its supplier increases its wholesale prices to Seapower.

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- iv. Quantity of products — The procurement contracts does not specify any specific or minimum purchase amount of supplies to be provided to us, but an annual incentive fee will be awarded to us if our beverage sales has reached certain amount.
- v. Exclusivity — We shall purchase exclusively Pernod Ricard's products from Seapower.
- vi. Sponsorship income — Sponsorship income is divided into the following categories. For the years ended 31 December 2014 and 2015 and the four months ended 30 April 2016, we have received sponsorship income from Seapower of HK\$9.9 million, HK\$11.2 million and HK\$1.7 million, respectively:
  - (a) In respect of events to be held inside Club Cubic, Seapower will review, evaluate and approve each event proposed by us, and award us with sponsorship fee for successfully organising an event endorsing the Pernod Ricard's theme and as approved by them in advance. This sponsorship fee is capped and will be paid to us in cash. In general, costs for organising the respective event will be considered by Seapower in respect of the amount to be awarded;
  - (b) An incentive fee shall be payable to us in cash by the end of the term of the supply agreement with reference to the sale amount of the respective products from Seapower to us. Incentive fee is capped and will be paid to us in cash. Based on the incentive plans, incentive points will be allocated to sale quantity of different types of beverage products and can be earned based on sale of such products. If the accumulated incentive points have reached certain milestone amounts, progressively increasing incentive fee will be awarded by Seapower to us; and
  - (c) Seapower has undertaken to spend certain amount over the term of the supply agreement for the purpose of renovating the Perrier-Jouët Champagne bar inside the premises and our point of sale materials for use in Club Cubic. This sum will not be paid to us in cash, and Seapower will conduct the renovation and supply of new point of sale materials directly.
- vii. Restriction against display and use of competitive products — While we may still sell competitive products compared with Pernod Ricard's products and include them in our menu, the procurement contract includes certain terms restricting the display and use of competitive products, such as: Club Cubic shall consistently encourage the purchase of Pernod Ricard's products to customers to the best of its ability, and shall represent the products fairly in comparison with competitive products. Competitive products shall not be represented, displayed or allowed to participate in any events or promotion, or displayed at Club Cubic. Point of sale materials of competitive products shall not be stored or used at Club Cubic. Pernod Ricard's products shall be used as house wines and pouring spirits (except during the period when Taboo show is in process).
- viii. Termination — The procurement contract may be terminated upon three month's notice under causes such as: if any party breaches any provision of the procurement contract, or if Club Cubic violates exclusivity clause or restrictions against display and use of competitive products.

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### *Beverage, food and tobacco products sale and entrance fees income*

Occasionally, staff of Seapower and its associates may visit Club Cubic for public relationship or business development purposes in our ordinary course of business. Given the established relationship, Seapower and certain of its senior staff have been recognised as our VIP customers and maintained an account with us under Seapower. No special discount has been offered, and the business is conducted on normal commercial terms.

For the years ended 31 December 2014 and 2015 and the four months ended 30 April 2016, the beverage, food and tobacco products sale and entrance fees income from Seapower contributed to HK\$0.6 million, HK\$0.3 million and HK\$0.3 million, representing 0.6%, 0.3% and 0.9% of our revenue, respectively.

The table below set out the revenue and costs with Seapower during the Track Record Period:

	<b>Four months ended</b>		
<b>Year ended 31 December</b>	<b>30 April</b>		
<b>2014</b>	<b>2015</b>	<b>2016</b>	
<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	
<b>Revenue</b>			
— Sponsorship income	9,880	11,214	1,723
— Beverage, food and tobacco products sale and entrance fees income	594	341	315
Total revenue	10,474	11,555	2,038
<b>Costs</b>			
— Costs of inventories purchased	16,269	16,151	5,157

### **Reasons of reliance**

Our Directors are of the view that the reliance on Seapower is mainly due to the following reasons:

#### ***Industry landscape***

As set out in the Euromonitor Report, according to clubbing venue operators and key Champagne distributors, the top three most popular Champagne brands sold in Macau are premium brands Moët & Chandon, Perrier-Jouët and Veuve Clicquot, which are exclusively distributed by the two largest Champagne distributors in Macau. Perrier-Jouët Champagne is distributed exclusively by Seapower; while Moët & Chandon and Veuve Clicquot Champagne are distributed exclusively by another supplier. Exclusive partnerships between specific establishments and Champagne distributors are not uncommon in Macau's market due to the small size of most establishments and the lack of major suppliers in the Champagne market. Please refer to the paragraph headed "Flexibility in sourcing from other suppliers" below in this section for further details about a previous proposal from another supplier.

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As a result, Seapower has been our major supplier during the Track Record Period, and our Directors are of the view that it is not uncommon given the above circumstances in Macau, and with reference to our established relationship with Seapower.

### *Contractual restrictive terms with Seapower*

Under our procurement contract with Seapower, we undertake not to promote beverages of brands that are not carried/supplied by Seapower in general, which has been a term agreed during our previous contracts with Seapower and is expected to continue in our future agreements. In return, we benefited from (i) purchasing Seapower's products at wholesale prices and incentive fee with reference to our purchase amount; and (ii) the sponsorship income for the events we organised. As a result, in order to enjoy the incentive fee and sponsorship income and due to the contractual restrictions, we have adopted the strategy that we would primarily promote Perrier-Jouët Champagne and other Pernod Ricard's products in Club Cubic.

Our Directors are of the view that the above contractual terms with Seapower would create a mutual beneficial relationship between our Group and Seapower. For details, please see the paragraph headed “— Mutual benefits between our Group and Seapower” below.

### *Long-term relationship with Seapower and stable supply*

Seapower is the exclusive distributor of Perrier-Jouët Champagne and other Pernod Ricard's products in Macau. We have established business relationship with Seapower since the opening of the current venue of Club Cubic in 2011. We believe the long term and established business relationship would enable us to better understand the requirement of Seapower. Accordingly, events organised by us in Club Cubic and other promotion activities would meet the requirements of Seapower and consistent with the theme of Perrier-Jouët brand, and create a synergy and reinforce the brand image of both of Club Cubic and Perrier-Jouët brand to the customers. During the Track Record Period, we have not experienced any shortage or delay of supply of products from Seapower.

According to the Euromonitor Report, on-trade retail value sales of Champagne market size in Macau is expected to increase during 2016 to 2020. Our Directors are of the view that based on our competitive advantage, we will benefit from the growth of overall market size. As a result, based on our established market position and business relationship, we believe Seapower will continue to maintain long term and sustainable business relationship and supply of products to us, which would at the same time increase its product sales.

### *Economy of scale*

Our Directors are of the view that promotion of Perrier-Jouët Champagne is consistent with our club image and would enable us to utilize economy of scale and efficiency. Our annual agreement with Seapower ends on 30 April every year. We were able to achieve the relevant threshold and obtained the capped amount of sponsorship income for the two years ended 30 April 2015.

In addition, our Directors are of the view that concentration of promotion of Perrier-Jouët Champagne being one of the most recognised Champagne brand would reinforce our image as a high-end and premium clubbing venue and maintain a consistent theme, which would further enable us to attract repeat customers looking for top-tier clubbing entertainment venue and atmosphere.

### **Sustainability of our business in view of our reliance on Seapower**

Our Directors are of the view that the following factors should contribute to the sustainability of our business in view of the reliance on Seapower:

#### ***Mutual benefits between our Group and Seapower***

As set out in the Euromonitor Report, Club Cubic is considered to be the pioneer of the modern clubbing scene in Macau. Club Cubic had succeeded in drawing worldwide attention to the clubbing scene in Macau by hosting top global stars such as LMFAO and Chris Brown at its premises, among other big names. It has also regularly hosted internationally renowned DJs for special events, and also holds Macau's exclusive Road to Ultra event, regarded as the world's biggest dance music festival.

As confirmed by Seapower, since the opening of Club Cubic in the present venue in 2011, it has been the largest customer and retailing point of Perrier-Jouët Champagne in terms of both (i) number of bottles and (ii) sales in Macau. Accordingly, our Directors are of the view that the business relationship with Seapower would be beneficial to each other. Our success has a positive impact to the result of operations and business performance of Seapower. Hence, our Directors are of the view that the reliance are mutual which enables us to have a bargaining power to negotiate for renewal upon expiry of the contract.

According to the Euromonitor Report, the market size of on-trade retail value sales of Champagne in Macau for the year ended 31 December 2015 was US\$19.6 million (equivalent to HK\$152.5 million). Based on such estimate, our Champagne sales accounted for approximately 35.4% of the market size of on-trade retail value sales of Champagne in Macau for the year ended 31 December 2015.

Accordingly, our Directors are of the view that based on our market position and experience, our reputation and events organised by us will be instrumental in the promotion of beverage products such as Champagne. Under our current contract with Seapower, we undertake not to promote beverages of brands that are not carried/supplied by Seapower in general, which has been a term agreed during our previous contracts with Seapower and is expected to continue in our future agreements. In return, we benefited from (i) purchasing Seapower's products at preferential wholesale prices and incentive fee with reference to our purchase amount; and (ii) the sponsorship income for the events we organised.

Seapower has the right to sponsor events organised in Club Cubic under Perrier-Jouët brand. We believe these measures provide valuable promotion and publicity opportunities for Perrier-Jouët products in one of the leading clubbing venues in Macau and towards target customers of higher-income background, which is beneficial to Seapower and the image of Perrier-Jouët as a whole.

***Flexibility in sourcing from other suppliers***

Under our procurement contract with Seapower, although we have contractual terms which restrict us to promote and display products other than Pernod Ricard's products, we are not bound from making purchases from other suppliers. During the Track Record Period, we have also made purchases of beverage products through COD from the other suppliers in Macau. For the two years ended 31 December 2014 and 2015 and the four months ended 30 April 2016, we have purchased from ten or more suppliers for beverage products other than Seapower, and the purchases from these suppliers accounted for approximately 26.6%, 30.2% and 23.5% of our total purchases. In general, these beverage suppliers have cooperated with us for one to five years, respectively. Therefore, our Group maintains flexibility in supplier selection. In case of supply disruption or termination, our Directors are of the view that we have the ability to make purchases of products from our other suppliers.

While we maintain a mutually beneficial relationship with Seapower, we aim to obtain favourable terms from suppliers and we would compare the terms provided by other potential supplier before renewal of our annual agreement with Seapower. Based on the previous negotiation with another supplier (which according to the Euromonitor Report, is a supplier of another popular Champagne brand sold in Macau), such supplier also offered comparable terms including sponsorship fee for events organised in Club Cubic and incentive fee based on our purchase amount. Beverages will be supplied through the exclusive distributor, which is one of the major Champagne distributors in Macau according to the Euromonitor Report. In the event that we shift to another beverage supplier and principally promote its products, it is expected that the renovation work may be conducted during day time when the club is closed and our operation and opening will not be interrupted, and that the costs for renovating the Perrier-Jouët Champagne bar and replacing existing point of sale materials with new point of sale materials under the brands of the new supplier will be borne by such new beverage supplier based on the previous proposals from suppliers.

According to the Euromonitor Report, Champagne distributors in Macau are supported by major Champagne brand owners with local offices in Macau or Hong Kong to ensure that there is a sufficient supply of Champagne to satisfy the demand of customers in Macau. Hence, based on the market feature and the previous proposal from another supplier, we are of the view that our Group has sufficient flexibility to source products readily from other suppliers at sufficient quantity and on similar terms.

Accordingly, in the event that we do not continue our relationship with Seapower, we believe that we could leverage on our resources, network, knowledge and experience in club operation and event organisation in promoting other brands and shift our product offerings readily.

***Engaging in events outside Club Cubic and reducing reliance***

We have entered into an agreement with the brand owner of Road to Ultra events, under which we are licensed to and obliged to organise the Road to Ultra event in Hong Kong or Macau annually until 2019. Road to Ultra events are single-stage events organised in a number of cities such as Macau, Taipei, Singapore, a number of cities in South America, etc. It is organised under the "Ultra Music Festival" label, which is an internationally renowned annual outdoor electronic music festival conducted in a number of cities since 1999. In June 2015, we successfully organised

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the 2015 Road to Ultra Macau inside the premises of Club Cubic, which is the first Road to Ultra event hosted in the Greater China region (excluding Taiwan). The 2016 Road to Ultra event was held in Hong Kong on 17 September 2016. For details, please refer to the paragraph headed “— Event Organisation — Organising events outside the venue of Club Cubic — Road to Ultra” above.

The 2016 Road to Ultra Hong Kong event has generated entrance fees income, sponsorship income as well as beverage sale income to our Group. At the same time, the event was held in a venue larger than Club Cubic and the capacity was larger and customer base was broader. Customers who were not necessarily high spenders were also expected to attend the event. Different types of alcoholic beverages such as beer and other non-alcoholic beverages, in addition to Champagne which has a generally higher price, had contributed a certain level of beverage sales during the event. As a result, the event enabled us to diversify our supplier base and the proportion of purchases from Seapower will be reduced. It is expected that future Road to Ultra events would also provide similar benefits.

### **Our Directors’ view**

Given the background in particular that (i) our Group can enjoy wholesale prices and the entitlement of sponsorship income and incentive fees from purchases from Seapower under our procurement contract with Seapower, which would benefit its result of operations, (ii) our Group may still purchase beverage products from other suppliers and distributors, (iii) the industry landscape of Macau Champagne market that three most popular Champagne brands are dominated by two local distributors only; (iv) the strategic cooperation are mutually beneficial to both Seapower and Club Cubic; and (v) engaging in events outside Club Cubic, our Directors are of the view that we will be able to control the risk of reliance on Seapower and capture growth opportunities in the markets by taking the measures described above and by implementing the strategies set out under the paragraph headed “— Business Strategies” in this section. Accordingly, our Directors are of the view that our reliance on Seapower would not impact our Group’s suitability for the Listing.

### **RELATIONSHIP WITH COD**

Club Cubic has closely cooperated with COD since the stage of planning. From the grand opening of Club Cubic at City of Dreams in April 2011, Club Cubic has been the only clubbing venue located inside the City of Dreams. We are of the view that we have provided premium and high-end clubbing and entertainment experience to customers including tourists and visitors to Macau, and contributed efforts in terms of attracting customer traffic in the City of Dreams.

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As a result of our relationship with COD and based on the Operating Agreement, we have engaged in various transactions with COD and recorded various items in the consolidated statements of profit or loss and other comprehensive income of our Group for the years ended 31 December 2014 and 2015 and the four months ended 30 April 2016 as follows:

	<b>Years ended 31 December</b>		<b>Four months ended</b>
	<b>2014</b>	<b>2015</b>	<b>30 April</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Revenue</b>			
— Events rental income	3,977	2,872	621
— Beverage, food and tobacco products sales and entrance fees income	709	1,157	165
— Sponsorship income from COD	<u>—</u>	<u>258</u>	<u>—</u>
Total revenue	<u><u>4,686</u></u>	<u><u>4,287</u></u>	<u><u>786</u></u>
	<b>Years ended 31 December</b>		<b>Four months ended</b>
	<b>2014</b>	<b>2015</b>	<b>30 April</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Costs/expenses</b>			
— Purchases of beverage and other consumables from COD	3,376	3,428	705
— Accounting services provided by COD			
Hotels	540	583	256
— Base fee paid to COD	3,304	3,304	1,101
— Sharing of profits with COD	<u>6,970</u>	<u>7,871</u>	<u>129</u>
Total costs/expenses	<u><u>14,190</u></u>	<u><u>15,186</u></u>	<u><u>2,191</u></u>

### **Operating Agreement**

The Operating Agreement governs the obligations and duties regarding the operation of Club Cubic by Luk Hing Macau (as operator) and COD (as the owner). Luk Hing Macau has not materially breached the Operating Agreement.

**Background of entering into the Operating Agreement**

*The Operating Agreement was entered into between the parties on an arm's length basis*

The terms of the Operating Agreement and other arrangements with COD and its associates were the outcome of commercial negotiations between Our Group and COD and its affiliates on an arm's length basis.

- COD and its affiliates are independent third parties to Our Group and its shareholders;
- The transactions and commercial arrangements with COD are all under the usual and ordinary course of the business of Our Group and COD; and
- To the best knowledge of the Directors, Melco Crown Entertainment Limited, being the holding company of COD which used to be a listed company on the Stock Exchange at the relevant time, had reviewed and approved the terms of and commercial arrangements under the Operating Agreement under its relevant internal procedures.

*Salient terms of the Operating Agreement with COD*

- (i) Right of use: COD (as the owner) gives Luk Hing Macau (as the operator) for the contractual period the right to operate Club Cubic according to the terms of the Operating Agreement.
- (ii) Contractual period: An original six years from the date of commencement of operation (i.e. 1 April 2011). Luk Hing Macau has exercised an option to renew for a further term of three years (the “**Renewal Term**”) upon expiry of the contractual period on 31 March 2017 (i.e. up to 31 March 2020), which was accepted by COD. Luk Hing Macau is granted an option on 5 August 2016 to renew for a further term of five years (i.e. from 1 April 2020 to 31 March 2025) (the “**Potential Renewal Term**”) upon expiry of the Renewal Term. The option to renew for the Potential Renewal Term is conditional upon, among others, (i) Luk Hing Macau giving the renewal notice before 1 April 2017, (ii) the opening of the first phase expansion on or before 1 October 2017 (subject to COD 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) and (iii) there is no event of default under the Operating Agreement as at the date of renewal notice and the date when the first phase expansion is open for business.

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Our Directors confirm that our Group has served the above renewal notice to COD (with effect conditional upon the Listing) and will commence the expansion plan after we have obtained the net proceeds from the Placing. The conceptual design of the layout plan of the expansion has been agreed in principle by COD. Our Group has also identified and obtained quotation from licensing consultant and designer regarding the expansion area. Assuming the Listing is completed in November 2016, based on current estimate, our Company targets to complete renovation of the first phase expansion area in or about February or early March 2017, and expects the first phase expansion will be open for business in or about the first half-year of 2017. As advised by our Macau Legal Advisers, if the layout plan of the expansion area has met the relevant licensing requirements, there is no legal impediment for our Group to obtain the necessary licenses for the expansion area because (a) Club Cubic has already obtained the karaoke license and dance hall license in the existing site, the existing site of Club Cubic has complied with and fulfilled all the requirements as requested under the laws of Macau, (b) Luk Hing Macau has duly registered in the Commercial and Movable Property Registry and completed the business tax filing, and (c) pursuant to the search made with Macau Identification Bureau the relevant Macau authority, it is confirmed that the administrator of Luk Hing Macau (i.e. Mr. John Choi) has no criminal record. Therefore, our Directors are of the view that we will be able to open the first phase of expansion within the timeline under the Operating Agreement (i.e. on or before 1 October 2017).

- (iii) Obligations of operator:
- (a) Luk Hing Macau shall obey, observe and comply with and to indemnify COD against the breach of all statutory requirements relating to Club Cubic save and except breaches occasioned by the negligence, omissions, default on the part of COD;
  - (b) Luk Hing Macau must observe the relevant fire precautions rules set out under the Operating Agreement;
  - (c) Luk Hing Macau must observe the relevant dangerous goods, dangerous substances rules set out under the Operating Agreement;
  - (d) save and except liability, claims or losses occasioned by the negligence, omission or default on the part of COD:
    - (1) to be wholly responsible for any liability to any person or property directly or indirectly through the defective or damaged condition or operation of any part of the interior of Club Cubic or through the act, default or neglect of Luk Hing Macau, and to indemnify COD against all liability made upon COD by any person in respect of any such liability incidental thereto; and

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- (2) to be responsible for any claim arising as a result of any accident happening at Club Cubic or any injury suffered or damage to or loss of any chattels or property sustained whether within or outside Club Cubic as a result of such accident, and to indemnify COD against all liability made upon COD by any person in respect of any such liability incidental thereto.
- (e) to keep Club Cubic open for business at all times of the year during the designated hours according to the Operating Agreement;
- (f) Luk Hing Macau shall remove from Club Cubic all garbage, refuse and construction and decoration waste to such location as may from time to time be reasonably designed by COD;
- (g) to keep all the non-structural interior and exterior of Club Cubic in good, clean, substantial and proper repair and condition;
- (h) to return Club Cubic with all fixtures, fittings and additions therein and thereto at the expiration of the Operating Agreement in reasonably good, clean repair and condition in accordance with the Operating Agreement. Such fixtures and fittings primarily include the stage and decoration incurred by COD at the opening of Club Cubic. They were not owned by our Group and were hence not recorded as assets in the consolidated statements of financial position of the Group. Our Directors confirmed that these fixtures and fittings would be returned to COD and that no works on structural changes would be involved at the expiration of the Operating Agreement. Our Group incurred repair and maintenance expenditure every year to maintain the condition of its own fixed assets as well as the stage and decoration in the club. Taking into account these factors and the fact that the Operating Agreement is a long-term contract with a term until March 2020, which may be extended further to March 2025 upon the exercise of renewal option, we considered that no provision for reinstatement costs was required to be recognized as the possible obligation of our Group was remote.
- (i) Luk Hing Macau shall prepare for COD's approval where such approval from COD should not be unreasonably withheld or delayed:
  - (1) a budget for the costs of operation of Club Cubic;

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- (2) monthly progress reports showing expenses incurred against budgeted figures; and
- (3) the future annual operating budgets.

In the event that the budget is not approved from COD, Luk Hing Macau will re-submit the budget to COD for approval. The failure to submit the budget to COD for its approval is not itself a ground of termination unless it is not remedied within 45 days of receipt of notice from COD and it will be deemed to be an event of default which will allow COD to terminate the Operating Agreement.

The Directors believe that it is very unlikely that the failure to obtain approval from COD on the budget will lead to a termination of the Operating Agreement since the approval from COD should not be unreasonably withheld and COD has not rejected the budgets prepared by Luk Hing Macau since opening of Club Cubic.

- (j) Luk Hing Macau shall inform COD of items which are reasonably anticipated to exceed the budgeted amount.
  - (k) Luk Hing Macau shall prepare and file all tax returns and reports related to the payment of all relevant Macau taxes.
  - (l) not to make any disposal or encumbrance in respect of the Operating Agreement, including but not limited to any take-over, reconstruction, amalgamation, merger, voluntary liquidation or change in the person or persons who owns or own a majority of its voting shares or who otherwise has or have effective control thereof (except with the prior written approval by COD, such approval not to be unreasonably withheld).
- (iv) COD's obligations:
- (a) upon Luk Hing Macau paying the Base Fee and observing and performing its obligations under the Operating Agreement, it shall peacefully hold and enjoy Club Cubic during the term without any interruption by COD or any person lawfully claiming under or in trust for it save as otherwise provided for in the Operating Agreement; and
  - (b) pay property tax payable in respect of Club Cubic (if any).

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- (v) Profit sharing arrangement:

Pursuant to the Operating Agreement, there is a profit sharing arrangement such that net revenue (the “**Net Revenue**”) of Club Cubic shall be shared between COD (the “**Owner’s Share of Profit**”) and Luk Hing Macau (the “**Operator’s Share of Profit**”). The Net Revenue will be calculated by deducting the following amount from the revenue: (a) a fixed % of royalty out of the revenue (excluding sponsorship income) of Club Cubic (the “**Royalty**”), (b) the Base Fee, (c) operating costs as agreed by the parties and (d) a fixed amount of reserve for fixture, furniture and reserve (the “**FF&E Reserve**”). The Net Revenue will be shared among COD and Luk Hing Macau at a fixed profit sharing ratio, which remained unchanged during the Track Record Period and will remain unchanged for the Renewal Term and the Potential Renewal Term.

The portion of Net Revenue to be shared with COD will be paid by us quarterly, except for the amount which may be carried forward as set out below.

Upon opening of business of the first phase expansion and until March 2020, a minimum amount of MOP10.25 million (the “**Minimum Amount**”) and a maximum amount of MOP12.0 million (the “**Maximum Amount**”) of annual aggregate sum of (i) the portion of the Net Revenue to be shared with COD and (ii) the Base Fee to be paid to COD (collectively the “**Aggregate Payment**”) will be set:

- (a) When a positive Net Revenue is recorded:
- (i) If the Aggregate Payment exceeds the Maximum Amount, the Aggregate Payment shall be capped at the Maximum Amount.
  - (ii) In the event of any shortfall between the Aggregate Payment and the Minimum Amount, the shortfall shall be paid to COD firstly from the Operator’s Share of Profit and, if not sufficient, from Royalty, to make up the shortfall. If the payment to COD of the Operator’s Share of Profit and the Royalty is not sufficient to cover the shortfall, the deficient amounts will be carried forward to subsequent years until such amount is fully paid by Luk Hing Macau.

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(b) If an operating loss (i.e. no positive Net Revenue is recorded) is recorded, the Aggregate Payment shall be limited to the sum of the Base Fee and Royalty and capped at the Minimum Amount. If there is any shortfall between the Aggregate Payment and the Minimum Amount set out in the Operating Agreement, the deficient amount shall be carried forward to subsequent years until such amount is fully paid by Luk Hing Macau.

(vi) Base Fee:

A fixed amount of MOP12 per square foot multiplied by the gross floor area of Club Cubic (25,780 square feet), payable monthly by Luk Hing Macau. The Base Fee will increase to MOP15 upon commencement of the Renewal Term and further increase to MOP20 per square foot (multiplied by the existing gross floor area plus the expansion area) upon commencement of the Potential Renewal Term.

From the date of delivery by COD to Luk Hing Macau of the area of the first phase expansion until the earlier of (i) opening of the area of the first phase expansion to public for business or (ii) 1 October 2017 (or any postponement due to delay in grant of the relevant licenses by the relevant authorities or force majeure events which suspend the fitting out work of the first phase expansion), Luk Hing Macau shall enjoy Base Fee exemption period in respect of the gross floor area of the first phase expansion.

From the date of delivery by COD to Luk Hing Macau of the area of the second phase expansion, which shall occur no earlier than (i) the date first phase expansion is open for business, or (ii) 1 October 2017 (or any postponement due to delay in grant of the relevant licenses by the relevant authorities or force majeure events which suspend the fitting out work of the first phase expansion), or as otherwise agreed between the parties; until the earlier of (i) the date on which second phase expansion is open for business or (ii) eighteen months from the earlier of (a) the date first phase expansion is open for business, or (b) 1 October 2017 (or any postponement due to delay in grant of the relevant licenses by the relevant authorities or force majeure events which suspend the fitting out work of the first phase expansion), the Operator shall enjoy a Base Fee exemption period in respect of the gross floor area of the second phase expansion.

(vii) Royalty:

A sum calculated at a fixed % out of the revenue (excluding sponsorship income) of Club Cubic. In the event that there is an operating loss (i.e. negative Net Revenue) in any financial year, the Royalty rate will be decreased to a lower fixed %.

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The % remained unchanged during the Track Record Period and will remain unchanged for the remaining term of the Operating Agreement unless there is an operating loss in any financial year at which the Royalty rate will be decreased to a lower fixed %. Upon opening of business of the first phase expansion and until March 2020, in the event of any shortfall between the Aggregate Payment and the Minimum Amount, the shortfall may be paid to COD out of the Royalty as mentioned above.

This amount of Royalty will be retained by Luk Hing Macau, and deducted from the revenue of Club Cubic for the purpose of calculating the profits of Club Cubic under the profit sharing arrangement between COD and Luk Hing Macau discussed above. This is not an item recorded in the consolidated statements of profit or loss and other comprehensive income of our Group.

(viii) FF&E Reserve:

It is a reserve for the purpose of fixture, furniture and equipment for Club Cubic, set up and maintained by Luk Hing Macau.

This is an agreed annual fixed sum retained by Luk Hing Macau, and will be deducted from the revenue of Club Cubic for the purpose of calculating the profits of Club Cubic under the profit sharing arrangement between COD and Luk Hing Macau discussed above.

(ix) Operating loss:

Luk Hing Macau shall not be liable for any cumulative operating loss (i.e. negative Net Revenue) recorded in any financial year of the term of the Operating Agreement of Club Cubic. COD agreed to offer such term to Luk Hing Macau in consideration of our Group agreeing to a lower % of Royalty, which would result in a higher amount of profits to be shared with COD based on the above formula. The parties will negotiate and agree separately in respect of the payment arrangement by COD upon occurrence of such situation. In respect of pre-opening loss and post-operating loss, these losses were recorded as Luk Hing Macau's receivables, which was settled by way of setting off against trade and other payables, including Base Fee and profit sharing payables, to COD, until the amount was fully settled. Our Directors are of the view that, based on the net profits of our Group of HK\$8.8 million and HK\$9.4 million for the two years ended 31 December 2015, the occurrence of such situation that there is a remaining operating loss amount not fully set-offed at the expiry of the Operating Agreement will only happen in extreme situation (only when there is a significant amount of operating loss throughout the term of the Operating Agreement). This term will continue during the Renewal Term and the Potential Renewal Term as an incentive for us to extend a longer period of contractual term because Club Cubic would provide strategic benefits to City of Dreams in terms of attracting customer traffic to the shopping mall and hotels and maintain its profit from Club Cubic. For the two years ended 31 December 2014 and 2015, Club Cubic had not incurred cumulative operating loss (i.e. negative Net Revenue) hence this clause has not been triggered. This provision is applied annually.

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- (x) Provisional start up fund: A sum being the provisional start up fund (“PSUF”) has been advanced by COD to Luk Hing Macau for start up cost. PSUF as at 31 December 2014 up to the Latest Practicable Date was MOP9 million. The amount is payable to COD and is unsecured, interest-free and repayable at Luk Hing Macau’s best effort during the term of the Operating Agreement, but in any event no later than 10 days after the end of the term of the Operating Agreement (and any extension thereto), or, if earlier terminated, 10 days after termination date.
- (xi) Expansion of Club Cubic: Luk Hing Macau has committed to COD that:
- The first phase expansion shall comprise a gross floor area of 4,000 square feet to be opened to the public for business on or before 1 October 2017 (subject to COD not unreasonably withholding the approval of the plan in accordance with the Operating Agreement, 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) and represent an investment by Luk Hing Macau in the fit-out of such area of not less than MOP15 million.
- The second phase expansion shall comprise a gross floor area of 4,000 square feet and represent an investment by Luk Hing Macau in the fit-out of such area of not less than MOP5 million.
- In the event that Luk Hing Macau, after giving the renewal notice, notifies COD that it will not proceed with the investment in the second phase expansion, it shall not be liable for any damages or claims in respect of second phase expansion except that Luk Hing Macau shall be liable for payment of the Base Fee in respect of the area of the second phase expansion until 31 March 2025 or until such earlier date as COD determine to take back possession of such area.
- (xii) Insurance arrangement: COD shall maintain insurance cover in respect of third party liability arising from any accident happening at Club Cubic, while Luk Hing Macau shall maintain relevant third party insurance in relation to fitting out and renovation for the expansion.
- (xiii) Prohibitions of illegal acts inside the premises: Luk Hing Macau shall not use any part of Club Cubic for gambling or for any illegal, immoral or improper purposes.

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- (xiv) Restriction against competitive operation in Macau: During the term of the Operating Agreement, without written consent from COD, Luk Hing Macau shall not (and shall procure the Company, Mr. John Choi and Ocean Concept not to) own, operate or have any interest in any business similar to Club Cubic and/or operate or permit the operation of the same under the name “Cubic” within Macau.
- The Operating Agreement does not restrict COD from opening new club(s) within its premises which may compete with Club Cubic.
- This clause will not restrict our Company’s ability to operate under the name “Cubic” after termination of the Operating Agreement.
- (xv) License: During the Track Record Period, COD undertook to procure COD Hotels to use commercially reasonable endeavours to maintain effective dance hall license and karaoke license and renew the licenses during the term of the Operating Agreement (subject to Luk Hing Macau complying with all terms of the Operating Agreement, applicable laws and all instructions given by COD with respect to the operation of Club Cubic, to the extent that failure to comply with such instructions may adversely impact COD Hotels’ ability to maintain or renew the licenses). COD Hotels transferred the licenses for the operation of Club Cubic to us on 15 September 2016. For details, please refer to the section headed “— Relationship with COD — Licenses held by COD Hotels during the Track Record Period” below.
- (xvi) Operator Change of Control Event: Occurrence of any of the following will constitute an Operator Change of Control Event:
- (a) after completion of the listing process, our Company ceasing to be publicly listed on the Stock Exchange or other applicable stock exchange; or
  - (b) the Company ceasing to beneficially own, directly or indirectly, 100% of the outstanding share capital of Luk Hing Macau

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- (xvii) Restriction against disposal or encumbrance of the Operating Agreement:
- (a) Luk Hing Macau shall not make any disposal or encumbrance in respect of the Operating Agreement, including in particular any take-over, reconstruction, amalgamation, merger, voluntary liquidation or change in the person or persons who owns or own a majority of its voting shares or who otherwise has or have effective control thereof (except with the prior written approval by COD, such approval not to be unreasonably withheld). This provision shall not restrict the transfer of shareholding interest in our Company as long as its shares are listed on the main board or GEM of the Stock Exchange unless such transfer has constituted an Operator Change of Control Event.
- (b) In case Mr. John Choi ceases to beneficially own, directly or indirectly, at least 30% of share capital of our Company (including any and all agreements, warrants, rights or options to acquire any share capital and measured by both voting power and size of equity interests) (calculated under Part XV of the SFO and inclusive of any deemed interest pursuant thereto) (the “**Disposal Restriction**”), Luk Hing Macau shall immediately notify COD in writing. Within 60 days (or such longer period as agreed by COD) from the date of receipt of such notice by COD, the parties shall enter into good faith discussion with a view to ensuring that the then prevailing business goals and strategic direction of Club Cubic (collectively “**Business Direction**”) will not be changed as a result of such change in the beneficial interest of Mr. John Choi in our Company. In this respect, Luk Hing Macau may be required to provide certain undertakings in relation to the continuity of the Business Direction to COD. In the event of failure of the parties to reach an agreement to maintain the Business Direction within the stipulated period, COD may (but not obliged to) terminate the Operating Agreement;

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- (c) Mr. John Choi has joined our Group since May 2010 and is our executive Director. He is primarily responsible for overall strategic planning and supervising marketing and entertainment aspects of our Group. Mr John Choi is also one of our Controlling Shareholders. Through his responsible roles with our Group, Mr. John Choi has contributed to our success in offering high standard, premium clubbing and entertainment experience and having an established network with internationally acclaimed DJs and artists. In the course of negotiation between the parties, it was considered that his commitment to our Group is related to our Group's success. As discussed in the paragraph headed "Mutual benefits between our Group and COD" below, our Group's success would have a positive impact on the overall customer traffic of City of Dreams and provide sharing of profits to COD. Therefore, the above Disposal Restriction was imposed such that his shareholding interest is maintained at a certain level to ensure he will continue to commit to our Group.
- (d) As disclosed in the section headed "Substantial Shareholders" in this prospectus, Mr. John Choi is deemed to be interested in 60.75% of the interest in the Shares of our Company pursuant to Part XV of the SFO immediately upon Listing. Accordingly, this provision is satisfied as at the Latest Practicable Date and immediately upon Listing. For details, please refer to the section headed "Substantial Shareholders" in this prospectus;
- (e) Situations which will trigger the Disposal Restriction will include but are not limited to the following and for the purpose of illustration no Shares which may be issued pursuant to the exercise of any option which may be granted under the Share Option Scheme will be taken into account:
  - (i) As Mr. John Choi is deemed to be interested in 60.75% of the shareholding interest of our Company pursuant to the SFO immediately following the completion of the Capitalisation Issue and the Placing through his shareholding in Welmen, in the event that the shareholding interest held by Welmen in our Company falls below 30%, the Disposal Restriction would be triggered.

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- (ii) Each of Mr. John Choi and his brother Mr. Simon Choi holds approximately 7.1% of the shareholding interest in Welmen. Ocean Concept (being a company controlled by Mr. John Choi and Mr. Simon Choi) holds approximately 30.3% of the shareholding interest in Welmen. As at the Latest Practicable Date, Mr. John Choi and the other shareholders of Welmen are parties acting in concert. For details, please refer to the section headed “Relationship with our Controlling Shareholders” in this prospectus. Accordingly, if Mr. John Choi together with Ocean Concept (and other parties acting in concert) own less than one third of the shareholding interest in Welmen, Welmen will no longer be a “controlled corporation” of Mr. John Choi pursuant to the SFO and that Mr. John Choi will not be deemed to be interested in the Shares held by Welmen in our Company. In such situation, the Disposal Restriction would be triggered.
  - (iii) In extreme situations such as Mr. John Choi’s decease or bankruptcy, the Disposal Restriction will also be triggered.
  - (f) Mr. John Choi has undertaken to our Company that he would negotiate with COD in advance and ensure that COD will not terminate the Operating Agreement due to failure to maintain the Business Direction before he disposes any Shares he holds directly or indirectly, or creates any encumbrance over any Shares he holds directly or indirectly, if the disposal of Shares or exercise or enforcement of the encumbrance would trigger the above termination event as described under the above paragraph (xvii)(b).
- (xviii) Events of default: Events of default include, but not limit to:
- (i) Luk Hing Macau makes default in any payment on due date to COD;
  - (ii) Luk Hing Macau commits any breach of or omits to comply with or observe the Operating Agreement, and where capable of remedy fails to remedy such breach or omission within 45 days of receipt of notice from Club Cubic;
  - (iii) Luk Hing Macau become bankrupt or otherwise become insolvent or commits an act of bankruptcy or make any arrangement or composition with its creditors;

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(iv) Club Cubic fails to meet the minimum annual turnover of MOP30 million; or

(v) an Operator Change of Control Event occurs.

In the event of default in payment of any monies payable by Luk Hing Macau for a period of 14 days from the date when payment is due, Luk Hing Macau shall pay to COD on demand daily interest on all such sums outstanding at the monthly rate of 0.75% calculated from the date on which the same shall be due for payment until the date of payment.

(xix) Termination:

In the event of occurrence of (a) any event of default or (b) the situation mentioned under the paragraph headed “— Restriction against disposal or encumbrance of the Operating Agreement” above, or (c) if COD fails to satisfy any of the requirements of any gaming authority, or (d) if COD or any of its group companies is directed to cease business with Luk Hing Macau by any gaming authority, or (e) if COD shall in good faith determine that Luk Hing Macau or any of its officers, directors, employees etc. (i) is or might be engaged in or is about to be engaged in any business or activities or (ii) was or is involved in any relationship either of which could or does jeopardize any gaming licenses, or if any gaming licenses are justifiably threatened to be, or is, denied, curtailed, suspended revoked or made conditional due to such business or relationship, COD may terminate the Operating Agreement and take complete control of Club Cubic and grant a new operating agreement to other party as COD shall in its absolute discretion think fit.

COD may also terminate the Operating Agreement after six months from the occurrence of a force majeure event rendering City of Dreams or Club Cubic inaccessible or unfit for commercial, if City of Dreams or Club Cubic has not been restated.

### *Commercial rationale behind the Operating Agreement*

The commercial rationale behind the Operating Agreement is summarised as follows:

- As the investors of Old Cubic have made substantial investments in the renovation and decoration of the venue of Old Cubic and that between the closure of Old Cubic in August 2010 to the opening of Club Cubic in April 2011, expenses such as staff cost, renovation and decoration expenses, marketing and promotion expenses for grand opening and during the ramp up period were incurred. Terms including the absorption of pre-opening and post-operating losses and provision of start-up funds can be deemed as business incentives offered by COD to the investors of Old Cubic to accept their invitation to move from AIA Tower to

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the City of Dream complex. Therefore, the commercial terms for the benefits of our Group are part of the package of the commercial arrangement with COD, and should not be considered as one-sided benefits or concessions.

- Given the level of investment committed by COD, the restrictive term that Luk Hing Macau, Mr. John Choi, Ocean Concept and our Company shall not operate similar business in Macau was agreed to protect the interests of COD and to maintain the competitiveness of City of Dreams.
- Our Directors are also of the view that the restrictive term that Luk Hing Macau, Mr. John Choi, Ocean Concept and our Company shall not operate similar business within a certain radius is not uncommon for business operator and its controlling shareholder of restaurant and bar businesses situated in resort complex in Macau. In view of the small geographical territory of Macau and the established influence of Club Cubic, it is commercially reasonable to set out such restriction to the whole of Macau.

### **Other activities with COD**

As a result of our relationship with COD, during the Track Record Period and as at the Latest Practicable Date, in addition to operating Club Cubic pursuant to the Operating Agreement, we have obtained the following income from and made the following purchases with COD (and its affiliates).

#### ***Income from COD***

##### *Events rental income*

During the Track Record Period, for attracting customer traffic to Club Cubic and City of Dreams as a whole, COD has organised the Taboo show and rented Club Cubic as the venue to host the show. The show was in general five times a week between around 9:30 p.m. to 11:15 p.m. We charged a fee from COD for (i) monthly electricity consumed by Club Cubic facilities that exceeds a fixed limit and (ii) a fixed % of food and beverage profits, in the minimum amount set out in the agreement per performance of Taboo show.

For the years ended 31 December 2014 and 2015 and the four months ended 30 April 2016, the events rental income from COD contributed to approximately HK\$4.0 million, HK\$2.9 million and HK\$0.6 million representing approximately 3.3%, 2.3% and 1.8% of our revenue, respectively.

The Taboo show ended in March 2016 and the above events rental relationship has ended accordingly.

##### *Beverage, food and tobacco products sales and entrance fee income*

Occasionally, executives of COD and its associates may visit Club Cubic for public relationship or business development purposes in our ordinary course of business. Given the established relationship, COD and certain of its executives have been recognised as our VIP customers and maintained an account with us under COD. No special discount has been offered, and the business is conducted on normal commercial terms.

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For the years ended 31 December 2014 and 2015 and the four months ended 30 April 2016, the beverage, food and tobacco products sales and entrance fee income from COD contributed to approximately HK\$0.7 million, HK\$1.2 million and HK\$0.2 million, representing approximately 0.6%, 1.0% and 0.5% of our revenue, respectively.

### *Sponsorship income from COD*

During the Track Record Period, with a view to driving customer traffic to Club Cubic and the City of Dreams as a whole, COD and we would discuss regularly on market trend and spending habits of tourists and other customers, review events to be organised together and explored cooperation opportunities. In general, we would invite COD to sponsor events organised inside the club. We have not entered into any long term sponsorship agreement with COD, and COD will review the event on a case by case basis in assessing the sponsorship fee to us. In making the assessment, we are of the view that COD will in general consider factors such as amount of expenditure incurred by us, popularity of DJs and artists invited, feature and theme of the events, and timing of the event. For details regarding planning of event and involvement of and negotiation of COD, please refer to “— Event Organisation” above.

For the year ended 31 December 2015, we received sponsorship income of HK\$0.3 million from COD. We did not receive any sponsorship income from COD in 2014 and the four months ended 30 April 2016.

### *Purchases of goods and services from COD*

#### *Purchases of beverage and other consumables from COD*

As a matter of COD’s policy, it would sub-distribute beverages and other consumables to premises inside the City of Dreams such as restaurants, bars and Club Cubic. We have not entered into long term sale contract with COD, and we would review factors such as the stock level, expected purchases from customers, the then unit prices quoted by COD, and place orders to COD from time to time with a view to maintaining an optimal level of stocks.

Our contract with COD does not set out any restriction against display and use of competitive products and logo of other beverage sellers. Our purchases of beverage products from COD do not contravene with our procurement agreement with Seapower.

For the two years ended 31 December 2014 and 2015 and the four months ended 30 April 2016, purchases from COD accounted for approximately HK\$3.4 million, HK\$3.4 million and HK\$0.7 million, and COD was the second largest supplier during the respective period.

### *Accounting services provided by COD Hotels*

During the Track Record Period and in 2016, we have engaged COD Hotels to provide accounting services to us at a monthly fee.

In general, scope of COD Hotels’ services includes bookkeeping, accounting, internal control, financial policy and procedures. Our finance department will review the work conducted by COD Hotels and the accounts will be subject to the approval of our management based on our internal policies.

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Based on the Operating Agreement, we will have a profit sharing arrangement with COD in respect of the profits of Club Cubic. To avoid potential disputes in respect of calculation, we have engaged COD Hotels to provide the above accounting services.

As confirmed by our Directors, during the Track Record Period and up to the Latest Practicable Date, we have not encountered any disputes with COD in relation to the accounting and financial matters and calculation of the profit sharing.

### **Licenses held by COD Hotels during the Track Record Period**

COD Hotels is an associate of COD Developments, being the owner of the City of Dreams. During the Track Record Period, the parties agreed that COD Hotels would be registered as the owner and our Company as the operator of the dance hall license and karaoke license respectively for the operation of Club Cubic. Since COD Hotels was in a better position to apply for the licenses as part of the application documents such as layout plan of the City of Dreams complex would need to be obtained from COD Developments. Please see also “— Our Group’s capabilities to operate Club Cubic independently” below for further details.

COD Hotels transferred the licenses for the operation of Club Cubic to us on 15 September 2016. We expect to pay approximately MOP0.8 million (approximately HK\$0.8 million) in aggregate to COD Hotels and incur approximately MOP0.2 million (approximately HK\$0.2 million) government, legal and professional fees to acquire the licenses.

Our Macau Legal Advisers have advised that (i) Luk Hing Macau has complied with the laws, regulations and conditions under the relevant licensing regime in Macau; (ii) there is no foreseeable impediment for Luk Hing Macau to continue to comply with such laws and regulations as Luk Hing Macau currently complies with therein; (iii) the operation of Club Cubic is in full compliance with the relevant laws and regulations while COD Hotels or our Group being the holder of the above licenses; (iv) they do not expect any legal impediment for our Group to renewing such licenses, approvals and permits. For details, please see also “— Our Group’s capabilities to operate Club Cubic independently” below.

### **Music**

According to the agreement between COD Hotels and Macau Association of Composers, Authors and Publishers, Club Cubic is licensed to publicly perform musical compositions and works. For details, please see “— Entertainment, Music and Lighting Equipment”.

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### **Sustainability of our business in view of our reliance on COD and Club Cubic as our only clubbing venue**

Our Directors are of the view that the risk of reliance on Club Cubic as the only clubbing venue is not extreme and the following factors should contribute to the sustainability of our business in view of the reliance on COD and Club Cubic as our only clubbing venue:

#### ***Mutual benefits between our Group and COD***

Our Directors are of the view that the business relationship of our Group with COD would be beneficial to each other, based on factors including but not limited to the followings:

- Old Cubic was a reputable club in Macau. Prior to the closure of Old Cubic, Old Cubic was recognised and introduced by The World's Finest Clubs, a global guide of luxurious clubs. In addition, Old Cubic attracted certain level of media attention and business success in attracting internationally renowned DJs and artists including AJ A-Trak (winner of multiple major international DJ competitions), Fatman Scoop (Grammy award winner), Wally Lopez (Ibiza DJ award winner) and Big Ali (a renowned party MC) to perform in the club already, which demonstrated the success and market reception of Old Cubic and that Old Cubic might operate alone without moving to the City of Dreams;
- Old Cubic had a gross floor area of approximately 8,449 sq. feet (which would be the fifth largest clubbing venue in Macau at present if it had not closed down based on the data regarding clubbing venues in Macau in the Euromonitor Report);
- As set out in the Euromonitor Report, Club Cubic is considered to be the pioneer of the modern clubbing scene in Macau. Club Cubic had succeeded in drawing worldwide attention to the clubbing scene in Macau by hosting top global stars such as LMFAO and Chris Brown at its premises, among other big names. We also organise featured events such as the 2015 Road to Ultra Macau event with internationally renowned DJs and artists to perform;
- Club Cubic would attract customer traffic to the City of Dreams as a whole because Club Cubic offers music, clubbing and entertainment experience for visitors to the City of Dreams complex, and that such entertainment offered would complement the entertainment experience of visitors and hotel guests in City of Dreams since Club Cubic is the only clubbing venue situated therein and one of the two major entertainment venues marketed by COD. In addition, Club Cubic is the only entertainment venue which would remain open generally after 2 a.m. inside City of Dreams complex, other than facilities inside hotels. Such feature demonstrates the unique value of Club Cubic in terms of providing nightlife entertainment experience to visitors to City of Dreams. Moreover, due to the close proximity, the featured events of Club Cubic would have positive impact on the occupancy rates of the hotels inside City of Dreams. As confirmed by COD, hotel bookings of City of Dreams during nights with featured events generally recorded high occupancy rates during the Track Record Period. For example, bundle package for entry tickets for certain music-related event at Club Cubic and hotel stays at the City of Dreams is provided to attract visitors to both Club Cubic and the City of Dreams complex; and

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- Pursuant to the Operating Agreement, COD is entitled to receive the share of profit under the profit sharing arrangement and the base fee.

Our success has a positive impact to the result of operations and business performance of COD by increasing the overall customer traffic in City of Dreams as well as promoting their brand image as a whole and increase the number of hotel and casino guests and providing entertainment experience to them as the only clubbing venue in City of Dreams. Hence, our Directors are of the view that our relationship is mutually beneficial.

### ***Long term business relationship and contractual period of the Operating Agreement***

We have developed a long-term business relationship with COD since April 2010. The contractual period of the Operating Agreement will expire on 31 March 2020, which may be extended to March 2025 subject to the terms therein, and COD cannot unilaterally terminate unless (a) any of the events of default occurs, or (b) the parties fail to reach an agreement to maintain the business direction of Club Cubic within 60 days (or such longer period as agreed by COD) after COD has received notice from our Company that Mr. John Choi has ceased to hold the prescribed level of shareholding interest in our Company, or (c) in the extreme situations such occurrence of certain unfavourable events involving gaming authority or its gaming licenses, or (d) occurrence of force majeure events rendering City of Dreams or Club Cubic inaccessible or unfit for commercial use. Accordingly, we will maintain a relatively long term of the right to operate Club Cubic, which has a positive impact to the sustainability of our business. The parties have extended the initial contractual period (expiring in March 2017) for a further period between April 2017 and March 2020, while there is no drastic amendment on the commercial terms between the parties save as to an increase of Base Fee from MOP12 per square foot to MOP15.

### ***Our Group's capabilities to operate Club Cubic independently***

Our Group's capabilities to operate Club Cubic independently for the following reasons:

- Our Group is able to operate independently from COD and that COD was not involved in the management of Club Cubic;
- We have obtained a loan facility of HK\$5.0 million in April 2016 and expired in October 2016, and an overdraft facility of HK\$3.0 million in May 2016 available until further notice but subject to annual review by the bank, and we are of the view that similar facility can be obtained for our operation upon expiry of the existing facility. We are also of the view that the credit facilities already obtained coupled with our internally generated cash flows and net proceeds from the Placing will be sufficient for our operation for the next twelve months from the date of this prospectus. The mortgage provided by the associate of our Controlling Shareholders and the pledge of fixed deposit of Mr. Jerry Au in respect of the above credit facilities will discontinue upon the Listing and be replaced by a corporate guarantee by the Company. Accordingly, we are of the view that there is no legal or practical impediments for our Group to independently obtain credit financing for Club Cubic's operation;

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- For the accounting services provided by COD Hotel to the Group, such arrangement is made for practical and convenience purpose to avoid potential disputes in respect of the calculation of the profit sharing arrangement and is not mandatory under the Operating Agreement, so the Group has the flexibility to switch to other alternative service provider for accounting services. Accordingly, we are of the view that the provision of such service by COD Hotels does not constitute a reliance on COD or COD Hotels;
- As to the arrangement that the relevant licenses were held by COD Hotels (an associate of COD Developments, being the owner of the City of Dreams), during the Track Record Period, we are of the view that it is a commercial arrangement for practical and convenience purpose because COD Hotels was in a better position to hold the licenses during the term of the Operating Agreement (as part of the application documents such as layout plan of City of Dreams complex would be needed to be obtained from COD Developments, being the owner of City of Dreams and its associate). Also, according to the Euromonitor Report, it is not uncommon for the venue owner to hold the relevant licenses for the operator of the clubs and among the two other existing clubbing venues situated in resort properties as of the end of January 2016, their licenses are held by the landlord. In the event that a relocation of Club Cubic is necessary upon expiry of the Operating Agreement, a new application for licenses shall be filed in respect of the new venue, hence there is no detriment from economical and practical point of view to our Group in relation to the above arrangement. In order for us to maintain a higher control of the licenses, COD Hotels transferred the licenses to our Group on 15 September 2016;
- Old Cubic, which was then owned indirectly by Ocean Concept, Mr. Eric Au, Mr. Jerry Au, Mr. Bernard Yeung, Mr. Tommy Poon and its then other investors, have obtained and held the relevant dance hall license for its operation by itself directly. During the material times, Mr. John Choi was one of the administrators (i.e. the officers exercising management function of and having the authority to represent a Macau company) of the holding company of Old Cubic. Accordingly, our Controlling Shareholders have the relevant track record of obtaining relevant operating license for clubbing venues in Macau directly; and
- As advised by our Macau Legal Advisers, major requirements for obtaining the necessary operating licenses for a clubbing venue (i.e. dance hall license and karaoke license) include (a) satisfying the requirements regarding (i) compliance, in legal terms, of the tax obligations of the activities to be performed; and (ii) suitability of the premises or place to the nature of the activity or event to be held, particularly in terms of floor area, hygiene, safety, location and respect for environmental balance; and (b) submitting the relevant documents including but not limited to location plan and design plan, relevant business tax form, certificate of criminal record of the company's legal representative/individual or similar documents, etc. For details, please refer to the section headed "Regulatory Overview — (B) Licenses" in this prospectus. As advised by our Macau Legal Advisers, there is no legal impediment for our Group to obtain the licenses by itself given that (a) Club Cubic has already obtained the karaoke license and dance hall license, the site of Club Cubic has complied with and fulfilled all the requirements as requested under the laws of Macau, (b) Luk Hing Macau has duly registered in the Commercial and Movable Property Registry and completed the business tax filing, and (c) pursuant to the search made with Macau Identification Bureau the relevant Macau authority, it is confirmed that the administrator of Luk Hing Macau (i.e. Mr. John

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Choi) has no criminal record. Hence, we are of the view that the above arrangement does not constitute a reliance on COD. COD Hotels transferred the licenses for the operation of Club Cubic to us on 15 September 2016. For details, please see “ — Relationship with COD — Licenses held by COD Hotels during the Track Record Period” above.

### ***Flexibility in relocating to an alternative venue upon termination of contractual relationship with COD***

We own the relevant trademark of the brand “Cubic” in Macau, and in the event of termination of the contractual relationship with COD, we may open another clubbing venue in Macau under the Cubic brand.

Throughout our operation history, we have successfully developed the brand name of Cubic and cooperated with internationally renowned DJs and artists as well as attracting well-known brand to sponsor or endorse our events. We have accumulated experience and network with reference to design of club decoration, stage set up, installation and design of lighting and music equipment, selection of dancers and performers and theme of performances and beverages to be offered. In addition, we have accumulated experience and knowledge in respect of customers’ taste and preference which will be crucial in the selection of the above in the establishment of a new club.

Moreover, our executive Directors including Mr. Simon Choi and Mr. John Choi operated the Old Cubic in Macau outside City of Dreams. Accordingly, we are of the view that our management have accumulated relevant experience and network for clubbing business in Macau, which may be applied for establishment of a new club outside City of Dreams.

We believe the above experience and expertise can be applied to other venue and not restricted to Club Cubic, and that we could leverage on our resources, network, knowledge and experience in club operation and event organisation in operating in such new location.

We believe the success of Club Cubic is attributable to our strong brand recognition in the clubbing market in Macau and our ability to offer a high standard, premium clubbing and entertainment experience with our established network with internationally acclaimed DJs and artists. After the expiry of the Operating Agreement, Club Cubic can be relocated to other venues just as Old Cubic relocated from AIA Tower to Club Cubic in the City of Dream complex.

For further analysis on the relocation, please refer to the paragraph headed “— Potential impact on relocation of Club Cubic upon expiry of the Operating Agreement” below.

### ***Our Group’s effort to broaden our revenue source by engaging in events outside Club Cubic***

Our Group will continue to focus on organising music-related events and the Group will target to increase number of music-related events outside Club Cubic, such as Road to Ultra event was held in Hong Kong on 17 September 2016. For details, please refer to the paragraph headed “— Event Organisation — Organising events outside the venue of Club Cubic — Road to Ultra” above.

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Engaging in the organisation of other events will create cross-selling opportunities that potential customers who have not visited Club Cubic can be reached such that they will be given the opportunity to know our Cubic brand and may visit Club Cubic in the future, and customers of Club Cubic may be attracted to attend the new events. As a result, the event will enable us to diversify our customer base and the proportion of revenue generated from Club Cubic will be reduced.

### *Potential impact on relocation of Club Cubic upon expiry of the Operating Agreement*

In the event of relocation upon expiration of the Operating Agreement, it will be the priority of our Group to relocate Club Cubic to another luxury resort in Cotai, Macau. According to the Euromonitor Report, a number of mega-resorts will open in Cotai in the near future. Such newly-opened resorts provide the possibility of new spaces for us to open our new club. Therefore, our Directors consider that there will be not difficulty in securing alternative premises in Cotai, Macau.

Depending on whether the new premises of the club is to be located at (i) a resort complex of similar rating to City of Dreams in Cotai with a gross floor area similar to the current size of Club Cubic; (ii) a location not located inside resort complex with a gross floor area similar to the current size of Club Cubic; or (iii) a location not located inside resort complex with a gross floor area similar to the size of Old Cubic, it is estimated that approximately MOP45.2 million, MOP31.4 million or MOP13.1 million respectively would be incurred on decoration, furniture and fixture and engaging consultants such as designer and other consultants such as electrical, mechanical, fire and safety consultants for the layout plan such that it will meet the relevant requirements to obtain relevant licenses, and the relocation would take approximately six to eight months from the design to the opening of the new club. Since we have a long-term Operating Agreement which COD cannot unilaterally terminate except for occurrence of (a) any event of default, or (b) the parties fail to reach an agreement to maintain the business direction of Club Cubic within 60 days (or such longer period as agreed by COD) after COD has received notice from our Company that Mr. John Choi has ceased to hold the prescribed level of shareholding interest in our Company, or (c) in the extreme situations such as occurrence of certain unfavourable events involving gaming authority or its gaming licenses, or (d) occurrence of force majeure events rendering City of Dreams or Club Cubic inaccessible or unfit for commercial use, and we may further extend the Operating Agreement upon expiry based on our established relationship with COD, the above estimated figures are for reference only.

On the basis that we have identified a suitable venue meeting the relevant licensing requirements and subject to the complexity of the design and renovation of the new venue, it is expected that it would take around three months for our Group to relocate Club Cubic to the new venue (inclusive of the time for the application of licenses for the new venue). With reference to the average quarterly performance for the two years ended 31 December 2015, it is expected that the relocation would result in a decrease of revenue of approximately HK\$30.7 million and a decrease of profit and total comprehensive income for the year attributable to the owners of our Company of approximately HK\$2.3 million during the temporary close of business until re-opening of Club Cubic in the new venue.

In the event that Luk Hing Macau commits any breach of or omits to comply with or observe the Operating Agreement, and where capable of remedy fails to remedy such breach or omission within 45 days of receipt of notice from Club Cubic, COD may unilaterally terminate the Operating Agreement. In

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respect of other events of default and other events which trigger the termination clause, COD may terminate the Operating Agreement with immediate notice. For details, please see “Business — Relationship with COD — Operating Agreement — (xix) Termination” in this prospectus.

If necessary, our Group expects to finance the relocation, if possible, by a combination of (i) accumulated profits of our Group until the expiration of Operating Agreement; and (ii) financial facility. Therefore, the Directors are of the view that there is no material financial impediment for us to open a new club upon expiry of the Operating Agreement. Furthermore, the Directors are of the view that, given the mutual benefits of the relocation, the management of our Group would be able to negotiate for similar commercial terms with the new resort to bear part of the relocation costs.

As the contractual term of the Operating Agreement will expire on 31 March 2020, which may be extended to March 2025 subject to the terms therein, it is expected that the portion of our revenue generated from Club Cubic at the existing location at that point of time would have been reduced following the growth of our event organisation business in other venues (such as Road to Ultra events to be held annually until 2019) and the other clubbing venue(s) which our Group aims to open. Accordingly, it is expected that our reliance on COD and Club Cubic as the only one clubbing venue will decrease gradually.

Given our accumulated capital, marketing connections and resources and developed brand recognition as well as the clubbing industry experience accumulated by our management in Old Cubic in relation to operation in other area in Macau, our relocation (if necessary) would not be affected by these factors. Moreover, given the relatively small size of Macau, our Group are of the view that existing target customers would not be refrained from going to the new location in Macau and our Group possesses the brand recognition and strength to continue to attract customer traffic.

As set out in the Euromonitor Report, Club Cubic is considered to be the pioneer of the modern clubbing scene in Macau, and such status offers a competitive edge and reputation which other clubbing venues cannot offer.

Since the opening of Old Cubic and Club Cubic, our management have accumulated experience and network to cooperate with renowned DJs and artists and in event organisation, which we believe are crucial for the success of a clubbing venue. Despite the recent downturn of the gaming industry in Macau, we recorded increases in revenue (i) from approximately HK\$120.3 million for the year ended 31 December 2014 to approximately HK\$125.5 million for the year ended 31 December 2015 and (ii) from approximately HK\$33.8 million for the four months ended 30 April 2015 to approximately HK\$35.0 million for the respective period in 2016, which reinforced our competitive strength, experience and network of our management and our Group. In the event of relocation, we will continue to organise events in the new venue with internationally renowned DJs and artists performing, which have contributed to our success during the Track Record Period. In addition, a new venue may also offer new experience, decoration and features meeting the latest preference of the customers. Therefore, we do not expect the relocation to another resort complex of similar rating in Cotai would have a material impact on the customer traffic.

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### **Our Directors' view:**

Given the background in particular (i) mutual benefits between COD and our Group, (ii) long term business relationship and contractual period of the Operating Agreement, (iii) our Group's capability to operate Club Cubic independently, (iv) the flexibility in relocating to an alternative venue upon termination of contractual relationship with COD, (v) the potential impact on relocation of Club Cubic upon expiry of the Operating Agreement, and (vi) our Group's effort to broaden our revenue source by engaging in events outside Club Cubic, our Directors are of the view that the risk of reliance on Club Cubic as the only clubbing venue is not extreme and we will be able to manage the risk of reliance on COD and Club Cubic as the only one clubbing venue and capture growth opportunities in the markets by taking the measures described above and by implementing the strategies set out under the paragraph headed "— Business Strategies" in this section and that our reliance on COD and Club Cubic as the only one clubbing venue would not impact our Group's suitability for the Listing.

### **QUALITY CONTROL**

#### **Safe environment for staff and customers**

We have engaged an independent security company who shall provide a team of 20 security staff, working under the supervision of one of our operation managers. We have established safety and anti-crime manual, which shall be implemented strictly by the security team. The operation manager (who is responsible to take charge of our security team) is an experienced retired policeman of the Hong Kong Police Force with over 17 years of experience, and has served in Club Cubic since June 2013.

We implemented headcounts and ID checking procedures at the entrance of the Club Cubic premises to ensure the number of guests inside the premises shall not exceed the relevant limit and the customers will reach the age of drinking wine and entering into clubbing venues in Macau.

We have established bag checking procedures at the entrance such that the entrance security officers shall check the bags of guest to ensure that there is no drug or dangerous item to be brought into the club premises.

Security staff inside the club premises would maintain order inside the club, and attend any scene where fight or any illegal activities such as drug use, theft, harassments occurs and stop such activities promptly in order to ensure the safety of our staff and customers. In addition, security staff would also escort our staff to perform certain duties to ensure their safety particularly staff carrying cash received from our customers for bill settlement and our performers. Safety and security trainings are also provided to our staff regularly to ensure that they are well aware of our safety and security procedures. Fire and evacuation drill is conducted annually.

In order to spot potential illegal activities such as fights, drug abuse or theft at an early stage, over 100 CCTV camera are installed inside the premises of Club Cubic. We have designated a team of staff to monitor the CCTV camera systems to ensure that we are able to identify fights or any illegal activities such as drug use, theft, harassments promptly and stop such activities. Our security team will attend the scene investigate immediately if any suspicious circumstance arises or stop any potential fight inside the premises once identified.

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We also maintain a blacklist system which aids the entrance security officers to identify individuals with a record of unwelcoming behavior, and that such blacklisted individuals are prohibited from entering into our club so as to ensure the safety of our staff and customers.

For the years ended 31 December 2014 and 2015 and the four months ended 30 April 2016, one, two and one checks have been conducted by Macau Government Tourism Office respectively. No material non-compliance incident has been identified during such visits.

### **Procedures to ensure maximum capacity limit of Club Cubic has not been exceeded**

We have implemented headcount procedures to ensure the number of guests inside the premises of Club Cubic has not exceeded the maximum capacity limit. The security officers at the VIP and walk-in entrances and security officer at the exit have their own counting machines and will communicate with each other to monitor the total number of people who have come in and gone out of the venue in order to avoid exceeding the maximum capacity limit of Club Cubic. If the count has reached the maximum capacity limit, the entrance security officers should politely advise guests in the queue to wait until some guests have left. The security officers at the entrances would inform the security administration officer regarding the total number of guest counts every hour for record.

### **Procedures to ensure compliance of the licensing conditions**

Other major licensing conditions include compliance with the opening hours restriction. Based on the licenses, Club Cubic is permitted to open for business from 5pm to 6am everyday. Our operation manager will be present at the time of opening and closing of the club everyday, and responsible to ensure that Club Cubic is not open earlier or close later than the permitted opening hours. The operation manager will ensure that customers have left the club premises before the closing hours.

### **Procedures to ensure compliance of the applicable laws and regulations**

Other major licensing conditions imposed by applicable laws and regulations in respect of our club operation include compliance of relevant safety, hygiene and fire requirements. Our operation manager is responsible to ensure compliance of these requirements by conducting checks and inspections of the club premises regularly. For example, fire escape corridors shall be kept clear from obstruction. Fire extinguishers and other equipment shall be kept at the correct location and that they are accessible and remain free from obstruction.

### **Procedures for handling customer complaints**

During the Track Record Period, customer complaints mainly relate to service quality. For complaints at the club premises, if any staff receives a complaint from a customer, he shall report to his supervisor, who would review and understand the matter with the relevant customer and offer remedial proposals to the customer. The complaint will be recorded for internal review. If the complaint cannot be resolved on site or if a complaint has been received from our online through emails, the incident will be reported to the club general manager, who will investigate the incident and file a report to the management with solutions to improve or avoid similar incidents in the future. An explanation will be sent to the relevant customer to ensure the matter would be resolved and to maintain good customer relationship.

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Our management will review complaints records regularly, and accordingly arrange necessary training to our staff to consistently improve the operation of the club.

Our Directors confirm that we are not aware of any incidence of customer complaint claiming material compensation, or any investigation by any government authorities in relation to such complaint, that could have a material adverse impact on our business, results of operation and financial position during the Track Record Period and up to the Latest Practicable Date.

### **Quality control in procurement of beverage products**

To ensure our beverage product quality, our raw material procurement policy is to select only those suppliers on our approved list who have passed selection procedures. For details, please refer to “— Procurement and Suppliers” above. Our inventory department will check the outer appearance and the quantity with reference to our procurement orders upon arrival of the beverage products. Any beverage products which do not meet our quality standards and requirements will be returned to the supplier for replacement or refund. Our operation manager possessing over seven years of experience leads the inventory department of four members to monitor the quality of beverage products.

### **INVENTORY CONTROL**

Inventory mainly comprises beverage products, primarily includes Champagne. Our Group maintains a certain level of inventory at the storage in the club premises based on our estimate of upcoming demand and sales volume based on historical sales volume and market trend, and place orders to suppliers from time to time. The inventory department works closely with the clubs’ general manager on a daily basis to monitor inventory and give delivery instructions.

Inventories are stored at the storage at the premises of Club Cubic. We have established storage management regulations which cover various aspects such as incoming and storage of inventory to ensure proper management and control. We conduct stock taking on a monthly basis to ensure compliance with our storage management regulations.

During the Track Record Period, we had not recorded any write off of obsolete inventory nor shortage of supplies.

### **INFORMATION TECHNOLOGY**

Our Group seeks to maintain an advanced information technology system to support our operation and development. Club Cubic employs a computerised point-of-sale system. The system is designed to collect financial data to assist regular analysis of our operation results and to provide management controls and improve operating efficiency.

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### EMPLOYEES

As at the Latest Practicable Date, our Group had a total of 135 employees, of which 120 and 15 employees are based in Macau and Hong Kong, respectively. Below table presents a breakdown of the number of the employees by department and geographical location as at the Latest Practicable Date:

<b>Department</b>	<b>Macau</b>	<b>Hong Kong</b>
Club operation staff	113	4
Management and administration	5	6
Marketing	<u>2</u>	<u>5</u>
<b>Total</b>	<u><u>120</u></u>	<u><u>15</u></u>

Our Group pays attention to our quality of service and believes our success will to a high extent depends on our ability to recruit and retain a high caliber of employees. In addition, we consider our attentive service is one of the keys to our success, and we strive to retain a sufficient and optimal number of frontline employees such as serving staff and bartenders to meet the expectations of the customers. Our Group offers competitive wages and other benefits to employees. Our staff costs represented approximately 19.0%, 18.4% and 28.6% of our Group's revenue for the years ended 31 December 2014 and 2015 and the four months ended 30 April 2016, respectively.

Our Group has implemented customer service and work safety guidelines for all of its employees which set its work safety policies and promote safety on premises, and training will be provided to new employees based on their job nature.

#### **Staff training**

The human resources department is responsible for employees' training. Our Group has introductory and continuous training programmes for our employees to ensure the consistency of our high quality customer services, introducing our culture and the club premises, and the relevant policies and guidelines in respect of their respective posts. Work safety trainings are also provided to our operational staff. We will review our training programmes based on market trends and updates as well as changes in compliance and regulatory environment.

#### **Recruiting & Retention**

Recruitment and selection process is based on merit, in respect of essential and desirable criteria of the job nature and in line with the policy of equal opportunity. We strike to hire talented employees in the market by offering competitive wages and benefits, focused training and internal promotion opportunities. In addition, our regular on the job training and staff relation activities which such as annual staff parties enable us to maintain a cooperative and caring culture with the employees.

During the Track Record Period and up to the Latest Practicable Date, there had not been any labour strike within our Group, and we did not experience any material labour disputes nor any material insurance claims related to employees' injuries. We had not set up any labour union for our staff. Our Directors believe that we have maintained a good working relationship with our employees.

**Occupational safety and health**

Taking occupational health and safety as one of our prime responsibilities, we have established relevant safety policies and provide training to our staff and in particular to club operation staff. In general, our safety training will be carried out by explaining the safety management policy, case analysis simulation in respect of on-site safety measures and emergency arrangement as well as allocation of responsibilities.

Our Directors have confirmed that, our Group did not experience any material safety problems and no material safety accidents occurred due to the fault of our Group, during the Track Record Period and up to the Latest Practicable Date.

**INTELLECTUAL PROPERTY**

Our Group's principal intellectual property rights include the trademark registered for the Cubic brand. Our Group takes appropriate steps to protect its intellectual property rights. As at the Latest Practicable Date, our Group were the owner of one trademark registered in Macau and two trademarks registered in Hong Kong, which are material to our business. For further details of our Group's material intellectual property rights, see Appendix IV to this prospectus.

We primarily rely on laws of trademarks and intellectual properties, and confidentiality agreements with our senior employees to protect our intellectual property.

During the Track Record Period, our Group was not aware of any infringement of its intellectual property rights in Macau or Hong Kong which has a material adverse effect on our business, and the Directors believe that they have taken all reasonable measures to deter such infringement.

**ENVIRONMENTAL MATTERS**

Our Group is subject to environmental protection laws and regulations promulgated by governmental authorities in Macau, and has devote resources in this respect. Due to the nature of our business, certain sewage and garbage would be produced in the club, and will be collected daily to ensure hygiene conditions of the club. In addition to daily cleansing procedures adopted by us, we have engaged external cleansing companies to conduct pest control and cleansing regularly. Since we only serve beverage products and light food as side dishes and do not maintain a kitchen, we believe the nature of our business does not involve substantial risks involving environmental matters.

During the Track Record Period and up to the Latest Practicable Date, we were not subject to any fine or claim arising from non-compliance with environmental laws and regulations or any citation for our environmental measures. We are committed to the continued compliance with the relevant environmental protection laws and regulations.

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### HONOURS AND RECOGNITION

As a result of our success in actively introducing a diverse array of music and dance performances by internationally acclaimed DJs, such as Afrojack, dadalife, deadmau5, Fatboy Slim, Major Lazer, Porter Robinson, Steve Aoki, Tiesto and Zedd; and artists such as Akon, Big Bang, Chris Brown, Flo Rida, LMFAO, Lil Jon, Ludacris, Nelly, Ne-Yo, PSY and other live performances, the club and events hosted therein have been widely reported and introduced by the media as well as Macau Government Tourism Office. Below table set forth major awards and recognition:

<b>Year</b>	<b>Honour/recognition</b>	<b>Awarding entity</b>
2014	4th among “World’s Top 10 Clubbing Brands”	Forbes China (福布斯中文網)
2016	2015 Best Nightclub in Hong Kong and Macau	hkclubbing.com, an independent news and media website providing information and guide regarding nightlife in Hong Kong
2016	One of the 11 clubs awarded with Asia’s Best Club Award	Asian Club & Bar Association
2016	Country’s Best Club Award for Macau region	Asian Club & Bar Association
2016	Best Overall Experience Award	Asian Club & Bar Association

### MARKET AND COMPETITION

According to the Euromonitor Report, the clubbing industry in Macau has been dominated by five clubbing venue operators, which are designed to appeal to meet the preferences of a specific type of customer segment such as high-end customers, tourists, local people in Macau, and young party-goers.

We differentiate ourselves from our competitors by offering premium clubbing and entertainment services to high-end customers and music lovers. We compete primarily on (i) our strong brand recognition, (ii) our premium clubbing and entertainment services to high-end customers and music lovers; and (iii) our strategic location in Cotai. According to Euromonitor Report, Club Cubic is the pioneer in the clubbing venue industry with proven track record. Since the opening of Club Cubic, we have built up and developed our brand name by introducing internationally renowned DJs and artists to perform at our two-level stage. In line with our premium and high-end positioning, we primarily promote premium Champagne as our principal beverage products in Club Cubic, which are generally selling at more than MOP1,500 per bottle. Furthermore, we are located in the Cotai area, within close proximity to the casinos for the convenience of high-end customers and tourists while some of our competitors are located outside the Cotai area.

We believe entry barriers to opening high-end clubbing venues are high, including (i) high capital investment involved in setting up a successful clubbing venue in Macau; (ii) the lack of a strong network of relevant connections such as connections with world-class DJs and artists; and (iii) heavy cost to build up the brand name in the market.

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According to Euromonitor Report, the Cotai strip has been undergoing extensive expansion since 2012, with eight massive and distinctively themed integrated resorts being developed. Amid the slump in Macau's gaming industry since mid-2014, coupled with the pressure from the Macau government to pursue diversification away from gambling, the focus of the new developments would include a wider array of entertainment facilities in a bid to develop it into a tourist destination. Therefore, it is expected by Euromonitor that the number of clubbing venues would further increase to eight by the end of 2018 and competition among clubbing venues will become more intense. The new mega-resorts and the non-casino attractions along the newly-developed Cotai strip have huge potential to raise Macau's tourism industry and to attract even more customers and music lovers to the clubbing venues in the near future. Given our proven track record, our well-recognised brand name, our experience, our established network and our strategic focus on organizing music-related featured events with internationally-renowned DJs and artists, we believe that with we are able to maintain competitive position in the clubbing and entertainment industry in Macau.

### PROPERTY INTERESTS

Our Group does not own any real property. During the Track Record Period and as at the Latest Practicable Date, we have obtained a right of use in respect of the premises which the Club Cubic situates in Macau, with a gross floor area of 25,780 square feet until 31 March 2020, which may be extended to March 2025 subject to the terms therein. For details, please see “— Relationship with COD” above.

We rented a property in Areia Preta, Macau with a gross floor area of 572.89 square metre for a term until 27 January 2017 as our warehouse, and two properties in Areia Preta, Macau, with aggregate gross floor area of approximately 3,510 square feet for a term expiring in June or July 2017 as staff quarters, all from Independent Third Parties. In addition, we also rented our Hong Kong office with a gross floor area of 2,000 square feet for a term until 31 December 2018 in Sheung Wan, Hong Kong from Zone One (CS) Limited, who is an associate of Mr. Simon Choi and Mr. John Choi (being our Directors and Controlling Shareholders). For details, please refer to the section headed “Connected Transactions — Exempt Continuing Connected Transactions — 1. Tenancy Agreement relating to our Group's Hong Kong office”.

As of 30 April 2016, as we have no single property with a carrying amount of 15% or more of our total assets, and on this basis, we are not required by Rule 8.01A of the GEM Listing Rules to include in this prospectus any valuation report. Pursuant to section 6(2) of the Companies (Exemption of Companies and Prospectus from Compliance with Provisions) Notice, this prospectus is exempted from compliance with the requirements of section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, which requires a valuation report with respect to all of our interests in land or buildings.

## BUSINESS

### INSURANCE

Based on our contract with COD, COD would maintain (as a whole for all businesses situate at the City of Dreams) relevant third party liability insurance for fire or other accidents inside the club premises, while Luk Hing Macau shall maintain relevant third party insurance in relation to fitting out and renovation for the expansion. We have maintained the insurance for employees' compensation insurance for injuries or death in the course of employment. Our Directors consider such an insurance coverage to be customary for businesses of its size and type and in line with the standard commercial practice in Macau.

### LICENCES AND PERMITS

Our Macau Legal Advisers have advised that, during the Track Record Period and up to the Latest Practicable Date, all requisite licenses, approvals and permits from the relevant government authorities that are material for our business operations have been obtained and such licenses, approvals and permits remained in full effect, and no circumstances existed that would render their revocations or cancellations.

The following table sets forth details of the certificates and permits which are material for our operations:

Certificate/Permit	Holder	Number	Issuing Entity	Date of Issuance	Expiry Date
License for dance hall business (the "dance hall license")	Luk Hing Macau	0135/2016/A	Macau Government Tourism Office	11 October 2016	31 December 2016
Administrative license for karaoke business (the "karaoke license")	Luk Hing Macau	29/K/2016/A	Macau Government Tourism Office	11 October 2016	7 March 2017

As to the licenses for operating dance hall business and karaoke business in Club Cubic, COD Hotels was the holder of the licenses before transfer of the licenses for the operation of Club Cubic to us on 15 September 2016. For details, please refer to the section headed "— Relationship with COD — Licenses held by COD Hotels during the Track Record Period" above. Our Macau Legal Advisers have advised that the operation of Club Cubic is in full compliance with the relevant laws and regulations while COD Hotels or our Group being the holder of the above licenses, and that they do not expect any legal impediment for our Group to renewing such licenses, approvals and permits.

### LEGAL PROCEEDINGS

During the Track Record Period and as of the Latest Practicable Date, we were not a party to any material arbitration, litigation or administrative proceedings which could be expected to have a material adverse effect on our business or results of operations. We are not aware of any pending or threatened arbitration, litigation or administrative proceedings against us which could be expected to have a material adverse effect on our business or results of operations as at the Latest Practicable Date.

## **BUSINESS**

### **REGULATORY COMPLIANCE**

Our Macau Legal Advisers have advised that we had complied with applicable Macau laws and regulations in all material respects and were not subject to any material administrative penalties for any non-compliance with Macau laws during the Track Record Period and the subsequent period up to the Latest Practicable Date.

Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, there was no non-compliance incident which has a material adverse effect on our business.

### **RISK MANAGEMENT**

In the course of conducting our business, we are exposed to various type of risks, including business risks, financial risks, compliance risks and operation and other risks, the details of which have been disclosed under the section headed “Risk Factors” of this prospectus.

The Board is ultimately responsible for the risk management of our Group. At operational level, a risk management team consists of, among others, our executive Directors and senior management members, who have in general over seven years of experience in our industry or in restaurant business industry. The objectives of the risk management team are to oversee the implementation and monitoring our internal control. For details regarding our measures in respect of control against our operational and quality control risk, please see “— Quality Control” above. In respect of credit risk control measures, please see “— Credit Control and Credit Sales Settlement” above.

The risk management process of our Group will involve, inter alia, (i) a quarterly risk identification and analysis exercise which involves assessment of the consequence and likelihood of risks and the development of risk management plans for mitigating such risks; and (ii) a quarterly review of the implementation of the risk management plans and fine tune when necessary.

### **INTERNAL CONTROL AND CORPORATE GOVERNANCE**

In order to continuously improve our corporate governance, we intend to adopt or have adopted the following measures:

- our Directors attended training sessions on applicable laws and regulations in Hong Kong, including the GEM Listing Rules, provided by our legal advisers as to Hong Kong laws in 2016 and on a continuing basis;
- we have appointed Mr. Lam Wai Chin Raymond, Mr. Chan Ting Bond Michael and Mr. Tse Kar Ho Simon as our three independent non-executive Directors to enhance the diversity of our Board and to provide independent view, monitoring and advice to our Group;
- we have established the above-mentioned risk management team to oversee the implementation and monitoring our internal control;
- we have established an audit committee, which will set up formal arrangements to oversee financial reporting and internal control matters to ensure compliance with the GEM Listing Rules and all relevant laws and regulations;

## **BUSINESS**

- we will engage external professional advisers where necessary from time to time to conduct review and provide advice to our Group in respect of compliance matters; and
- we have appointed China Everbright Capital Limited as our compliance adviser upon the Listing to provide advice to our Directors and management team regarding matters relating to the GEM Listing Rules. The term of such engagement will commence on the Listing Date and end on the date on which we distribute our annual report as required under Rule 18.03 of the GEM Listing Rules for the second full financial year commencing after the Listing.

Our Directors are of the view that adequate corporate governance measure are in place for our business operations.

## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

### RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Immediately following the completion of the Capitalisation Issue and the Placing (without taking into account any Shares which may be issued pursuant to the exercise of any option which may be granted under the Share Option Scheme), Welmen, Yui Tak, Ocean Concept, Toprich, Perfect Succeed, Mr. Simon Choi, Mr. John Choi, Mr. Eric Au, Mr. Jerry Au, Mr. Bernard Yeung and Mr. Alex Yeung will be our Controlling Shareholders collectively and beneficially interested in aggregate approximately 60.75% of our issued share capital. Welmen is owned as to 30.3111% by Yui Tak, 7.0667% by Mr. John Choi, 7.0667% by Mr. Simon Choi, 16.0556% by Mr. Eric Au, 16.0444% by Mr. Jerry Au, 11.1111% by Mr. Bernard Yeung and 12.3444% by Mr. Alex Yeung. Yui Tak is owned as to 100% by Ocean Concept which is owned as to 88.29% by Toprich, which is in turn wholly owned by Perfect Succeed which is owned as to 50% by Mr. John Choi and 50% by Mr. Simon Choi. Please refer to the section headed “History, Reorganisation and Corporate Structure” in this prospectus for details of the shareholding structure among the Controlling Shareholders in Welmen.

Mr. Simon Choi, Mr. John Choi, Mr. Eric Au, Mr. Jerry Au, Mr. Bernard Yeung and Mr. Alex Yeung entered into an acting in concert confirmation dated 2 March 2016 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 our Group, including Luk Hing Macau in order to consolidate the control in Luk Hing Macau and other Group companies.

#### Shareholders’ agreements

##### *Shareholders’ agreement among shareholders of Welmen*

On 19 January 2016, Ocean Concept, Simon Choi, Mr. John Choi, Mr. Alex Yeung, Mr. Eric Au, Mr. Jerry Au and Mr. Bernard Yeung entered into a shareholder agreement. Salient terms include: (i) pre-emptive right to subscribe for any new securities to be issued by Welmen on pro-rata basis, (ii) right of first refusal to purchase any shares of the Company to be disposed (“**Offered Shares**”) by any shareholder of Welmen (“**Selling Shareholder**”) (and if the Offered Shares are not taken up by other shareholders of Welmen, Kenbridge would have the right to purchase the Offered Shares), (iii) if the right of first refusal is not exercised by other shareholders (“**Non-selling Shareholders**”) of Welmen (or Kenbridge, where applicable), the Selling Shareholder may within a period of 30 calendar days transfer such shares to other party at the price and on such terms that correspond to or are better for the Selling Shareholder than the terms offered to the Non-Selling Shareholders, and (iv) that Mr. Simon Choi and Mr. John Choi undertook that they shall collectively own 70% or above of the shareholding interest directly or indirectly of Ocean Concept at all times. The right of first refusal is not applicable in respect of certain transfers to family members or family trust of the shareholder (“**Permitted Transfer**”).

##### *Shareholders’ agreement among Welmen and Kenbridge*

On 19 January 2016, Welmen and Kenbridge entered into a shareholder agreement. Salient terms include: (i) right of first refusal to purchase any Shares of the Company to be disposed by any of them (“**Listco Selling Shareholder**”), (ii) if the right of first refusal is not exercised by the other Shareholder (“**Listco Non-Selling Shareholder**”), the Listco Selling Shareholder may within a period of 30 calendar days transfer the Shares to other party at the price and on such terms that correspond to or are better for the Listco Selling Shareholder than the terms offered to the Listco Non-Selling Shareholder, and (iii) in

## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

the event of (a) any proposed transfer (or a series of transfers under one underlying transaction to one purchaser and its parties acting in concert) of Shares of the Company by Welmen after which it will cease to be a Controlling Shareholder (or single largest shareholder of the Company, if there is no controlling shareholder) or (b) any proposed transfer (or a series of transfers under one underlying transaction to one purchaser and its parties acting in concert) of shares of Welmen by existing shareholders of Welmen (and new shareholder after any Permitted Transfer) following which they will cease to have over 50% ownership of Welmen: a tag-along right is given to Kenbridge by Welmen, such that Kenbridge may dispose at the same terms such portion of the Shares owned by it proportionally to the shareholding of Welmen and Kenbridge (or, in the event of (b), the shareholding of the selling shareholder to total issued share of Welmen) to the offeror. If Kenbridge at any time ceases to own 70% or above of the total number of Shares of the Company owned by it at the time of Listing, this shareholders agreement shall terminate. The above right of first refusal and tag-along right will not be applicable in the event of a transfer which will trigger a mandatory offer under the Takeover Codes.

The above two shareholders' agreements will continue upon the Listing.

## INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Our Board is satisfied, on the basis of the following, that our Group is capable of carrying on its business independently from the Controlling Shareholders and their associates after the Listing.

### Operational Independence

Our Group has an independent work force to carry out our operation and does not share its operation team with our Controlling Shareholders' businesses outside our Group. Although during the Track Record Period, there have been certain transactions between us and our related parties, details of which are set out in note 23 of the Accountants' Report as set forth as Appendix I to this prospectus, our Directors have confirmed that these related party transactions were conducted on fair and reasonable normal commercial terms. During the Track Record Period, Ocean Concept provided operation, marketing and administrative services to our Group. For the two years ended 31 December 2015, we paid a consulting fee to Ocean Concept (a Controlling Shareholder) of approximately HK\$5.8 million and HK\$7.4 million, respectively. The consulting fee primarily represented the salaries of the then relevant employees of Ocean Concept, including our executive Directors, Mr. Simon Choi, Mr. John Choi and Mr. Alex Yeung, and other employees. In preparation for the Listing, the above arrangement was terminated in January 2016 and the relevant employees were hired by our Group, so we did not incur such expenses to Ocean Concept for the four months ended 30 April 2016. For the two years ended 31 December 2015 and the four months ended 30 April 2016, rental expenses of HK\$0.1 million, HK\$0.1 million and nil, and a management fee of HK\$0.6 million, HK\$0.6 million and nil were paid by our Group to Ocean Concept in respect of use of office space by the above employees who provided services to our Group, while the management fee represented a premium for the provision of rental services, and advertising expenses of HK\$96,000, HK\$88,000 and nil were paid to Ocean Concept for placing advertisement in its restaurant outlets.

Since 1 March 2016, we rented our Hong Kong office directly from the landlord, Zone One (CS) Limited (which is an associate of Mr. Simon Choi and Mr. John Choi (being our Directors and Controlling Shareholders)). For the four months ended 30 April 2016, we incurred rental fee for our

## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Hong Kong office for the total sum of HK\$200,000 to Zone One (CS) Limited. For details, please refer to the section headed “Connected Transactions — Exempt continuing connected transactions — 1. Tenancy Agreement relating to our Group’s Hong Kong office” in this prospectus.

For the two years ended 31 December 2015 and the four months ended 30 April 2016, we received a service income of approximately HK\$0.9 million, HK\$1.0 million and nil from Xin Limited (a wholly owned subsidiary of Bo Xing, which was indirectly owned as to 92% by our Controlling Shareholders and Directors and their associates in aggregate), and paid a service fee of HK\$0.7 million, HK\$0.9 million and nil to Xin Limited. The sums represented a sharing of administrative services, primarily representing relevant salaries of administrative staff. In preparation of the Listing, we have ceased a substantial amount of administrative works to be shared by the parties in 2016. It is anticipated that our Group will continue to obtain certain administrative support functions including administration and information technology and technical support services from Bo Xing (being the sole shareholder of Xin Limited). Our Directors believe that the provision of these support services will not prevent our Group from operating independently of Bo Xing. Our Directors are of the view that since these support functions have been shared among the Group and Bo Xing, it will be in the interest of the Group to continue to receive these supports from practical perspective. For details, please see “Connected Transactions — Exempt continuing connected transactions — 2. Administrative services agreement” in this prospectus.

For the two years ended 31 December 2015 and the four months ended 30 April 2016, we received a service income of HK\$0.3 million, HK\$22,000 and nil from Star Century, representing accounting services we provided. In 2014, we received a sum of HK\$88,000 from Star Century as to promotional items we sold to it.

Despite the sharing of the administration and information technology and technical support functions as described above and the lease of office from Zone One (CS) Limited (details of which are set out in the section headed “Connected Transactions” in the prospectus) which will continue upon Listing, we have independent access to our suppliers, customers and an independent management team to handle our day-to-day operations. We operate through the licenses held by our Group. We have established operational structure comprising individual departments, each with specific areas of responsibilities.

Therefore, our Directors are of the view that there is no operational dependence by us on our Controlling Shareholders.

### **Management Independence**

Our management and operational decisions are made by our Board and senior management. Our Board consists of nine Directors, comprising three executive Directors, three non-executive Directors and three independent non-executive Directors. Our executive Directors, Mr. Simon Choi, Mr. John Choi and Mr. Alex Yeung are also directors of Perfect Succeed, Toprich, Ocean Concept, Yui Tak and/or Welmen which are our Controlling Shareholders. We consider that our Board will function independently from our Controlling Shareholders and their close associates because:

- (a) each Director is aware of his/her fiduciary duties as a Director which require, among others, that he or she acts for the benefit and in the best interest of our Company and does not allow any conflict between his or her duties as a Director and his or her personal interests;

## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- (b) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective associates, the interested Director(s) shall abstain from voting at the relevant board meetings of our Company in respect of such transactions, and shall not be counted in forming quorum. Our Group has also adopted certain corporate governance measures for conflict situation, details of which are set out in the paragraph headed “Corporate governance measures” in this section; and
- (c) our Board comprises nine Directors and three of them are independent non-executive Directors, which represents one-third of the members of the Board. This is in line with the GEM Listing Rules.

### Financial Independence

Our Group has an independent financial system and makes financial decisions according to our Group’s own business needs. We also have our own treasury function which is operated independently from the Controlling Shareholders. Our Directors are of the view that we are capable of obtaining financing from third parties, if necessary, without reliance on the Controlling Shareholders. Our Directors are of the view that there is no financial dependence by us on our Controlling Shareholders.

We have an independent financial system and make financial decisions according to our own business needs. As of 30 April 2016, (i) approximately HK\$27,000, HK\$315,000, and HK\$2.5 million were owed by our Group to Ocean Concept, Zone One (CS) Limited and Star Century, respectively while all the outstanding sum have been or will be settled prior to the Listing; and (ii) credit facilities of our Group for which any of the Controlling Shareholders has provided personal guarantee will be released upon Listing and replaced by a corporate guarantee of our Company. In the circumstances, we believe we are capable of obtaining financing from third parties without reliance on our Controlling Shareholders.

### RESTAURANT AND BAR BUSINESS OF OUR CONTROLLING SHAREHOLDERS

#### Restaurant businesses in Macau

During the Track Record Period and up to the Latest Practicable Date, our Controlling Shareholders were interested in certain restaurant businesses in SOHO (a food and beverage area in City of Dreams) and in Cotai in Macau (together through their shareholding interest in Bo Xing and its subsidiary, Xin Limited, or otherwise individually and with their associates) (the “**Retained Macau restaurant business**”) which were not included in our Group.

Compared with our clubbing business which primarily offers a clubbing and entertainment environment and the primary source of income is sale of alcoholic beverage, sponsorship income and entrance fee, the above restaurant businesses primarily offer a place for dining to customers and that primary sources of income are sale of food and drinks. In addition, Club Cubic in general opens between 11 p.m. to 6 a.m., which does not overlap with the opening hours of such restaurant business which in general open between 11 a.m. to 11 p.m.

Since the industry nature, the opening business hours and the target customers of the above restaurant businesses in Macau of our Controlling Shareholders are different from those of the clubbing business of our Group in Macau, our Directors are of the view that the restaurant businesses of our

## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Controlling Shareholders in Macau 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.

In addition, in light of the clear delineation between the nature of business of Bo Xing (and its subsidiary Xin Limited) which is engaged in restaurant business with sale of food and drinks as its primary source of income and the clubbing and event organisation business of our Group, Bo Xing was not included in our Group as part of the Reorganisation.

### **Restaurant and bar business of Mr. Simon Choi and Mr. John Choi**

Mr. Simon Choi and Mr. John Choi are also engaged in certain restaurant and bar businesses in Hong Kong (the “**Retained HK restaurant and bar business**”). In light of the geographical difference between the restaurant and bar businesses located in Hong Kong and the location of Club Cubic in Macau, our Directors are of the view that their restaurant and bar businesses in Hong Kong 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.

### **CONCERT AND PROMOTION EVENT ORGANISATION BUSINESS OF AN INDEPENDENT NON-EXECUTIVE DIRECTOR**

Mr. Tse Kar Ho Simon (an independent non-executive Director) is engaged in the business of musical events and performances organisation and other promotional and/or marketing events in Hong Kong, the PRC and other countries. During the Track Record Period, Mr. Tse did not engage in organising any event or performance in Macau. Mr. Tse has confirmed that as at the Latest Practicable Date, he has not been engaged to organise any future event or performance in Macau, and expects that Macau will not be a material market for his event or performance organisation business in the foreseeable future. For details, please refer to his biography as set out in the section headed “Directors and Senior Management” in this prospectus.

As our Group will organise music-related events inside the premises of Club Cubic and may organise other music-related events in other venues in the future, Mr. Tse’s musical events and performances organisation business may be perceived to compete with our Group’s business. However, our Board considers that the above business of Mr. Tse would not cause a material conflict of interest and that we are capable of carrying on our business independently of, and at arms’ length from, his business, and that there is no issue for Mr. Tse to act as an independent non-executive Director of the Company because:

- (i) During the Track Record Period and up to the Latest Practicable Date, our Group did not have any transactions with Mr. Tse or his above businesses;
- (ii) Mr. Tse is our independent non-executive Director rather than our executive Director or Controlling Shareholder; and
- (iii) The events organised 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 Club Cubic and our Group. In addition, Mr. Tse expects that Macau will not be a material market for his event or performance

## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

organisation business in the foreseeable future. Hence, our Directors are of the view that the pool of potential customers and audience attending the events are different between the events organised by us and Mr. Tse and accordingly potential competition is relatively low and limited.

Based on the above, our Directors, including our independent non-executive Directors, are of the view that, to the best of their knowledge and belief, save as disclosed above, none of our Controlling Shareholders, substantial shareholders, Directors and their respective close associates have interests in any business which competes, or is likely to compete, either directly or indirectly, with our business which requires disclosure under Rule 11.04 of the GEM Listing Rules.

### DEED OF NON-COMPETITION

In order to avoid any future competition between our Group and the Controlling Shareholders, each of the Controlling Shareholders has under the Deed of Non-competition undertaken and covenanted with our Company (for itself and as trustee for its subsidiaries) that for so long as he/she/it and/or his/her/its close associates, directly or indirectly, whether individually or taken together, remain a Controlling Shareholder:

- (i) he/she/it will not, and will procure his/her/its close associates not to (other than through our Group or in respect of each Controlling Shareholder (together with his/her/its close associates), as a holder of not more than 5% of the issued shares or stock of any class or debentures of any company listed on any recognised stock exchange) directly or indirectly carry on, engage or otherwise be interested (in each case whether as shareholder, director, partner, agent, employee or otherwise and whether for profit, reward or otherwise) in any business which is or may be in competition with the business carried on by our Group from time to time (including but not limited to operating of clubbing venues and organisation of music-related events) (excluding, for the avoidance of doubt, the Retained Macau restaurant business and the Retained HK restaurant and bar business) (the “**Restricted Activity**”), except where our Company’s approval as mentioned in the paragraph below is obtained;

The Controlling Shareholders and their respective close associates are entitled to engage or have an interest in any Restricted Activity if after offering the New Business Opportunities (as defined below) to our Company pursuant to (ii) below, our Company has confirmed in writing (the “**Approval Notice**”) that none of our Group members wishes to be engaged or interested in the relevant Restricted Activity and it has approved the relevant Controlling Shareholder and their respective close associates to engage or have any interest in the Restricted Activity. When New Business Opportunities are referred to the Company, the independent non-executive Directors will consider such opportunity on various aspects including viability and profitability. Any Director who is interested in the relevant Restricted Activity shall not vote on relevant resolutions approving the Approval Notice;

- (ii) if any of the Controlling Shareholders and/or his/her/its close associates decide to invest, be engaged, or participate in any Restricted Activity, whether directly or indirectly, in compliance with the Deed of Non-competition, he/she/it will and/or will procure his/her/its close associates (other than members of our Group) to disclose the terms of such investment, engagement or participation to our Company and the Directors as soon as practicable and use his/her/its best endeavors to procure that such investment, engagement or participation (the

## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

“**New Business Opportunities**”) is offered to our Company on terms no less favorable than the terms on which such investment, engagement or participation is offered to him/her/it and/or his/her/its close associates;

- (iii) he/she/it will not, and will procure his/her/its close associates not to, directly or indirectly, solicit, interfere with or entice away from any member of our Group, any natural person, legal entity, enterprise or otherwise who, to any of our Controlling Shareholder’s knowledge, as at the date of the Deed of Non-competition, is or has been or will after the date of the Deed of Non-competition be, a customer, supplier, distributor, sales or management, technical staff or an employee (of managerial grade or above) of any member of our Group; and
- (iv) he/she/it will not, and will procure his/her/its close associates not to, exploit his/her/its knowledge or information obtained from our Group to compete, directly or indirectly, with the Restricted Activity.

The Deed of Non-competition and the rights and obligations thereunder are conditional and will take effect immediately upon Listing.

The obligations of a Controlling Shareholder under the Deed of Non-competition will remain in effect until:

- (a) the date on which the Shares cease to be listed on the Stock Exchange; or
- (b) the Controlling Shareholder and his/her/its close associates, individually and/or collectively, cease to be deemed as a Controlling Shareholder of our Company (within the meaning defined in the GEM Listing Rules from time to time); or
- (c) the Controlling Shareholder and his/her/its close associates, individually and/or collectively beneficially own or are interested in the entire issued share capital of our Company,

whichever occurs first.

Nothing in the Deed of Non-competition shall prevent the Controlling Shareholders or any of their close associates from carrying on any business whatsoever other than the Restricted Activity.

### CORPORATE GOVERNANCE MEASURES

The following corporate governance measures will be adopted to monitor the compliance of the Deed of Non-competition:

- (a) Our independent non-executive Directors shall review, at least on an annual basis, the compliance with the Deed of Non-competition by the Controlling Shareholders and their respective close associates on their existing or future competing businesses.

## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- (b) The Controlling Shareholders shall promptly provide all information necessary for the annual review by our Company's independent non-executive Directors and the enforcement of the Deed of Non-competition and provide to our Company a written confirmation relating to the compliance of the Deed of Non-competition and make an annual declaration on compliance with the Deed of Non-competition in the annual report of our Company.
- (c) Our Company shall disclose decisions on matters reviewed by its independent non-executive Directors relating to the compliance and enforcement of the Deed of Non-competition by the Controlling Shareholders either through the corporate governance report as set out in the annual report of our Company, and/or by way of announcements to the public.
- (d) Any New Business Opportunities under the Deed of Non-competition and all other matters determined by the Board as having a potential conflict of interest with our Controlling Shareholders will be referred to the independent non-executive Directors for discussion and decision. When necessary, such independent non-executive Directors will engage an independent financial advisor to advise them on the relevant matters. In the event any New Business Opportunities presented by or otherwise arising in connection with any of our Controlling Shareholders are turned down by our Group according to the Deed of Non-competition, our Company will disclose the decision, as well as the basis for such decision in the annual report or interim report of our Company. The annual report of our Company will include the views and decisions, with bases, of the independent non-executive Directors on whether to take up any New Business Opportunities under the Deed of Non-competition or other matters having a potential conflict of interest with our Controlling Shareholders that have been referred to the independent non-executive Directors.
- (e) Further, if a Controlling Shareholder or a Director has a conflict of interest in a matter to be considered, he/she/it shall act in accordance with the requirements of the GEM Listing Rules, regarding voting on such matter.
- (f) The compliance advisor of our Company shall provide our Company with professional advice on compliance of continuing obligations under the GEM Listing Rules in accordance with the provisions of the compliance advisor agreement and the requirements of the GEM Listing Rules.

Further, our Company has adopted the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules (the “**Code**”) and will comply with the code provisions in the Code. The Code sets out principles of good corporate governance in relation to, among other matters, directors, the chairman and chief executive officer, board composition, the appointment, re-election and removal of directors, their responsibilities and remuneration and communications with shareholders.

Our Company is also required to comply with the GEM Listing Rules, which provides, among other matters, prohibitions on directors' dealings in securities and protection of minority shareholders' rights.

Our Directors are therefore satisfied that sufficient corporate governance measures have been put in place to manage conflicts of interest between our Group and our Controlling Shareholders, and to protect minority shareholders' rights after the Listing.

## **RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS**

Our Company is committed to the view that our Board should include a balanced composition of executive and non-executive Directors (including independent non-executive Directors) so that there is a strong independent element on our Board which can effectively exercise independent judgment. Our independent non-executive Directors, details of whom are set out in the section headed “Directors and Senior Management” in this prospectus, individually and together possess the requisite knowledge and experience to be a member of our Board. All of our independent non-executive Directors are experienced and will provide impartial and professional advice to protect the interest of our minority shareholders.

## CONNECTED TRANSACTIONS

### EXEMPT CONTINUING CONNECTED TRANSACTIONS

We have entered into a number of continuing agreements with our connected persons in our ordinary and usual course of business. Upon Listing, the transactions disclosed in this section will constitute continuing connected transactions of our Company under Chapter 20 of the GEM Listing Rules, which are exempted from the reporting, annual review, announcement, circular and shareholders' approval requirements under the GEM Listing Rules.

#### 1. Tenancy Agreement relating to our Group's Hong Kong office

##### (a) Description of transaction

A tenancy agreement (the “**Hong Kong Office Tenancy Agreement**”) dated 26 February 2016 was entered into between Zone One (CS) Limited (as landlord) (the “**Landlord**”) and Luk Hing HK (as tenant) under which the Landlord agreed to lease to the tenant a portion comprising of the gross floor area of 2,000 sq. feet in Room 1505, 15/F, Shun Tak Centre West Tower, 168–200 Connaught Road Central, Sheung Wan, Hong Kong (the “**Hong Kong Office**”) for a term ending on 31 December 2018 from 1 March 2016 onwards for office use.

Utility charges and management fee will be apportioned with reference to the gross floor area of 2,000 sq. feet leased to us and the total gross floor of the room of approximately 2,549 sq. feet pursuant to the Hong Kong Office Tenancy Agreement.

##### (b) Connected relationship

The Landlord is owned as to 50% and 50% by Mr. Choi Kuen Kwan (蔡權堃) and Ms. Lo Mong Yee (盧夢儀), who are the father and mother of Mr. Simon Choi and Mr. John Choi, who are our executive Directors and Controlling Shareholders. As a result, the Landlord is a connected person to our Group, and the entering into of the Hong Kong Office Tenancy Agreement constitutes a continuing connected transaction under Chapter 20 of the GEM Listing Rules.

##### (c) Reasons for the transaction

During the Track Record Period, the Hong Kong Office has been used for the operation of our Group. Upon Listing, our Group will operate in Hong Kong through Luk Hing HK hence we have leased the Hong Kong Office for office use.

##### (d) Historical transactions amounts

Our Group did not pay any rent to the Landlord for the two years ended 31 December 2015. We paid a rental fee of HK\$120,000, HK\$120,000 and nil and a management fee of HK\$0.6 million, HK\$0.6 million and nil, for the years ended 31 December 2014 and 2015 and the four months ended 30 April 2016, respectively to Ocean Concept, who was the then tenant of the Hong Kong Office from the Landlord, in relation to the use of office space by the employees of Ocean Concept who provided services to our Group, while the management fee represented the premium for provision of rental services. For the four months ended 30 April 2016, we incurred rental fee for our Hong Kong office for the total sum of HK\$200,000 to the Landlord.

## CONNECTED TRANSACTIONS

(e) *Annual caps*

The maximum annual amount of rent payable to the Landlord by our Group for each of the three years ending 31 December 2018 pursuant to the Hong Kong Office Tenancy Agreement shall not exceed the annual caps set out below:

	For the year ending 31 December		
	2016	2017	2018
	HK\$	HK\$	HK\$
Rent payable	1.0 million	1.2 million	1.2 million

The rent is HK\$100,000 per month. In 2016, the rental period covers March to December 2016 for ten months.

The Directors confirm that the annual rent payable under the Hong Kong Office Tenancy Agreement is determined on normal commercial terms and with reference to the prevailing market rates of similar properties in the locality.

(f) *Implications under the GEM Listing Rules*

Since each of the applicable percentage ratios (other than the profits ratio) for the Hong Kong Office Tenancy Agreement is, as our Directors currently expect, less than 5% and the total consideration is less than HK\$3,000,000, the transaction under Hong Kong Office Tenancy Agreement is exempted from the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

### **Our Directors' view**

Our Directors (including the independent non-executive Directors) are of the view that the Hong Kong Office Tenancy Agreement and the transactions contemplated thereunder have been entered into in the ordinary and usual course of business of our Group, are on normal commercial terms and are fair and reasonable and in the interest of our Company and the Shareholders as a whole.

## **2. Administrative Services Agreement**

(a) *Description of transaction*

On 11 October 2016, Bo Xing and Luk Hing Macau entered into an administrative services agreement ("**Administrative Services Agreement**"), pursuant to which Bo Xing, as a service provider, agreed to provide Luk Hing Macau certain administrative support functions including administrative support and information technology system and technical support services with effect from the Listing Date and ending on 31 December 2018.

In consideration of provision of such administrative services, Luk Hing Macau shall pay a service fee, based on Bo Xing's actual direct and indirect cost incurred in the supply and the procuring of the supply of such services.

## CONNECTED TRANSACTIONS

*(b) Connected relationship*

Bo Xing is owned as to 92% by Star Century, the equity interest of which is wholly owned by our Controlling Shareholders and Directors (or their associates). As a result, Bo Xing is a connected person to our Group, and the entering into of the Administrative Services Agreement constitutes a continuing connected transaction under Chapter 20 of the GEM Listing Rules.

*(c) Reasons for the transaction*

The administrative support and information technology system and technical support functions have been shared among the Group and Bo Xing hence it will be in the interest of the Group to continue to receive these supports from practical perspective. In preparation of the Listing, our Group entered into the Administrative Services Agreement for this use.

*(d) Historical transactions amounts*

Our Group did not pay any service fee to Bo Xing for the two years ended 31 December 2015 and the four months ended 30 April 2016. For the years ended 31 December 2014 and 2015 and the four months ended 30 April 2016, we received a service income of approximately HK\$0.9 million, HK\$1.0 million and nil from Xin Limited (a wholly owned subsidiary of Bo Xing, which was indirectly owned as to 92% by our Controlling Shareholders and Directors and their associates in aggregate), and paid a service fee of HK\$0.7 million, HK\$0.9 million and nil to Xin Limited, respectively. The sums represented a sharing of administrative services primarily representing relevant salaries of administrative staff. In preparation of the Listing, we have ceased a substantial amount of administrative works to be shared by the parties in 2016, while we will continue to obtain certain administrative services from Bo Xing as set out above.

*(e) Annual caps*

The maximum annual amount of fee payable to Bo Xing by our Group for each of the three years ending 31 December 2018 pursuant to the Administrative Services Agreement shall not exceed the annual caps set out below:

	<b>For the year ending 31 December</b>		
	<b>2016</b>	<b>2017</b>	<b>2018</b>
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Services fee payable	68,000	68,000	68,000

Our Directors confirm that the annual cap under the Administrative Services Agreement is determined on normal commercial terms and with reference to the cost of services of similar support services provided.

## CONNECTED TRANSACTIONS

*(f) Implications under the GEM Listing Rules*

Since each of the applicable percentage ratios (other than the profits ratio) for the Administrative Services Agreement is, as our Directors currently expect, less than 5% and the total consideration is less than HK\$3,000,000, the transaction under the Administrative Services Agreement is exempted from the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

**Our Directors' view**

Our Directors (including the independent non-executive Directors) are of the view that the Administrative Services Agreement and the transactions contemplated thereunder have been entered into in the ordinary and usual course of business of our Group, are on normal commercial terms and are fair and reasonable and in the interest of our Company and the Shareholders as a whole.

## DIRECTORS AND SENIOR MANAGEMENT

### BOARD OF DIRECTORS

Our Board of Directors consists of three executive Directors, three non-executive Directors, and three independent non-executive Directors. The table below sets forth certain information in respect of the members of the Board of Directors of the Company.

#### Members of our Board

Name	Age	Date of joining our Group	Date of appointment as Director	Position	Roles and Responsibilities	Relationship with other Directors and senior management
<b>Executive Directors</b>						
Mr. Choi Yiu Ying (蔡耀經)	40	20 May 2010	19 January 2016	Executive Director, chief executive officer and chairman of the Board	Overall strategic planning and supervising daily operation of our Group and the chairman of the nomination committee	Elder brother of Mr. Choi Siu Kit
Mr. Choi Siu Kit (蔡紹傑)	38	20 May 2010	30 November 2015	Executive Director and managing director	Overall strategic planning and supervising marketing and entertainment aspects of our Group	Younger brother of Mr. Choi Yiu Ying
Mr. Yeung Chi Shing (楊志誠)	45	31 January 2011	19 January 2016	Executive Director and administrative director	Overall administration of our Group	None
<b>Non-executive Directors</b>						
Mr. Au Wai Pong Eric (區偉邦)	48	2 March 2016	2 March 2016	Non-executive Director	Overseeing management and strategic planning of our Group and a member of the audit committee and a member of the remuneration committee	None
Mr. Au Ion Weng (歐潤榮)	60	2 March 2016	2 March 2016	Non-executive Director	Overseeing management and strategic planning of our Group	None
Ms. Poon Kam Yee Odilia (潘錦儀)	56	2 March 2016	2 March 2016	Non-executive Director	Overseeing management and strategic planning of our Group	None
<b>Independent non-executive Directors</b>						
Mr. Lam Wai Chin Raymond (林偉展)	46	18 October 2016	18 October 2016	Independent non-executive Director	Providing independent judgment to the Board and the chairman of the remuneration committee, a member of the audit committee and a member of the nomination committee	None
Mr. Chan Ting Bond Michael (陳定邦)	35	18 October 2016	18 October 2016	Independent non-executive Director	Providing independent judgment to the Board and the chairman of the audit committee	None
Mr. Tse Kar Ho Simon (謝嘉豪)	58	18 October 2016	18 October 2016	Independent non-executive Director	Providing independent judgment to the Board and a member of the remuneration committee and the nomination committee	None

## DIRECTORS AND SENIOR MANAGEMENT

### Executive Directors

**Mr. Choi Yiu Ying** (蔡耀陞) (with former names Choi Siu Man (蔡紹文) and Choi Siu Ying (蔡兆鉞)), aged 40, was appointed as our Director on 19 January 2016. Mr. Simon Choi was re-designated as our executive Director and our chairman of the Board on 2 March 2016, and is primarily responsible for overall strategic planning and supervising daily operation of our Group. Mr. Simon Choi has joined our Group as our chief executive officer since May 2010, with responsibilities to, among others, develop business plans, manage staff members, oversee daily operation and cost and budget control.

Mr. Simon Choi has over 15 years of experience in the restaurant and bar and clubbing industry in Hong Kong and Macau. Since January 2001, Mr. Simon Choi has invested in and was responsible for the management and operation of various bars and restaurants, such as (i) Shelter Lounge in Causeway Bay, Hong Kong (from January 2001 to December 2015), (ii) Census Lounge in Causeway Bay, Hong Kong (from October 2005 to December 2015), (iii) House Lounge in Causeway Bay, Hong Kong (from July 2006 to December 2015), (iv) Habitat Japanese Restaurant in Wanchai, Hong Kong (from December 2008 to April 2015), and (v) Shelter Italian Bar & Restaurant in Causeway Bay, Hong Kong (since May 2013), Mr. Simon Choi was also involved in the management of Old Cubic, acting as a managing director from its opening in December 2008 until May 2010.

Mr. Simon Choi received a bachelor degree of engineering from the City University of London, United Kingdom in June 2001.

**Mr. Choi Siu Kit** (蔡紹傑), aged 38, was appointed as our Director on 30 November 2015. He was re-designated as our executive Director on 2 March 2016. Mr. John Choi is primarily responsible for overall strategic planning and supervising marketing and entertainment aspects of our Group. Mr. John Choi has joined our Group as our managing director since May 2010. He has been responsible for overseeing daily operation, developing business strategies, building client relationships and business reputation, liaising with suppliers and relevant government departments and implementing the overall business strategies. Mr. John Choi has also been a director of various subsidiaries of our Group, namely, Luk Hing Development BVI, Luk Hing International BVI and Luk Hing HK.

Mr. John Choi has over 15 years of experience in the restaurant and bar and clubbing industry in Hong Kong and Macau. Since January 2001, Mr. John Choi has invested in and was responsible for the management and operation of various bars and restaurants, such as (i) Shelter Lounge in Causeway Bay, Hong Kong (from January 2001 to December 2015), (ii) Census Lounge in Causeway Bay, Hong Kong (from October 2005 to December 2015), (iii) House Lounge in Causeway Bay, Hong Kong (from July 2006 to December 2015), (iv) Habitat Japanese Restaurant in Wanchai, Hong Kong (from December 2008 to April 2015), and (v) Shelter Italian Bar & Restaurant in Causeway Bay, Hong Kong (since May 2013), Mr. John Choi was also involved in the management of Old Cubic, acting as a managing director from its opening in December 2008 until May 2010.

Mr. John Choi received a bachelor degree in engineering from Queen Mary and Westfield College, University of London, United Kingdom in July 2001.

## DIRECTORS AND SENIOR MANAGEMENT

**Mr. Yeung Chi Shing** (楊志誠), aged 45, was appointed as our Director on 19 January 2016. Mr. Alex Yeung was re-designated as our executive Director on 2 March 2016, and is primarily responsible for overall administration of our Group. He joined our Group as our administrative director since January 2011 and has been responsible for, among others, directing activities of subordinate staff, providing leadership to the managers of the administration, supervising administrative matters of the Club and developing company policies.

Prior to joining our Group, Mr. Alex Yeung served as a sales executive in PCCW Limited, a company listed on the main board of the Stock Exchange (stock code: 0008) which is principally involved in provision of telecommunications and information technology, from November 1989 to September 2004, where he was responsible for marketing of telecommunication products and services. From March 2005 to January 2008, Mr. Alex Yeung worked at Mocha Clubs, Melco Crown Gaming (Macau) Limited, an operator of casino gaming and entertainment casino resort facilities, as a floor manager of gaming operations department where he supervised the operation of the gaming floor.

Mr. Alex Yeung attended secondary school education and graduated from Man Kiu College, Hong Kong, in July 1988.

### **Non-executive Directors**

**Mr. Au Wai Pong Eric** (區偉邦), aged 48, was appointed as a non-executive Director of our Company on 2 March 2016, and is primarily responsible for overseeing management and strategic planning of our Group.

Mr. Eric Au has extensive experience in real estate management and investment. From July 1996 to March 2000, he joined Chi Cheung Investment Company Limited (stock code: 0112), (now known as LT Commercial Real Estate Limited), the shares of which are listed on the main board of the Stock Exchange which is primarily engaged in property development, as a project manager where he directed the project development department in project management, marketing and sales activities. During the eight years from April 2000 to July 2008, Mr. Eric Au worked in the real estate investment industry and had served as a project director in Global Gateway, L.P. and the Pioneer Global Group Limited as well as the general manager in Gaw Capital, where he had been responsible for project management, acquisitions and asset management in general. Since July 2008, he served as the regional director of LaSalle Investment Management, being a private equity investment arm of Jones Lane LaSalle Limited, a real estate investment management firm.

Mr. Eric Au graduated from the Rhode Island School of Design, the United States, with a bachelor degree of fine arts in June 1991 and a bachelor degree of architecture in May 1992. Mr. Eric Au has been a member of Hong Kong Institute of Architects since May 1998.

## DIRECTORS AND SENIOR MANAGEMENT

Mr. Eric Au was a director of the following companies which were incorporated in Hong Kong during or within 12 months before they were dissolved other than by member's voluntary winding-up with details as follows:

Name of Company	Nature of business	Means of dissolution	Date of commencement of winding up procedure/notice of deregistration/notice of striking off	Date of dissolution
Derwin Limited	Real estate agency	Creditor's voluntary winding up	27 July 1999	17 August 2000 <i>(Note 1)</i>
Fescon Limited	Real estate agency	Creditor's voluntary winding up	27 July 1999	17 August 2000 <i>(Note 1)</i>
Leagen Limited	Real estate agency	Creditor's voluntary winding up	27 July 1999	17 August 2000 <i>(Note 1)</i>
Centro Concepts Hong Kong Limited	Never commenced business	Dissolved by deregistration pursuant to section 291AA of the Predecessor Companies Ordinance	24 March 2006	14 July 2006
Keystone Projects Limited	Interior design	Striking off pursuant to section 291 of the Predecessor Companies Ordinance	26 September 2008	30 January 2009

*Note 1:* Although Mr. Eric Au was a director of these companies at the relevant time, he was not involved in management or operations in any of them and the management of these companies was responsible by the chairman and other senior management of his then employer, Chi Cheung Investment Company Limited, separate and independent from Mr. Eric Au. To the best of his knowledge and belief, these companies were wound up as they could not by reason of their liabilities continue their businesses because of the poor property market after the Asian financial crisis in 1998 and 1999. As these companies were dissolved more than 15 years ago and given his passive role in these companies, Mr. Eric Au had no access to the financial records and therefore is not keeping such records now in particular the amount of indebtedness of these companies at the time of their respective dissolution.

Mr. Eric Au confirmed that, to the best of his knowledge, the above dissolved companies, other than the three companies dissolved by way of creditor's voluntary winding up, were solvent and inactive at the time of being struck off and/or deregistered. Mr. Eric Au further confirmed that there is no wrongful act on his part leading to the dissolution of all the above companies and he is not aware of any actual or potential claim which has been or will be made against him as a result of the dissolution of all these companies.

## DIRECTORS AND SENIOR MANAGEMENT

**Mr. Au Ion Weng (歐潤榮)**, aged 60, was appointed as a non-executive Director of our Company on 2 March 2016, and is primarily responsible for overseeing management and strategic planning of our Group. Mr. Au is the father of Mr. Jerry Au, who is a shareholder of Welmen, which is a Controlling Shareholder of the Company.

Mr. Au has been the managing director of Veng Iao Investment Company Limited since May 1996. He was a member of the Selection Committee for the 4th Chief Executive of the Macau special Administrative Region in May 2014. In January 2013, he was also appointed as a member of the 11th Committee of Shandong Province Committee of the Chinese People's Political Consultative Conference. He was appointed as a member of Zhong Shan, Guangdong Province Committee of the Chinese People's Political Consultative Conference in January 2012. Mr. Au completed secondary education in 澳門海星中學 (Macau Hai Xing Secondary School\*) in Macau.

Mr. Au was a director of the following company which was incorporated in Hong Kong when it was dissolved other than by member's voluntary winding-up with details as follows:

Name of Company	Nature of business	Means of dissolution	Date of notice of deregistration	Date of dissolution
Kingwell Development Limited	Never commenced business	Dissolved by deregistration pursuant to section 291AA of the Predecessor Companies Ordinance	13 September 2013	10 January 2014

Mr. Au confirmed that, to the best of his knowledge, the above dissolved company was solvent and inactive at the time of being deregistered and that there is no wrongful act on his part leading to its dissolution and he is not aware of any actual or potential claim which has been or will be made against him as a result of its dissolution.

**Ms. Poon Kam Yee Odilia (潘錦儀)**, aged 56, was appointed as a non-executive Director of our Company on 2 March 2016, and is primarily responsible for overseeing management and strategic planning of our Group. Ms. Poon is the sister of Mr. Tommy Poon, who is the sole shareholder of Kenbridge, which is a Shareholder of the Company.

Ms. Poon has extensive experience in marketing and promotion as well as in human resources management and consultancy. From April 1988 to January 1994, she served Rothmans (Far East) Limited with her last position as the marketing manager. She then joined Tait (HK) Ltd from February 1994 to August 1996 as a sales and marketing director. From September 1996 to July 1997, she served as a promotion and packaging director in Pepsico. Inc. During August 1997 to December 1998, she worked as a marketing director for Carlsberg Brewery Hong Kong. From May 1999 to April 2005, she was employed by Hudson Global Resources (HK) Ltd with her last role as a country manager. During April 2005 to October 2005, she then joined Agilent Technologies Hong Kong Ltd as the staffing manager. From November 2005 to July 2013, she worked at Talent 2 Shanghai Co., Ltd and held

\* For identification purpose only

## DIRECTORS AND SENIOR MANAGEMENT

positions of operations director of the recruitment managed services division and managing director in China. Since January 2014, she served as a director in Motiva Consulting Limited where she oversees the overall management of the company.

Ms. Poon graduated with a bachelor's degree in business administration from the University of East Asia Macau, Macau in September 1985 and later received a master degree of science, majoring in business studies, from the University of Salford, United Kingdom in July 1987. In June 1990, she obtained a diploma in marketing from the Chartered Institute of Marketing, United Kingdom.

### Independent non-executive Directors

**Mr. Lam Wai Chin Raymond (林偉展)**, aged 46, was appointed as an independent non-executive Director of our Company on 18 October 2016 taking effect on the Listing Date, and is primarily responsible for providing independent judgment to the Board.

Mr. Lam became a barrister and solicitor of the Supreme Court of the Australian Capital Territory, Australia and of the Supreme Court of Victoria, Australia in October 1993 and November 1993, respectively. He also qualified as a barrister in the High Court of Australia in October 1993. He became a solicitor of the Supreme Court in England and Wales in August 1994 and a solicitor of the High Court of Hong Kong in October 1994. Since June 1999, he has been a partner of Messrs. Lam & Lai and serves as a member of the Advisory Panel on Disability Discrimination Ordinance and the Appeal Panel (Housing). Mr. Lam obtained a bachelor degree in laws from the Australian National University, Australia in September 1993 and a master degree in laws from the University of Melbourne, Australia in March 1996.

Mr. Lam was a director of the following companies which were incorporated in Hong Kong when they were dissolved other than by member's voluntary winding-up with details as follows:

Name of Company	Nature of business	Means of dissolution	Date of notice of striking off	Date of dissolution
Tint Design Company Limited	Never commenced business	Striking off pursuant to section 746 of the Companies Ordinance	11 September 2015	15 January 2016
Top Spread Holdings Limited	Never commenced business	Striking off pursuant to section 291 of the Predecessor Companies Ordinance	13 December 2013	4 April 2014

Mr. Lam confirmed that, to the best of his knowledge, the above dissolved companies were solvent and inactive at the time of being struck off and that there is no wrongful act on his part leading to their dissolution and he is not aware of any actual or potential claim which has been or will be made against him as a result of their dissolution.

**Mr. Chan Ting Bond Michael (陳定邦)**, aged 35, was appointed as an independent non-executive Director of our Company on 18 October 2016 taking effect on the Listing Date, and is primarily responsible for providing independent judgment to the Board.

## DIRECTORS AND SENIOR MANAGEMENT

Mr. Chan has extensive experience in finance. He commenced his career with PricewaterhouseCoopers in Sydney, Australia as a senior associate from February 2000 to February 2006. He then relocated to Hong Kong and joined KPMG as a manager from March 2006 to August 2007. Mr. Chan later joined Ping An of China Asset Management (Hong Kong) Company Limited from August 2007 until March 2011. After serving as vice president in Global Business Development of Ping An of China Asset Management (Hong Kong) Company Limited, he joined Jardine Matheson Group in June 2011. During the tenure, Mr. Chan first served as the corporate finance manager in Jardine Cycle & Carriage Limited in Singapore from June to December 2011, followed by his appointment as the corporate planning director in Dairy Farm Group from January 2012 to March 2014. Subsequently, Mr. Chan was appointed to Zung Fu Group in April 2014, currently serving as general manager, business development.

Mr. Chan became a member of the Chartered Accountants Australia and New Zealand in January 2006 and was awarded fellowship in December 2015. He has been admitted as a member of the Hong Kong Institute of Certified Public Accountants since July 2008 and become a fellow of the institute since July 2015. Mr. Chan became a chartered financial analyst of the CFA Institute in September 2010, qualified as a member of the Chartered Alternative Investment Analyst Association in June 2010, and became qualified as a financial risk manager by the Global Association of Risk Professionals in April 2010. Mr. Chan graduated from the University of New South Wales with a bachelor's degree of commerce (majoring in accounting and finance) in April 2003. In June 2012, he obtained his Executive Master of Business Administration from the Kellogg School of Management of Northwestern University, the United States and the Hong Kong University of Science and Technology.

**Mr. Tse Kar Ho Simon (謝嘉豪)**, aged 58, was appointed as an independent non-executive Director of our Company on 18 October 2016 taking effect on the Listing Date, and is primarily responsible for providing independent judgment to the Board.

Mr. Tse accumulated extensive experience in organising, logistics, marketing, and coordination of musical events and performances and other promotional and/or marketing events over 17 years. He has served as a director since December 1998 and holds approximately 92.5% shareholding interest in Best Shine Entertainment Limited, and as a director since January 2013 and holds approximately 99.9% shareholding interest in Best Shine (China) Entertainment Limited, and as a director since March 2011 and holds approximately 83.3% shareholding interest in Sky Treasure Entertainment Limited, where he have been engaged in organising, logistics, marketing, and coordination of concerts and other promotional and/or marketing events through these companies. Milestone events of his industry experience include participation in marketing activities in 2008 Beijing Olympics under which Best Shine Entertainment Limited received two awards, namely, “2008 Worldwide Marketing & Commercial Excellence — Best Implementation of Marketing Communication Campaign — Brand COCA-COLA — China — Beijing Olympic Games — 2008 Best in Class” and “2008 Worldwide Marketing & Commercial Excellence — Best Brand Marketing Asset Program — China — COCA-COLA — Beijing Olympic Games — 2008 Best in Class” from Coca-Cola (China) Beverage Ltd for its marketing efforts. Additionally, during December 2010 to December 2011, Best Shine Entertainment Limited, under directorship of Mr. Tse, also coordinated logistics and marketing activities for 1/2 Jacky Cheung Century Tour in Macau, Shenzhen and Guangzhou, a tour concert which was awarded the Guinness World Records as the largest combined audience for a live act in 12 months.

Mr. Tse attended secondary school education in Mansfield College in Hong Kong.

## DIRECTORS AND SENIOR MANAGEMENT

Through their indirect shareholding interest in Bo Xing (and Xin Limited, being the wholly owned subsidiary of Bo Xing), Mr. Simon Choi, Mr. John Choi, Mr. Alex Yeung and Mr. Eric Au, and the close associate of Mr. Au Ion Weng and Ms. Poon Kam Yee Odilia are interested in various restaurant businesses as in SOHO, a food and beverage area in City of Dreams. For further details, please see “Restaurant businesses in Macau” in the section headed “Relationship with our Controlling Shareholders” in this prospectus.

Save as disclosed herein, to the best of the knowledge, information and belief of our Directors, having made all reasonable enquiries, there are no other matters relating to the appointment of Directors that need to be brought to the attention of our Shareholders, nor is there any information relating to our Directors that is required to be disclosed pursuant to paragraphs (h) to (v) of Rule 17.50(2) of the GEM Listing Rules, including matters relating to directorship held by Directors in any public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years immediately preceding the date of this prospectus.

### SENIOR MANAGEMENT

Our senior management is responsible for the day-to-day management of our business. The table below shows certain information in respect of the senior management of our Company.

Name	Age	Month and year of joining our Group	Month and year of appointment as senior management	Position	Roles and Responsibilities	Relationship with other Directors and senior management
Mr. Choi Yiu Ying (蔡耀涇)	40	May 2010	May 2010	Executive Director, chief executive officer and chairman of the Board	Overall strategic planning and supervising daily operation of our Group	Elder brother of Mr. Choi Siu Kit
Mr. Choi Siu Kit (蔡紹傑)	38	May 2010	May 2010	Executive Director and managing director	Overall strategic planning and supervising marketing and entertainment aspects of our Group	Younger brother of Mr. Choi Yiu Ying
Mr. Yeung Chi Shing (楊志誠)	45	January 2011	January 2011	Executive Director and administrative director	Overall administration of our Group	None
Mr. Steven Chu (朱偉南)	47	May 2013	May 2013	General Manager	Supervising daily operation of Club Cubic	None

**Mr. Choi Yiu Ying (蔡耀涇)** (with former names Choi Siu Man (蔡紹文) and Choi Siu Ying (蔡兆鉞)), aged 40, is the executive Director, the chief executive officer and the chairman of the Board of our Company. Please refer to the paragraph headed “Directors” above under this section for further details on him.

## DIRECTORS AND SENIOR MANAGEMENT

**Mr. Choi Siu Kit (蔡紹傑)**, aged 38, is the executive Director and the managing director of our Company. Please refer to the paragraph headed “Directors” above under this section for further details on him.

**Mr. Yeung Chi Shing (楊志誠)**, aged 45, is the executive Director and the administrative director of our Company. Please refer to the paragraph headed “Directors” above under this section for further details on him.

**Mr. Steven Chu (朱偉南)**, aged 47, has been the general manager of Club Cubic since May 2013. Mr. Chu is primarily responsible for supervising daily operations of Club Cubic. Prior to joining our Group, Mr. Chu has accumulated over seven years of experience in various restaurant businesses in respect of operation and managerial roles. Between October 2010 and September 2011, he served as a general manager at the Press Room, a restaurant in Hong Kong, primarily responsible for supervising staff members. From September 2011 to April 2013, he worked as an operations manager in Cafe Deco Group (a food and beverage catering group based in Hong Kong), primarily responsible for supervising daily operations of various restaurants and bars in Hong Kong.

Mr. Chu received his diploma in fashion design from the International Academy of Merchandising of Design, Toronto, Canada in June 1992.

Save as disclosed herein, to the best of the knowledge, information and belief of our Directors, having made all reasonable enquiries, none of the above members of senior management has been a director of any public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years immediately preceding the date of this prospectus.

### COMPANY SECRETARY

**Ms. Li Oi Lai (李愛麗)**, aged 43, was appointed as the company secretary of our Company on 4 March 2016. Ms. Li is a manager of SW Corporate Services Group Limited. She has over fifteen years of experience in auditing, accounting and company secretarial matters. She obtained a bachelor’s degree of commerce in accounting from Hong Kong Shue Yan University in October 2010 and a master’s degree in professional accounting from the Hong Kong Polytechnic University in November 2003. She became a member of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators in the United Kingdom in October 2006, a fellow member of the Association of International Accountants in November 2014 and a fellow member of the Hong Kong Institute of Certified Public Accountants in March 2015. Ms. Li is not an employee of our Company and she can contact Mr. John Choi, our executive Director, in relation to any corporate secretarial matters.

### COMPLIANCE OFFICER

**Mr. Choi Siu Kit (蔡紹傑)**, aged 38, was appointed as the compliance officer of our Company on 2 March 2016. His biography is set out in the paragraph headed “Directors” above under this section.

## **DIRECTORS AND SENIOR MANAGEMENT**

### **BOARD COMMITTEES**

#### **Audit Committee**

The Company established an audit committee with written terms of reference in compliance with Rules 5.28 and 5.29 of the GEM Listing Rules and paragraph C.3.3 and C.3.7 of the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules. The audit committee consists of two independent non-executive Directors being Mr. Chan Ting Bond Michael and Mr. Lam Wai Chin Raymond and our non-executive Director, Mr. Eric Au. Mr. Chan Ting Bond Michael, who holds the appropriate professional qualifications as required under Rules 5.05(2) and 5.28 of the GEM Listing Rules, 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.

#### **Remuneration Committee**

The Company established a remuneration committee with written terms of reference in compliance with paragraph B.1.2 of the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules. The remuneration committee consists of two independent non-executive Directors being Mr. Lam Wai Chin Raymond and Mr. Tse Kar Ho Simon and our non-executive Director, Mr. Eric Au. Mr. Lam Wai Chin Raymond, an independent non-executive Director, serves as the chairman of the remuneration committee. The primary duties of the remuneration committee include but without limitation, the following: (i) making recommendations to our Directors on the policy and structure for remuneration of all Directors and senior management and on the establishment of a formal and transparent procedure for developing policies on such remuneration; (ii) determining the terms of the specific remuneration package of all Directors and senior management; and (iii) reviewing and approving performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time.

#### **Nomination Committee**

The Company also established a nomination committee with written terms of reference in compliance with paragraph A.5.2 of the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules. The nomination committee consists of two independent non-executive Directors being Mr. Lam Wai Chin Raymond and Mr. Tse Kar Ho Simon and our executive Director and chairman, Mr. Simon Choi. Mr. Simon Choi, our executive Director and chairman, serves as the chairman of the nomination committee. The primary functions of the nomination committee include but without limitation the following: (i) reviewing the structure, size and composition of the Board; (ii) assessing the independence of independent non-executive Directors; and (iii) making recommendations to the Board on matters relating to appointment of Directors.

#### **Corporate Governance**

Our Company intends to comply with all code provisions under the Principles of Good Governance, Code Provisions and Recommended Best Practices in Appendix 15 to the GEM Listing Rules (the "Code") after the Listing except for the paragraph A.2.1 of the Code, which provides that the roles of chairman and chief executive officer should be separate and should not be performed by the

## DIRECTORS AND SENIOR MANAGEMENT

same individual. The roles of chairman and chief executive officer of our Company are both performed by Mr. Simon Choi. We consider that having Mr. Simon Choi acting as both our chairman and chief executive officer will provide a strong and consistent leadership to our Group and allow for more effective strategic planning and management of our Group. Further in view of Mr. Simon Choi's experience in the industry, personal profile and role in our Group and historical development of our Group, we consider it is to the benefit of our Group in the business prospects that Mr. Simon Choi continues to act as both our chairman and chief executive officer after the Listing. Therefore, our Company currently has no intention to separate the functions of chairman and chief executive officer.

### COMPLIANCE ADVISER

We have appointed China Everbright Capital Limited as our compliance adviser (the “**Compliance Adviser**”) pursuant to Rule 6A.19 of the GEM Listing Rules. The Compliance Adviser will provide us with guidance and advice as to compliance with the requirements under the GEM Listing Rules and applicable Hong Kong laws. Pursuant to Rule 6A.23 of the GEM Listing Rules, the Compliance Adviser will advise our Company, among others, in the following circumstances:

- (a) before the publication of any regulatory announcement, circular or financial report;
- (b) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;
- (c) where our Company proposes to use the proceeds of the Placing in a manner different from that detailed in this prospectus or where our Group's business activities, developments or results of operation deviate from any forecast, estimate or other information in this prospectus; and
- (d) where the Stock Exchange makes an inquiry to the Company regarding unusual movements in the price or trading volume of the Shares or any other matters in accordance with Rule 17.11 of the GEM Listing Rules.

The term of the appointment of the Compliance Adviser will commence on the Listing Date and is expected to end on the date on which our Company complies with Rule 18.03 of the GEM Listing Rules in respect of its financial results for the second full financial year commencing after the Listing Date.

As of the Latest Practicable Date and to the best of the knowledge, information and belief of our Directors, having made all reasonable enquiries, the Directors are not aware of any deviation from provisions in the Corporate Governance Code under Appendix 15 to the GEM Listing Rules (save as discussed under “— Corporate Governance” above).

## DIRECTORS AND SENIOR MANAGEMENT

### REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

We did not pay any remuneration (including salaries and other allowances, share-based payments and social benefits) to our Directors for the financial years ended 31 December 2014 and 2015. For the two years ended 31 December 2015, Ocean Concept provided operation, marketing and administrative services to our Group, while we paid a consulting fee of HK\$5.8 million and HK\$7.4 million to Ocean Concept. The consulting fee primarily represented the salaries of the then relevant employees of Ocean Concept, including our executive Directors Mr. Simon Choi, Mr. John Choi and Mr. Alex Yeung and other employees. In preparation for the Listing, the above arrangement was terminated in January 2016 and the relevant employees were hired by our Group. For the four months ended 30 April 2016, the aggregate remuneration (including salaries and other allowances, share-based payments and social benefits) to our Directors amounted to HK\$0.5 million.

The aggregate amount of remuneration (including fees, salaries, contributions to pensions schemes, housing allowances and other allowances and benefits in kind and discretionary bonuses (where applicable)) paid to our five highest paid individuals for each of the financial years ended 31 December 2014 and 2015 and the four months ended 30 April 2016 were approximately HK\$3.1 million, HK\$2.9 million and HK\$1.1 million, respectively.

No remuneration was paid by our Group to, or receivable by, our Directors or senior management or the five highest paid individuals as an inducement to join or upon joining our Group or as a compensation for loss of office in connection with the management of the affairs of any subsidiary of our Group in respect of the financial years ended 31 December 2014 and 2015 and the four months ended 30 April 2016. Further, none of our Directors or senior management had waived any remuneration during the same period. Save as disclosed in this paragraph headed “Remuneration of directors and senior management”, no other payments have been paid, or are payable, by our Company or any of our subsidiaries to our Directors, senior management and the five highest paid individuals during the Track Record Period.

Under our arrangements currently in force, the aggregate remuneration (including salaries and other allowances, share-based payments and social benefits) of our Directors (including independent non-executive Directors in their capacity as Directors), excluding any discretionary bonuses, for the financial year ending 31 December 2016 are estimated to be approximately HK\$1.6 million.

## SHARE CAPITAL

The following is a description of our authorised and issued share capital in issue and to be issued as fully paid or credited as fully paid immediately before and after the completion of the Capitalisation Issue and the Placing (taking no account of any Shares that may be allotted and issued upon the exercise of options that may be granted under the Share Option Scheme).

	<b>Nominal Value</b> <i>(HK\$)</i>
<b>Authorised share capital</b>	
10,000,000,000 Shares of HK\$0.01 each	100,000,000
<b>Issued share capital at the date of this prospectus:</b>	
10,000 Shares of HK\$0.01 each	100
<b>Shares to be issued pursuant to the Capitalisation Issue:</b>	
1,349,990,000 Shares of HK\$0.01 each	13,499,900
<b>Shares to be issued pursuant to the Placing:</b>	
450,000,000 Shares of HK\$0.01 each	4,500,000
<b>Total issued share capital on completion of the Capitalisation Issue and the Placing:</b>	
1,800,000,000 Shares of HK\$0.01 each	18,000,000

### ASSUMPTIONS

The above table assumes that the Placing becomes unconditional but does not take into account any Shares which may be issued or repurchased pursuant to the general mandate given to the Directors for issue and allotment of Shares referred to in the section headed “Appendix IV — Statutory and General Information” to this prospectus or the repurchase mandate referred to in the same section of this prospectus, as the case may be.

### RANKING

The Shares will rank equally with all Shares currently in issue and, in particular, will rank in full for all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls after the date of this prospectus.

### GENERAL MANDATE TO ISSUE SHARES

Conditional on the Placing becoming unconditional, our Directors have been granted a general unconditional mandate to allot, issue and deal with the Shares (otherwise than pursuant to, or in consequence of, the Placing, a rights issue or the exercise of any options or any scrip dividend scheme or similar arrangements, any adjustment of rights to subscribe for Shares under options and warrants or

## SHARE CAPITAL

a special authority granted by our Shareholders) with an aggregate nominal value of not more than the sum of:

- Shares representing 20% of the aggregate nominal value of our share capital in issue immediately following the completion of the Capitalisation Issue and the Placing; and
- the aggregate nominal value of our share capital repurchased by us (if any) under the general mandate to repurchase Shares referred to below.

This general mandate to issue Shares will remain in effect until:

- the conclusion of our next annual general meeting;
- the expiration of the period within which our next annual general meeting is required by any applicable law or the Articles of Association to be held; or
- it is varied or revoked by an ordinary resolution of our Shareholders in general meeting,

whichever is the earliest.

Particulars of this general mandate to allot, issue and deal with Shares are set forth under the section headed “Appendix IV — Statutory and General Information — 3. Resolutions of our Shareholders” to this prospectus.

### REPURCHASE MANDATE

Conditional on the Placing becoming unconditional, our Directors have been granted a general unconditional mandate to exercise all our powers to repurchase Shares with a total nominal value of not more than 10% of the aggregate nominal value of our share capital in issue immediately following the completion of the Capitalisation Issue and the Placing.

This mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange on which the Shares are listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and made in accordance with all applicable laws and the requirements of the GEM Listing Rules. A summary of the relevant GEM Listing Rules is set out in the section headed “Appendix IV — Statutory and General Information — 3. Resolutions of our Shareholders” to this prospectus.

The general mandate to repurchase Shares will remain in effect until:

- the conclusion of our next annual general meeting;
- the expiration of the period within which our next annual general meeting is required by any applicable law or the Articles of Association to be held; or
- it is varied or revoked by an ordinary resolution of our Shareholders in general meeting, whichever is the earliest.

Particulars of this general mandate are set out under the section headed “Appendix IV — Statutory and General Information — 3. Resolutions of our Shareholders” to this prospectus.

## **SHARE CAPITAL**

### **CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED**

As a matter of the Companies Law, an exempted company is not required by law to hold any general meetings or class meetings. The holding of general meeting or class meeting is prescribed for under the articles of association of a company. Accordingly, we will hold general meetings as prescribed for under our Articles, a summary of which is set out in the section headed “Summary of Constitution of the Company and Cayman Islands Company Law” in Appendix III to this prospectus.

### **SHARE OPTION SCHEME**

We have conditionally adopted the Share Option Scheme. Details of the principal terms of the Share Option Scheme are summarised in the section headed “Share Option Scheme” as set out in Appendix IV to this prospectus.

Our Group did not have any outstanding share options, warrants, convertible instruments, or similar rights convertible into our Shares as at the Latest Practicable Date.

## SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, the following persons will, immediately following the completion of the Placing and the Capitalisation Issue (but without taking into account Shares which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme), have an interest or short position in the Shares and the underlying Shares which would fall to be disclosed to our Company under provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be, directly or indirectly, interested in 10% or more of the nominal value of any class of the share capital carrying rights to vote in all circumstances at general meetings of members of our Group:

Name of shareholder	Name of Group member/ associated corporation	Capacity/nature of interest	Number and class of securities (Note 1)	Approximate percentage of shareholding
Welmen	Our Company	Beneficial owner	1,093,500,000 Shares (L)	60.75%
Yui Tak (Note 3)	Our Company	Interest of a controlled corporation	1,093,500,000 Shares (L)	60.75%
Ocean Concept (Note 3)	Our Company	Interest of a controlled corporation	1,093,500,000 Shares (L)	60.75%
Toprich (Note 4)	Our Company	Interest of a controlled corporation	1,093,500,000 Shares (L)	60.75%
Perfect Succeed (Note 4)	Our Company	Interest of a controlled corporation	1,093,500,000 Shares (L)	60.75%
Mr. Simon Choi (Notes 2 and 4)	Our Company	Interest of a controlled corporation, interest held jointly with another person	1,093,500,000 Shares (L)	60.75%
Mr. John Choi (Notes 2 and 4)	Our Company	Interest of a controlled corporation interest held jointly with another person	1,093,500,000 Shares (L)	60.75%
Mr. Eric Au (Note 2)	Our Company	Interest held jointly with another person	1,093,500,000 Shares (L)	60.75%
Mr. Jerry Au (Note 2)	Our Company	Interest held jointly with another person	1,093,500,000 Shares (L)	60.75%
Mr. Bernard Yeung (Note 2)	Our Company	Interest held jointly with another person	1,093,500,000 Shares (L)	60.75%

## SUBSTANTIAL SHAREHOLDERS

Name of shareholder	Name of Group member/ associated corporation	Capacity/nature of interest	Number and class of securities (Note 1)	Approximate percentage of shareholding
Mr. Alex Yeung (Note 2)	Our Company	Interest held jointly with another person	1,093,500,000 Shares (L)	60.75%
Kenbridge	Our Company	Beneficial owner	121,500,000 Shares (L)	6.75%
Mr. Tommy Poon (Note 5)	Our Company	Interest of a controlled corporation	121,500,000 Shares (L)	6.75%
Ms. Chan Ting Fai (Note 6)	Our Company	Interest of spouse	1,093,500,000 Shares (L)	60.75%
Ms. Lee Wan (Note 7)	Our Company	Interest of spouse	1,093,500,000 Shares (L)	60.75%
Ms. Mak Kai Fai (Note 8)	Our Company	Interest of spouse	1,093,500,000 Shares (L)	60.75%
Ms. Lau Sze Mun Charmaine (Note 9)	Our Company	Interest of spouse	121,500,000 Shares (L)	6.75%

*Note:*

- (1) The letter “L” denotes the person’s long position in the shares of our Company or the relevant Group member.
- (2) On 2 March 2016, Mr. Simon Choi, Mr. John Choi, Mr. Eric Au, Mr. Jerry Au, Mr. Bernard Yeung and Mr. Alex Yeung 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 our Group, details of which are set out in the section headed “Relationship with our Controlling Shareholders” in the prospectus. As such, pursuant to the acting in concert arrangement, each of Mr. Simon Choi, Mr. John Choi, Mr. Eric Au, Mr. Jerry Au, Mr. Bernard Yeung and Mr. Alex Yeung is deemed to be interested in 60.75% of the issued share capital of our 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 our 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. Simon Choi and as to 50% by Mr. John Choi. By virtue of the SFO, each of Toprich, Perfect Succeed, Mr. Simon Choi and Mr. John Choi is deemed to be interested in 60.75% of the issued share capital of our Company held by Welmen.
- (5) Kenbridge is wholly owned by Mr. Tommy Poon. By virtue of the SFO, Mr. Tommy Poon is deemed to be interested in 6.75% of the issued share capital of our Company held by Kenbridge.
- (6) Ms. Chan Ting Fai is the spouse of Mr. John Choi. By virtue of the SFO, Ms. Chan Ting Fai is deemed to be interested in 60.75% of the issued share capital of our Company in which Mr. John Choi is interested.

## SUBSTANTIAL SHAREHOLDERS

- (7) Ms. Lee Wan is the spouse of Mr. Eric Au. By virtue of the SFO, Ms. Lee Wan is deemed to be interested in 60.75% of the issued share capital of our Company in which Mr. Eric Au is interested.
  
- (8) Ms. Mak Kai Fai is the spouse of Mr. Bernard Yeung. By virtue of the SFO, Ms. Mak Kai Fai is deemed to be interested in 60.75% of the issued share capital of our Company in which Mr. Bernard Yeung is interested.
  
- (9) Ms. Lau Sze Mun Charmaine is the spouse of Mr. Tommy Poon. By virtue of the SFO, Ms. Lau Sze Mun Charmaine is deemed to be interested in 6.75% of the issued share capital of our Company in which Mr. Tommy Poon is interested.

For details of our Directors' interests in Shares immediately following the completion of the Placing, please refer to the section entitled "Statutory and General Information — Further Information about our Directors and Substantial Shareholders" in Appendix IV to this prospectus.

Save as disclosed herein, our Directors are not aware of any persons (who are not Directors or chief executive of our Company) who will, immediately following completion of the Placing and the Capitalisation Issue (but without taking into account Shares which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme), have an interest or short position in the Shares and the underlying Shares which would fall to be disclosed to our Company under provisions of Divisions 2 and 3 of Part XV of the SFO, or will be directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of members of our Group. Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company.

## FINANCIAL INFORMATION

*You should read this section in conjunction with our consolidated financial statements, including the notes thereto, included in the Accountants' Report set out in Appendix I to this prospectus. Our consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"). You should read the entire Accountants' Report and not merely rely on the information contained in this section.*

*The following discussion and analysis contain certain forward-looking statements that reflect the current views with respect to future events and financial performance. These statements are based on assumptions and analysis made by our Group in light of our Directors' experience and perception of historical trends, current conditions and expected future developments, as well as other factors our Directors believe are appropriate under the circumstances. However, where actual outcomes and developments will meet our expectations and projections depend on a number of risks and uncertainties over which we do not have control. For further information, you should refer to the section headed "Risk Factors" in this prospectus.*

### OVERVIEW

We are a premium clubbing and entertainment business operator based in Macau. During the Track Record Period, through our principal activities, namely (i) our clubbing business, and (ii) our music-related featured event organised in Club Cubic, we generated our revenue primarily from (i) sale of beverage in Club Cubic to our retail customers, (ii) sponsorship income received from corporate customers and beverage suppliers, including Seapower and COD, and (iii) entrance fees income generated from our featured events.

Sale of beverage is the largest product sale segment of our Group, and accounted for approximately 78.3%, 74.0%, 80.6% and 80.3% of our revenue for the years ended 31 December 2014 and 2015, and the four months ended 30 April 2015 and 2016, respectively. In line with our premium and high-end positioning, we primarily promote Champagne, which are generally sold at over MOP1,500 per bottle, as our principal beverage products. For the years ended 31 December 2014 and 2015 and the four months ended 30 April 2015 and 2016, sale of Champagne represented approximately 55.8%, 58.2%, 57.6% and 62.3% of our beverage sales, and approximately 43.6%, 43.0%, 46.4% and 50.0% of our revenue for the same period. Perrier-Jouët, being a premium Champagne brand and one of the top three most popular Champagne brands sold in Macau according to the Euromonitor Report, is our major product and accounted for approximately 92.3%, 94.5%, 92.8% and 96.9% of our Champagne sales for the years ended 31 December 2014 and 2015 and the four months ended 30 April 2015 and 2016, respectively.

For the four months ended 30 April 2015 and 2016, our revenue was approximately HK\$33.8 million and HK\$35.0 million, respectively, representing an increase of approximately 3.6%. We recorded a net profit of approximately HK\$2.2 million and a net loss of approximately HK\$0.5 million for the four months ended 30 April 2015 and 2016, respectively, primarily as a result of the non-recurring listing expenses of approximately HK\$2.9 million recognised during the four months ended 30 April 2016. Excluding the effect of non-recurring listing expenses and without taking account into the relevant taxation impact, our adjusted net profit for the four months ended 30 April 2016 would be at approximately HK\$2.4 million, representing an increase of approximately 9.1% when compared to that of 2015.

## FINANCIAL INFORMATION

For the years ended 31 December 2014 and 2015, our revenue was approximately HK\$120.3 million and HK\$125.5 million, respectively, representing an increase of approximately 4.3%. Our net profit was approximately HK\$8.8 million and approximately HK\$9.4 million for the years ended 31 December 2014 and 2015, respectively, representing an increase of approximately 6.8% primarily as a result of the increase of our revenue of approximately HK\$5.2 million, and offset against the non-recurring listing expense of approximately HK\$2.5 million recognised during the year ended 31 December 2015 for the preparation of the Listing. Excluding the effect of non-recurring listing expenses and without taking account into the relevant taxation impact, our adjusted net profit for the year ended 31 December 2015 would be at approximately HK\$11.9 million, representing an increase of approximately 35.2% when compared to that of 2014.

### FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Our financial condition and results of operations are primarily affected by the following principal factors:

#### **Our Operating Agreement with COD**

Our Club Cubic is located at City of Dreams in Cotai, Macau through the Operating Agreement with COD, under which we obtain from COD the right to operate Club Cubic for a term until 31 March 2020, which may be extended to March 2025 subject to the terms therein. In exchange, we are obligated to pay COD a fixed base fee and share a portion of our profit of Club Cubic with COD pursuant to the profit sharing arrangement as stipulated in the Operating Agreement. For detail regarding the terms and conditions of the Operating Agreement, please refer to “Business — Relationship with COD” in this prospectus.

For the years ended 31 December 2014 and 2015 and the four months ended 30 April 2016, we incurred a total of base fee and profit sharing under the Operating Agreement with COD of approximately HK\$10.3 million, HK\$11.2 million and HK\$1.2 million, accounting for approximately 8.6%, 8.9% and 3.5% of our revenue, respectively.

The following sensitivity analysis illustrates the impact of hypothetical changes in (i) Royalty; and (ii) base fee and their impact on our net profit for the years ended 31 December 2014 and 2015 and the four months ended 30 April 2016. The sensitivity analysis assumed changes in Royalty or base fee only while all other variables are held constant.

## FINANCIAL INFORMATION

(i) *Royalty*

Fluctuations in relation to the % of the Royalty are assumed to be 1pp and 3pp for each periods indicated which are by reference to the range of historical fluctuation of the % of the Royalty prior to Track Record Period.

<b>Hypothetical fluctuation for the year ended 31 December 2014</b>	<b>Net profit</b> <i>HK\$'000</i>	<b>Change in net profit</b> %	<b>Adjusted net profit<sup>2</sup></b> <i>HK\$'000</i>	<b>Change in adjusted net profit</b> %
+3pp	10,264	16.7	10,264	16.7
+1pp	9,283	5.6	9,283	5.6
Nil	8,792	—	8,792	—
-1pp	8,301	(5.6)	8,301	(5.6)
-3pp	7,320	(16.7)	7,320	(16.7)

<b>Hypothetical fluctuation for the year ended 31 December 2015</b>	<b>Net profit</b> <i>HK\$'000</i>	<b>Change in net profit</b> %	<b>Adjusted net profit<sup>2</sup></b> <i>HK\$'000</i>	<b>Change in adjusted net profit</b> %
+3pp	10,946	16.2	13,415	12.8
+1pp	9,928	5.4	12,397	4.3
Nil	9,420	—	11,889	—
-1pp	8,912	(5.4)	11,381	(4.3)
-3pp	7,894	(16.2)	10,363	(12.8)

<b>Hypothetical fluctuation for the four months ended 30 April 2016</b>	<b>Net loss</b> <i>HK\$'000</i>	<b>Change in net loss</b> %	<b>Adjusted net profit<sup>2</sup></b> <i>HK\$'000</i>	<b>Change in adjusted net profit</b> %
+3pp	(536)	—	2,334	—
+1pp	(536)	—	2,334	—
Nil	(536)	—	2,334	—
-1pp	(837)	56.2	2,033	(12.9)
-3pp	(1,179)	120.0	1,691	(27.5)

*Note:*

1. pp refers to the percentage point of the arithmetic difference between the hypothetical % of Royalty and the applied fixed % of Royalty during the Track Record Period.
2. As the non-recurring listing expenses have a significant financial impact on the net profit/(loss) during the Track Record Period, the hypothetical financial impacts on the adjusted net profit for the year/period after the change in Royalty are also presented for illustrative purpose.

For details regarding the adjusted net profit for the year/period, please refer to paragraph headed “— Non-HKFRS measures” in this section.

## FINANCIAL INFORMATION

(ii) *Base fee*

Fluctuations in relation to base fee are assumed to be 25% and 50% for each of periods indicated which are by reference to the range of historical fluctuation of the retail property market in Cotai, Macau.

<b>Hypothetical fluctuation for the year ended 31 December 2014</b>	<b>Net profit</b> <i>HK\$'000</i>	<b>Change in net profit</b> %	<b>Adjusted net profit<sup>1</sup></b> <i>HK\$'000</i>	<b>Change in adjusted net profit</b> %
+50%	8,211	(6.6)	8,211	(6.6)
+25%	8,501	(3.3)	8,501	(3.3)
Nil	8,792	—	8,792	—
-25%	9,083	3.3	9,083	3.3
-50%	9,373	6.6	9,373	6.6

<b>Hypothetical fluctuation for the year ended 31 December 2015</b>	<b>Net profit</b> <i>HK\$'000</i>	<b>Change in net profit</b> %	<b>Adjusted net profit<sup>1</sup></b> <i>HK\$'000</i>	<b>Change in adjusted net profit</b> %
+50%	8,839	(6.2)	11,308	(4.9)
+25%	9,129	(3.1)	11,598	(2.4)
Nil	9,420	—	11,889	—
-25%	9,711	3.1	12,180	2.4
-50%	10,001	6.2	12,470	4.9

<b>Hypothetical fluctuation for the four months ended 30 April 2016</b>	<b>Net loss</b> <i>HK\$'000</i>	<b>Change in net loss</b> %	<b>Adjusted net profit<sup>1</sup></b> <i>HK\$'000</i>	<b>Change in adjusted net profit</b> %
+50%	(958)	78.7	1,912	(18.1)
+25%	(775)	44.6	2,095	(10.2)
Nil	(536)	—	2,334	—
-25%	(426)	(20.5)	2,444	4.7
-50%	(316)	(41.0)	2,554	9.4

*Note:*

- As the non-recurring listing expenses have a significant financial impact on the net profit/(loss) during the Track Record Period, the hypothetical financial impacts on the adjusted net profit for the year/period after the change in Base fee are also presented for illustrative purpose.

For details regarding the adjusted net profit for the year/period, please refer to paragraph headed “— Non-HKFRS measures” in this section.

## FINANCIAL INFORMATION

COD may impose harsher or unfavourable terms and conditions for our continuous operation of Club Cubic or opt not to renew the Operating Agreement upon expiry on 31 March 2020. Our Directors expect that we would be subject to respective lease agreement and negotiation with the respective landlords for renewal upon expiry or when we open new club(s). If the terms and conditions for the renewal of the Operating Agreement with COD or other lease agreement for new club(s) are not acceptable to us, our Group may not be able to obtain alternative premises on comparable terms on a timely basis, if at all. In such event, our Group will need to close the club, and our results of operations and financial position may be materially and adversely affected.

### **Beverage purchase price and our cooperation with our largest supplier, Seapower**

During the Track Record Period, our cost of inventories sold is one of the largest components of our operating expenses. Among which, our cost of beverage represented over 93.0% of our cost of inventories sold. Therefore, beverage prices have a significant effect on our results of operation.

During the Track Record Period, Seapower, which is the exclusive distributor of Pernod Ricard's products in Macau, was our largest supplier. For the years ended 31 December 2014 and 2015 and the four months ended 30 April 2016, the inventories that we purchased from Seapower, which were primarily beverages, were approximately HK\$16.3 million, HK\$16.2 million and HK\$5.2 million, accounting for approximately 73.4%, 69.8% and 76.5% of our purchases, respectively. For details of our relationship with Seapower, please see "Business — Relationship with Seapower" in this prospectus.

Our Directors expect that Seapower would remain one of our largest suppliers in the foreseeable future. There is no assurance that the cost of inventories purchased from Seapower will maintain at similar level as those during the Track Record Period. If the cost of inventories purchased from Seapower significantly increases and we could not pass on any increase in the cost of inventories purchased from Seapower to our customers, our results of operations and financial position would be materially and adversely affected.

In view of the fact that Seapower was our largest beverage supplier during the Track Record Period, the following sensitivity analysis illustrates the impact of hypothetical fluctuations in our cost of beverage with all other variables held constant and their effect on our cost of inventories sold and our net profit for the years ended 31 December 2014 and 2015 and the four months ended 30 April 2016. Fluctuations are assumed to be 5% and 15% for each of periods indicated which correspond to the range of historical fluctuation of the cost of our beverages purchased from Seapower, our largest beverage supplier.

<b>Hypothetical fluctuation for the year ended 31 December 2014</b>	<b>Net profit</b> <i>HK\$'000</i>	<b>Change in net profit</b> <i>%</i>	<b>Adjusted net profit<sup>1</sup></b> <i>HK\$'000</i>	<b>Change in adjusted net profit</b> <i>%</i>
+15%	7,933	(9.8)	7,933	(9.8)
+5%	8,506	(3.3)	8,506	(3.3)
Nil	8,792	—	8,792	—
-5%	9,078	3.3	9,078	3.3
-15%	9,651	9.8	9,651	9.8

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<b>Hypothetical fluctuation for the year ended 31 December 2015</b>	<b>Net profit</b> <i>HK\$'000</i>	<b>Change in net profit</b> %	<b>Adjusted net profit<sup>1</sup></b> <i>HK\$'000</i>	<b>Change in adjusted net profit</b> %
+15%	8,567	(9.1)	11,036	(7.2)
+5%	9,136	(3.0)	11,605	(2.4)
Nil	9,420	—	11,889	—
-5%	9,704	3.0	12,173	2.4
-15%	10,273	9.1	12,742	7.2

<b>Hypothetical fluctuation for the four months ended 30 April 2016</b>	<b>Net loss</b> <i>HK\$'000</i>	<b>Change in net loss</b> %	<b>Adjusted net profit<sup>1</sup></b> <i>HK\$'000</i>	<b>Change in adjusted net profit</b> %
+15%	(1,181)	120.3	1,690	(27.6)
+5%	(768)	43.3	2,102	(9.9)
Nil	(536)	—	2,334	—
-5%	(433)	(19.2)	2,437	4.4
-15%	(227)	(57.6)	2,643	13.2

*Note:*

- As the non-recurring listing expenses have a significant financial impact on the net profit/(loss) during the Track Record Period, the hypothetical financial impacts on the the adjusted net profit for the year/period after the change in cost of inventories sold are also presented for illustrative purpose.

For details regarding the adjusted net profit for the year/period, please refer to paragraph headed “— Non-HKFRS measures” in this section.

Moreover, we also recorded sponsorship income from Seapower, representing approximately 8.2%, 8.9% and 4.9% of our revenue for years ended 31 December 2014 and 2015 and the four months ended 30 April 2016, respectively. In the event that our business relationship is terminated or any adverse change in our business relationship with Seapower, we may not be able to find alternative suppliers of similar products on a timely basis, our results of operations and financial position may also be materially and adversely affected.

### **Staff costs**

Clubbing operations are highly service-oriented and our premium clubbing and entertainment service also include live performances by resident DJs, dancers and performers, and therefore the success, to a considerable extent, depends upon our ability to attract, motivate and retain a sufficient number of qualified employees.

Our Group believes that superior service is a key attribute of our success. During the Track Record Period, our staff costs amounted to approximately HK\$22.9 million and HK\$23.1 million, representing approximately 19.0% and 18.4% of our revenue for the two years ended 31 December 2014 and 2015.

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In addition, we paid a consulting fee of approximately HK\$5.8 million and HK\$7.4 million to Ocean Concept for the years ended 31 December 2014 and 2015, respectively, representing approximately 4.8% and 5.9% of our revenue, respectively. The consulting fee represented the salaries of the then relevant employees of Ocean Concept. In the preparation of the Listing, the above arrangement was terminated in January 2016 and the relevant employees were hired by our Group directly. As such, the consulting fee previously would be recorded as our staff cost going forward. For the four months ended 30 April 2016, our staff costs, representing 28.6% of our revenue, have increased by approximately HK\$2.5 million when compared to the respective period in 2015 which is mainly due to the hiring of the relevant employees of Ocean Concept since January 2016.

Due to general increase in labour costs in Macau and Hong Kong, the salary level of employees in our industry has generally increased in recent years. Our Group expects the staff costs to continue to increase as inflationary pressure in Macau and Hong Kong continues to drive up wages. Therefore, staff costs have a significant impact on our results of operation.

The following sensitivity analysis illustrates the impact of hypothetical fluctuations in our staff costs and their effect on our net profit for the years ended 31 December 2014 and 2015 and the four months ended 30 April 2016. Fluctuations are assumed to be 3% and 5% for each of the periods indicated which correspond to the range of historical fluctuation of our staff costs.

<b>Hypothetical fluctuation for the year ended 31 December 2014</b>	<b>Net profit</b> <i>HK\$'000</i>	<b>Change in net profit</b> %	<b>Adjusted net profit<sup>1</sup></b> <i>HK\$'000</i>	<b>Change in adjusted net profit</b> %
+5%	8,389	(4.6)	8,389	(4.6)
+3%	8,550	(2.8)	8,550	(2.8)
Nil	8,792	—	8,792	—
-3%	9,034	2.8	9,034	2.8
-5%	9,195	4.6	9,195	4.6

<b>Hypothetical fluctuation for the year ended 31 December 2015</b>	<b>Net profit</b> <i>HK\$'000</i>	<b>Change in net profit</b> %	<b>Adjusted net profit<sup>1</sup></b> <i>HK\$'000</i>	<b>Change in adjusted net profit</b> %
+5%	9,014	(4.3)	11,483	(3.4)
+3%	9,176	(2.6)	11,645	(2.1)
Nil	9,420	—	11,889	—
-3%	9,664	2.6	12,133	2.1
-5%	9,826	4.3	12,295	3.4

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Hypothetical fluctuation for the four months ended 30 April 2016	Net loss <i>HK\$'000</i>	Change in net loss %	Adjusted net profit <sup>1</sup> <i>HK\$'000</i>	Change in adjusted net profit %
+5%	(906)	69.0	1,964	(15.9)
+3%	(785)	46.5	2,085	(10.7)
Nil	(536)	—	2,334	—
-3%	(416)	(22.4)	2,454	5.1
-5%	(336)	(37.3)	2,534	8.6

*Note:*

- As the non-recurring listing expenses have a significant financial impact on the net profit/(loss) during the Track Record Period, the hypothetical financial impacts on the adjusted net profit for the year/period of 2016 after the change in staff costs are also presented for illustrative purpose.

For details regarding the adjusted net profit for the year/period, please refer to paragraph headed “— Non-HKFRS measures” in this section.

### **General economic and market conditions and the regulatory environment in Macau, Hong Kong and the PRC**

During the Track Record Period, all of our revenue was generated from the operation of clubbing business in one clubbing venue in Macau. Our revenue during the Track Record Period was derived primarily from customers in Macau as well as tourists and visitors in Hong Kong and the PRC. Our Directors expect that a substantial portion of our revenue will still be derived from the Macau market and such situation will continue immediately following the Placing until we have opened new club(s). There is no assurance that there would be no change in the political, economic and social environment in Macau, Hong Kong and the PRC in the foreseeable future. If there is any adverse change in government policies, laws and regulations in Macau, Hong Kong and the PRC, our results of operations and financial position may be materially and adversely affected.

### **BASIS OF PRESENTATION**

Pursuant to the Reorganisation carried out by our Group as fully explained in the section headed “History, Reorganisation and Corporate Structure” in this prospectus, our Company has become the holding company of the group entities now comprising our Group on 25 January 2016.

The Reorganisation involved setting up investment holding companies, which included our Company, Luk Hing Development BVI and Luk Hing International BVI, and was completed by interspersing our Company, Luk Hing Development BVI and Luk Hing International BVI between Luk Hing Macau and the shareholders of Luk Hing Macau. Our Group comprising our Company and its subsidiaries resulting from the Reorganisation is regarded as a continuing entity.

Accordingly, our consolidated financial statements have been prepared on a consolidated basis by applying the principles of merger accounting as if our Company had always been the holding company of our Group throughout the Track Record Period. The consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements

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of cash flows of our Group have been prepared as if our group structure upon completion of the Reorganisation had been in existence at the beginning of the Track Record Period, or since the respective date of incorporation of the companies now comprising our Group, where there is a shorter period. The consolidated statements of financial position of our Group as at 31 December 2014 and 2015 and 30 April 2016 have been prepared to present the assets and liabilities of our companies now comprising our Group as if the current group structure upon completion of the Reorganisation had been in existence at that date taking into account the respective date of incorporation, where applicable.

The functional currency of our Company is Macau Pataca (“**MOP**”). Our consolidated financial statements are presented in Hong Kong dollars for the convenience of the investors.

### **CRITICAL ACCOUNTING POLICIES AND ESTIMATES**

Our consolidated financial statements as included in the Accountants’ Report set out in Appendix I to this prospectus have been prepared in accordance with the basis of presentation as mentioned in the above paragraph in this section and the accounting policies which conform to HKFRSs issued by the HKICPA. The financial information also complies with the applicable requirements of the Companies Ordinance and the GEM Listing Rules.

The financial information has been prepared under the historical cost basis. The preparation of the financial information in conformity with HKFRSs also requires our Directors to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The methods and approaches that we use in determining these items is based on our experience, the nature of our business operations, the relevant rules and regulations and the relevant circumstances. The judgments, estimates and assumptions are based on historical experience and other factors that are considered to be relevant. The actual results may differ from these estimates.

Below is a summary of the accounting policies and estimates that we believe are important to the presentation and understanding of our financial results. We also have other accounting policies, judgements, estimates and assumptions, which are set out in detail in notes 3 and 4 to the Accountants’ Report set forth in Appendix I to this prospectus.

#### **Revenue**

Our revenue is recognized to the extent that it is probable the economic benefits will flow to us and the revenue can be reliably measured. Our revenue is measured at the fair value of the consideration received or receivable and represents amounts received and receivable for goods sold and services provided in our normal course of business, net of discounts. For details of the revenue recognition criteria for our major revenue types which include sales of beverage, food and tobacco products, sponsorship income, entrance fees income and other revenue from club operations, please refer to the sub-section headed “Revenue recognition” in the note 3 to the Accountants’ Report set forth in Appendix I to this prospectus.

#### **Inventories**

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on weighted average method. Net realisable value represents the estimated selling price for inventories less costs necessary to make the sale.

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Our Directors review inventories on a product-by-product basis at the end of each financial year/period during the Track Record Period, and make allowance for obsolete inventory items identified that are no longer suitable for sales. Our Directors estimate the net realisable value for such items primarily based on the latest invoice prices and current market conditions. As at 31 December 2014 and 2015 and 30 April 2016, the carrying values of inventories were approximately HK\$3.2 million, HK\$3.8 million and HK\$3.6 million, respectively, with no allowance for obsolete inventory items made.

### **Financial assets**

Our financial assets represent loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All purchases or sales of financial assets are recognised and derecognised on a trade date basis i.e. the date that we commit to purchase or sell the asset.

#### *Loans and receivables*

Loans and receivables, which include account and other receivables and amounts due from related parties and cash and cash equivalents, are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Subsequent to initial recognition, loans and receivables are carried at amortised cost using the effective interest method, less any impairment.

#### *Impairment of financial assets*

Financial assets are assessed for indicators of impairment at the end of each financial year/period during the Track Record Period. Financial assets are considered to be impaired where there is objective evidence of impairment that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected. For details of the objective impairment evidences, please refer to the sub-section headed “Financial instruments” in the note 3 to the Accountants’ Report set forth in Appendix I to this prospectus.

For account and sponsorship receivables which are assessed individually for impairment, our Directors would consider objective impairment evidence including our past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the credit period granted to our customers, any observable changes in national or local economic conditions that correlate with default on receivables.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of account receivables, where the carrying amount is reduced through the use of an allowance account. The impairment loss recognised in profit or loss is measured as the difference between the asset’s carrying amount and the present value of the estimated future cash flows discounted at the financial asset’s original effective interest rate (i.e. the effective interest rate computed at initial recognition). When an account receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

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As at 31 December 2014 and 2015 and 30 April 2016, the net carrying values of our account and other receivables were approximately HK\$9.4 million, HK\$11.0 million and HK\$13.9 million, respectively. In the year ended 31 December 2014, we made the provision for impairment on account receivables of approximately HK\$0.6 million, and such amount was written off from account receivables in 2015. No further provision for impairment on account receivables was made in the year ended 31 December 2015 and the four months ended 30 April 2016.

### Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit in respective periods during the Track Record Period. Taxable profit differs from profit before taxation as reported in the consolidated statements of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. Our Group's liability for current tax is calculated using tax rates that have been enacted by the end of each reporting period.

### SUMMARY RESULTS OF OPERATIONS

The following is a summary of the consolidated statements of profit or loss and other comprehensive income of our Group for each of the two years ended 31 December 2015 and the four months ended 30 April 2016 as extracted from the Accountants' Report as set out in Appendix I to this prospectus.

#### Consolidated Statements of Profit or Loss and Other Comprehensive Income

	Year ended 31 December 2014	Year ended 31 December 2015	Four months ended 30 April 2015 (Unaudited)	Four months ended 30 April 2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	120,349	125,521	33,841	34,979
Other income and gain	3,342	3,298	1,103	621
Cost of inventories sold	(22,262)	(21,667)	(6,609)	(6,836)
Staff costs	(22,910)	(23,081)	(7,508)	(9,989)
Depreciation	(1,861)	(2,016)	(596)	(734)
Property rentals and related expenses	(12,884)	(13,337)	(1,754)	(2,020)
Advertising and marketing expenses	(19,303)	(20,964)	(4,938)	(6,739)
Other operating expenses	(34,645)	(35,065)	(11,130)	(6,948)
Listing expenses	—	(2,469)	—	(2,870)
	<hr/>	<hr/>	<hr/>	<hr/>
Profit/(loss) before taxation	9,826	10,220	2,409	(536)
Taxation	(1,034)	(800)	(188)	—
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Profit/(loss) and total comprehensive income/(loss) for the year/period attributable to the owners of our Company</b>	<u>8,792</u>	<u>9,420</u>	<u>2,221</u>	<u>(536)</u>

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### DESCRIPTION AND ANALYSIS OF PRINCIPAL ITEMS IN THE CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

#### Revenue

During the Track Record Period, we derived our revenue primarily from (i) regular operation of our clubbing business in Club Cubic, (ii) organisation of music related featured events and (iii) events rental income received from leasing of Club Cubic to COD.

In terms of the types of products and services that we offer in our regular operation and featured events, our beverage sales consistently contributed over 70.0% of our revenue during the Track Record Period.

Below we analyse our revenue by types of operation and by types of products and services provided.

#### (I) Revenue by types of operation

The following table sets forth the breakdown of our revenue by types of operation for the periods indicated below:

	Year ended 31 December 2014		Year ended 31 December 2015		Four months ended 30 April 2015 (Unaudited)		Four months ended 30 April 2016	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Regular operation	62,028	51.5	68,665	54.7	22,126	65.4	21,180	60.6
Featured events	54,344	45.2	53,984	43.0	10,697	31.6	13,178	37.6
Events rental income	3,977	3.3	2,872	2.3	1,018	3.0	621	1.8
<b>Total</b>	<b>120,349</b>	<b>100.0</b>	<b>125,521</b>	<b>100.0</b>	<b>33,841</b>	<b>100.0</b>	<b>34,979</b>	<b>100.0</b>

By types of operation, we generated our revenue through (i) regular operation, (ii) featured events and (iii) events rental income received from leasing of Club Cubic to COD during the Track Record Period. Our largest revenue contributor, regular operation, refers to (i) regular weekly events held in Club Cubic, such as industry night, ladies night and girls' night out on normal days, to increase sales and attract customer traffic and (ii) other normal days without events. This revenue stream respectively contributed approximately 51.5%, 54.7%, 65.4% and 60.6% of our revenue for the years ended 31 December 2014 and 2015 and the four months ended 30 April 2015 and 2016.

Featured events refer to music-related events which we strategically organise to boost up sales. They are usually held on Fridays, Saturdays, or during festivals and major functions in Macau. For details regarding the featured event organisation, please refer to the section headed "Business — Event Organisation" in this prospectus.

Events rental income represents the leasing of Club Cubic as the venue to COD to organize the Taboo Show in order to attract customer traffic to Club Cubic and COD as a whole. For the years ended 31 December 2014 and 2015 and the four months ended 30 April 2015 and 2016, the events rental income represented approximately 3.3%, 2.3%, 3.0% and 1.8% of our revenue, respectively. Taboo show ceased to be performed since April 2016 and we did not receive such revenue after March 2016.

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### (II) Revenue by types of products and services provided

The following table sets forth the breakdown of our revenue by types of products and services provided for the years/periods indicated below:

	Year ended 31 December 2014		Year ended 31 December 2015		Four months ended 30 April 2015 (Unaudited)		Four months ended 30 April 2016	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Sales of beverage, food and tobacco products	97,869	81.3	96,669	77.0	28,492	84.2	29,057	83.1
Sponsorship income	9,930	8.3	14,263	11.4	2,233	6.6	2,320	6.6
Entrance fees income	8,244	6.9	11,480	9.1	2,008	5.9	2,891	8.3
Events rental income	3,977	3.3	2,872	2.3	1,018	3.0	621	1.8
Cloakroom income	329	0.2	237	0.2	90	0.3	90	0.2
<b>Total</b>	<b>120,349</b>	<b>100.0</b>	<b>125,521</b>	<b>100.0</b>	<b>33,841</b>	<b>100.0</b>	<b>34,979</b>	<b>100.0</b>

During the Track Record Period, we generated (i) sales of beverage, food and tobacco products; (ii) entrance fees income; and (iii) cloakroom income from our retail customers to Club Cubic. Sales of beverage, food and tobacco products was our largest source of income, representing approximately 81.3%, 77.0%, 84.2% and 83.1% of our revenue for the two years ended 31 December 2015 and the four months ended 30 April 2015 and 2016, respectively. On entering Club Cubic, we generally charge our customers entrance fees income, which amounted to approximately 6.9%, 9.1%, 5.9% and 8.3% of our revenue for the two years ended 31 December 2015 and the four months ended 30 April 2015 and 2016, respectively. We also provided cloakroom services to our customers for storage of their personal belongings.

We generated sponsorship income, representing approximately 8.3%, 11.4%, 6.6% and 6.6% of our revenue for the two years ended 31 December 2015 and the four months ended 30 April 2015 and 2016 respectively, mainly from our corporate customers, from sponsoring and endorsing the events in exchange for displaying their logos or products at our clubs and during the events.

### Analysis on sales of beverage, food and tobacco products

Over 75.0% of our revenue was generated from our sales of beverage, food and tobacco products during the Track Record Period. Below sets forth the breakdown of our sales of beverage, food and tobacco products:

	Year ended 31 December 2014		Year ended 31 December 2015		Four months ended 30 April 2015 (Unaudited)		Four months ended 30 April 2016	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Beverage	94,159	96.2	92,874	96.0	27,288	95.8	28,091	96.7
Food	2,745	2.8	2,854	3.0	917	3.2	707	2.4
Tobacco	965	1.0	941	1.0	287	1.0	259	0.9
<b>Total</b>	<b>97,869</b>	<b>100.0</b>	<b>96,669</b>	<b>100.0</b>	<b>28,492</b>	<b>100.0</b>	<b>29,057</b>	<b>100.0</b>

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Beverage sales represented over 95.0% of our sales of beverage, food and tobacco products during the Track Record Period.

(i) *Beverage sales by beverage items*

The table below sets forth the beverage items sold in terms of revenue over the years/periods indicated.

Type of beverage	Note	Year ended 31 December 2014		Year ended 31 December 2015		Four months ended 30 April 2015		Four months ended 30 April 2016	
		HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Champagne		52,536	55.8	54,026	58.2	15,705	57.6	17,505	62.3
<i>Perrier-Jouët Champagne</i>		48,509	51.5	51,073	55.0	14,575	53.4	16,958	60.4
Spirits		29,976	31.8	27,801	29.9	8,348	30.5	6,776	24.1
Other	1	11,647	12.4	11,047	11.9	3,235	11.9	3,810	13.6
Total		<u>94,159</u>	<u>100.0</u>	<u>92,874</u>	<u>100.0</u>	<u>27,288</u>	<u>100.0</u>	<u>28,091</u>	<u>100.0</u>

Note:

- These drinks consist of cocktails and liqueurs, wine, beer and non-alcoholic drinks served in Club Cubic.

Our Group mainly generated revenue from beverage sales at Club Cubic. By comparing the revenue generated by different types of beverage, Champagne was the bestselling item contributing approximately 55.8%, 58.2%, 57.6% and 62.3% of our beverage sales for the year ended 31 December 2014 and 2015 and the four months 30 April 2015 and 2016, respectively, with spirits following closely behind. Amongst our total Champagnes sales, Perrier-Jouët Champagne was the most popular item which contributed approximately 92.3%, 94.5%, 92.8% and 96.9% of our Champagne sales for the years ended 31 December 2014 and 2015 and the four months ended 30 April 2015 and 2016, respectively.

(ii) *Beverage sale by types of operations*

During the Track Record Period, our beverage sales contributed majority of our revenue. The below table sets forth our beverage sales by types of operations over the years/periods indicated:

	Year ended 31 December 2014		Year ended 31 December 2015		Four months ended 30 April 2015		Four months ended 30 April 2016	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Regular operation	54,109	57.5	59,497	64.1	19,370	71.0	17,807	63.4
Featured events	<u>40,050</u>	<u>42.5</u>	<u>33,377</u>	<u>35.9</u>	<u>7,918</u>	<u>29.0</u>	<u>10,284</u>	<u>36.6</u>
Total	<u>94,159</u>	<u>100.0</u>	<u>92,874</u>	<u>100.0</u>	<u>27,288</u>	<u>100.0</u>	<u>28,091</u>	<u>100.0</u>

Our beverage sales contributed by regular operation for the years ended 31 December 2014 and 2015 increased from approximately HK\$54.1 million in 2014 to approximately HK\$59.5 million in 2015. Such increase was primarily attributable to less featured events held, and hence more days of regular operation in 2015 compared to 2014.

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Our beverage sales contributed by featured events, the sales decreased from approximately HK\$40.1 million in 2014 to approximately HK\$33.4 million in 2015. Such decrease was primarily attributable to the number of featured events reduced from 64 events in 2014 to 47 events in 2015.

As we continue to strategically focus on organising featured events, our beverage sales contributed by the featured events increased by approximately 30.4% from approximately HK\$7.9 million for the four months ended 30 April 2015 to approximately HK\$10.3 million for the respective period in 2016. The increase was because we engaged internationally renowned DJs and artists, such as Tiesto, Steve Aoki and Jason Derulo for the four months 30 April 2016, which we imposed higher minimum charge for reserving a table or private karaoke room. The minimum charge per table and private karaoke room amounted to approximately MOP4,000 and MOP13,000 respectively for the four months ended 30 April 2016, compared with approximately MOP3,000 and MOP11,000 respectively for the four months ended 30 April 2015. As a result, we recorded higher average beverage sales per featured events for the four months ended 30 April 2016 compared to the respective period in 2015. Our regular operation slightly decreased by approximately HK\$1.6 million from approximately HK\$19.4 million for the four months ended 30 April 2015 to approximately HK\$17.8 million for the respective period in 2016.

To further understand the financial performance of beverage sales on our featured events, the following table sets forth the ranking of our top five featured events ranked by our revenue for the periods indicated:

### Top five featured events during year ended 31 December 2014

	Date	Major sponsor	Revenue (HK\$'000)	Beverage sales (HK\$'000)	Others <sup>1</sup> (HK\$'000)	
1.	Performance by Ne-yo, an internationally renowned singer and Grammy Award winner	27 September 2014	Seapower	3,137	1,301	1,836
2.	Cubic Tunes — Live it! Presents ROAR 3rd Anniversary Party	5 April 2014	Seapower	2,977	1,737	1,240
3.	New Year's Eve featuring with Dannic	31 December 2014	Seapower	2,138	1,385	753
4.	Performance by Afrojack, an internationally renowned DJ and Grammy Award winner	4 October 2014	Seapower	1,868	1,153	715
5.	Winter Wonderland with DJ Hello Kitty	24 December 2014	Seapower	1,613	985	628
The revenue generated by top five featured events			11,733	6,561	5,172	
<b>Revenue for the year</b>			<b>120,349</b>	<b>94,159</b>	<b>26,190</b>	

*Note 1:* Others primarily include sponsorship income and entrance fees income.

## FINANCIAL INFORMATION

### Top five featured events during year ended 31 December 2015

	Date	Major sponsor(s)	Revenue (HK\$'000)	Beverage sales (HK\$'000)	Others <sup>1</sup> (HK\$'000)	
1.	2015 Road to Ultra Macau	13 June 2015	Seapower, COD, a car distributor, a wine distributor, a beverage distributor	7,998	1,896	6,102
2.	Performance by Tiesto, an internationally renowned DJ and Grammy Award winner	2 October 2015	Seapower, COD	4,593	2,132	2,461
3.	Official after party of Big Bang 2015 World Tour Concert in Macau	24 October 2015	—	4,321	2,347	1,974
4.	4th Anniversary Party featuring 2 Chainz	18 April 2015	Seapower	2,798	1,216	1,582
5.	Performance by Chris Brown, an internationally renowned singer and Grammy Award winner	24 July 2015	Seapower	2,414	1,311	1,103
The revenue generated by top five featured events			<u>22,124</u>	<u>8,902</u>	<u>13,222</u>	
<b>Revenue for the year</b>			<b><u>125,521</u></b>	<b><u>92,874</u></b>	<b><u>32,647</u></b>	

Note 1: Others primarily include sponsorship income and entrance fees income.

### Top five featured events during four months ended 30 April 2015

	Date	Major sponsor(s)	Revenue (HK\$'000)	Beverage sales (HK\$'000)	Others <sup>1</sup> (HK\$'000)	
1.	4th Anniversary Party featuring 2 Chainz	18 April 2015	Seapower	2,798	1,216	1,582
2.	Performance by Will Sparks	9 January 2015	Seapower	1,442	1,333	109
3.	Performance by Arno Cost	3 April 2015	—	721	664	57
4.	Performance by Nari & Milani	17 January 2015	Seapower	711	580	131
5.	Performance by Tom Staar	7 March 2015	—	645	555	90
The revenue generated by top five featured events			<u>6,317</u>	<u>4,348</u>	<u>1,969</u>	
<b>Revenue for the period</b>			<b><u>33,841</u></b>	<b><u>27,288</u></b>	<b><u>6,553</u></b>	

Note 1: Others primarily include sponsorship income and entrance fees income.

## FINANCIAL INFORMATION

### Top five featured events during four months ended 30 April 2016

	Date	Major sponsor(s)	Revenue (HK\$'000)	Beverage sales (HK\$'000)	Others <sup>1</sup> (HK\$'000)	
1.	5th Anniversary Party featuring Jason Derulo, an internationally renowned artist and various awards winner	9 April 2016	Seapower	3,468	2,635	833
2.	Performance by Tiesto, an internationally renowned DJ and Grammy Award Winner	19 February 2016	—	3,171	2,473	698
3.	Performance by Steve Aoki, an internationally renowned DJ and ranked as the top 10 DJ in 2015 by DJ Mag, an international dance music magazine	24 March 2016	Seapower	1,700	954	746
4.	Performance by Shogun, an internationally renowned DJ and ranked as top 47 DJ in 2015 by DJ Mag, an international dance music magazine	26 March 2016	—	776	710	66
5.	Performance by Mightyfools	23 April 2016	—	698	623	75
The revenue generated by top five featured events				<u>9,813</u>	<u>7,395</u>	<u>2,418</u>
<b>Revenue for the period</b>				<u><b>34,979</b></u>	<u><b>28,091</b></u>	<u><b>6,888</b></u>

*Note 1:* Others primarily include sponsorship income and entrance fees income.

Our strategic focus is to organise featured events with internationally renowned DJs and artists with high popularity and media interest. During the Track Record Period, (i) our beverage sales of our top five featured events increased from approximately HK\$6.6 million in 2014 to HK\$8.9 million in 2015, and also increased from approximately HK\$4.3 million for the four months ended 30 April 2015 to approximately HK\$7.4 million for the respective period in 2016; and (ii) our average beverage sales per featured events increased from approximately HK\$626,000 in 2014 to HK\$710,000 in 2015, and also increased from approximately HK\$528,000 for the four months ended 30 April 2015 to approximately HK\$791,000 for the respective period in 2016. Such a steady growth on our beverage sales of our featured events during the Track Record Period is in line with our strategic focus.

## FINANCIAL INFORMATION

### Analysis on sponsorship income

#### (i) Sponsorship income by corporate customers

The table below sets forth our revenue in relation to the sponsorship income contributed by our corporate customers:

	Note	Year ended 31 December 2014		Year ended 31 December 2015		Four months ended 30 April 2015 (Unaudited)		Four months ended 30 April 2016	
		HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Seapower		9,880	99.5	11,214	78.6	2,233	100.0	1,723	74.3
COD		—	—	258	1.8	—	—	—	—
Other corporate customers	1	50	0.5	2,791	19.6	—	—	597	25.7
<b>Total</b>		<b>9,930</b>	<b>100.0</b>	<b>14,263</b>	<b>100.0</b>	<b>2,233</b>	<b>100.0</b>	<b>2,320</b>	<b>100.0</b>

Note:

1. A wine distributor alone contributed HK\$2.5 million sponsorship income to 2015 Road to Ultra Macau event.

During the Track Record Period, the majority of our sponsorship income was contributed by Seapower, representing approximately 99.5%, 78.6%, 100.0% and 74.3% for the years ended 31 December 2014 and 2015 and the four months ended 30 April 2015 and 2016, respectively.

By organising featured events with internationally renowned DJs and artists with higher popularity and media interests, we not only increased our sponsorship income, namely (i) from approximately HK\$9.9 million in 2014 to approximately HK\$14.3 million in 2015, and (ii) from approximately HK\$2.2 million for the four months ended 30 April 2015 to approximately HK\$2.3 million for the respective period in 2016, but also successfully attracted a higher number of corporate customers to sponsor us.

#### (ii) Sponsorship income by types of income

Our sponsorship income received from corporate customers comprised two components, (i) sponsorship fee received from corporate customers for displaying their logos or products during events and (ii) incentive fee received from beverage suppliers with reference to our purchase amount of their beverage products. During the Track Record Period, our sponsorship income from Seapower was primarily sponsorship fee from our regular operation or featured events.

For the rest of our sponsorship income, it was associated with the incentive fee received from beverage suppliers with reference to our purchase amount of the beverage products. We classified such incentive fee, representing less than 2.3% of our revenue during the Track Record Period, as sole contribution by our regular operations.

For details regarding the arrangement of our sponsorship income from Seapower, please refer to the section headed “Business — Procurement and supplies — Relationship with Seapower — Sponsorship income” in this prospectus.

## FINANCIAL INFORMATION

### Cost of inventories sold

Cost of inventories sold comprised the cost of beverage, food and tobacco products for our club operations. For the years ended 31 December 2014 and 2015, the cost of inventories sold amounted to approximately HK\$22.3 million and HK\$21.7 million, respectively, representing approximately 18.5% and 17.3% of the revenue for the respective period. For the four months ended 30 April 2015 and 2016, the cost of inventories sold remained stable at approximately HK\$6.6 million and HK\$6.8 million, respectively, representing approximately 19.5% of our revenue for both periods.

The following tables set forth our cost of inventories sold by products for the periods indicated:

	Year ended 31 December 2014		Year ended 31 December 2015		Four months ended 30 April 2015 (Unaudited)		Four months ended 30 April 2016	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Beverage	20,831	93.6	20,224	93.3	6,171	93.4	6,453	94.4
Other	1,431	6.4	1,443	6.7	438	6.6	383	5.6
Total	<u>22,262</u>	<u>100.0</u>	<u>21,667</u>	<u>100.0</u>	<u>6,609</u>	<u>100.0</u>	<u>6,836</u>	<u>100.0</u>

Over 93.0% of our cost of inventories sold represented cost of beverage sold during our Track Record Period.

### Gross profits and gross profit margins contributed by beverage, food and tobacco products

Our club generates majority of our revenue through sales of beverage, food and tobacco products, the following table sets out relevant gross profit and gross profit margins during the Track Record Period:

	Beverage		Others <sup>(1)</sup>		Total beverage, food and tobacco products	
	Year ended 31 December 2014 HK\$'000	Year ended 31 December 2015 HK\$'000	Year ended 31 December 2014 HK\$'000	Year ended 31 December 2015 HK\$'000	Year ended 31 December 2014 HK\$'000	Year ended 31 December 2015 HK\$'000
Revenue	94,159	92,874	3,710	3,795	97,869	96,669
Cost of inventories sold	<u>(20,831)</u>	<u>(20,224)</u>	<u>(1,431)</u>	<u>(1,443)</u>	<u>(22,262)</u>	<u>(21,667)</u>
Gross profit	<u>73,328</u>	<u>72,650</u>	<u>2,279</u>	<u>2,352</u>	<u>75,607</u>	<u>75,002</u>
Gross profit margin (%)	77.9%	78.2%	61.4%	62.0%	77.3%	77.6%

Note:

- Others refer to food and tobacco products.

## FINANCIAL INFORMATION

	Beverage		Others <sup>(1)</sup>		Total beverage, food and tobacco products	
	Four months ended 30 April 2015	Four months ended 30 April 2016	Four months ended 30 April 2015	Four months ended 30 April 2016	Four months ended 30 April 2015	Four months ended 30 April 2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)		(Unaudited)		(Unaudited)	
Revenue	27,288	28,091	1,204	966	28,492	29,057
Cost of inventories sold	(6,171)	(6,453)	(438)	(383)	(6,609)	(6,836)
Gross profit	<u>21,117</u>	<u>21,638</u>	<u>766</u>	<u>583</u>	<u>21,883</u>	<u>22,221</u>
Gross profit margin (%)	77.4%	77.0%	63.6%	60.4%	76.8%	76.5%

*Note:*

- Others refer to food and tobacco products.

Our gross profit and gross profit margin for sales of beverage, food and tobacco products remained stable during the Track Record Period. The table above illustrated that over 96.0% of the gross profit was generated from beverage sales for the years ended 31 December 2014 and 2015 and the four months ended 30 April 2015 and 2016.

### Other income and gain

Other income and gain represented net foreign exchange gain, services income and sundry income.

For the years ended 31 December 2014 and 2015, other income and gain remained stable at approximately HK\$3.3 million for both years. Services income is in relation to the connected transaction between our Group and Xin Limited, a subsidiary of Bo Xing, in relation to the relevant salaries of administrative staff incurred in respect of the administrative services provided to Xin Limited. We have ceased providing these services to Xin Limited during the four months ended 30 April 2016, which caused our other income and gain to decrease from approximately HK\$1.1 million for the four months ended 30 April 2015 to approximately HK\$0.6 million for the respective period in 2016.

For details regarding the administrative services provided to Xin Limited, please refer to “—Related Party Transactions” in this section.

### Staff costs

Staff costs represented salaries, wages and bonus, staff benefits and allowance, and others.

For the years ended 31 December 2014 and 2015, the staff costs remained relatively stable at approximately to HK\$22.9 million in 2014 and HK\$23.1 million in 2015, representing of approximately 19.0% and 18.4% of our revenue, respectively.

For the four months ended 30 April 2015 and 2016, the staff costs increased from approximately HK\$7.5 million to HK\$10.0 million, representing approximately 22.2% and 28.6% of our revenue, respectively.

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The table below sets forth staff costs recognised over the respective periods indicated:

	Year ended 31 December 2014		Year ended 31 December 2015		Four months ended 30 April 2015 (Unaudited)		Four months ended 30 April 2016	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Salaries, wages and bonus	19,105	83.4	19,248	83.4	6,175	82.2	8,582	85.9
Staff benefits and allowance	3,473	15.2	3,576	15.5	1,281	17.1	1,376	13.8
Others	332	1.4	257	1.1	52	0.7	31	0.3
<b>Total</b>	<b>22,910</b>	<b>100.0</b>	<b>23,081</b>	<b>100.0</b>	<b>7,508</b>	<b>100.0</b>	<b>9,989</b>	<b>100.0</b>

For the two years ended 31 December 2015, there was a slight increase in staff benefits and allowance from approximately HK\$3.5 million in 2014 to approximately HK\$3.6 million in 2015 mainly attributable to amendment of our staff benefits and allowance by providing housing allowance to our new joining staff instead of using our leased staff quarters.

We paid a consulting fee, recognised as part of our other operating expenses, of approximately HK\$5.8 million and HK\$7.4 million to Ocean Concept, respectively, representing approximately 4.8% and 5.9% of our revenue, respectively. The consulting fee represented the salaries of the then relevant employees of Ocean Concept for providing operation, marketing and administrative services to our Group. In the preparation of the Listing, the above arrangement was terminated in January 2016 and the relevant employees were hired by our Group directly. As such, we expect our staff costs to increase going forward. For the four months ended 30 April 2015 and 2016, the staff costs increased by approximately HK\$2.5 million, primarily attributable to the hiring of the relevant employees from Ocean Concept since January 2016.

### Property rentals and related expenses

Property rentals and related expenses were approximately HK\$12.9 million and HK\$13.3 million, representing approximately 10.7% and 10.6% of our revenue for the years ended 31 December 2014 and 2015, respectively. During the four months ended 30 April 2015 and 2016, such expenses were approximately HK\$1.8 million and HK\$2.0 million, representing approximately 5.3% and 5.7% of our revenue, respectively. The table sets below forth the breakdown of property rentals and related expenses for the periods indicated:

	Year ended 31 December 2014		Year ended 31 December 2015		Four months ended 30 April 2015 (Unaudited)		Four months ended 30 April 2016	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Minimum lease payment under operating lease	5,914	45.9	5,466	41.0	1,654	94.3	1,891	93.6
— Base fee	3,304	25.6	3,304	24.8	1,101	62.8	1,101	54.5
— Others <sup>(1)</sup>	2,610	20.3	2,162	16.2	553	31.5	790	39.1
Profit sharing for operating lease payment	6,970	54.1	7,871	59.0	100	5.7	129	6.4
<b>Total</b>	<b>12,884</b>	<b>100.0</b>	<b>13,337</b>	<b>100.0</b>	<b>1,754</b>	<b>100.0</b>	<b>2,020</b>	<b>100.0</b>

Note:

(1) Others refer to the operating lease of warehouse rental, staff quarters in Macau and office rental in Hong Kong.

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Minimum lease payment under operating lease includes (i) base fee payment under operating lease for Club Cubic, (ii) warehouse rental in Macau, (iii) staff quarters in Macau and (iv) office rental in Hong Kong.

The minimum lease payment under operating lease decreased from approximately HK\$5.9 million in 2014 to HK\$5.5 million in 2015. It was mainly contributed by the decreased lease payments to our staff quarters by approximately HK\$0.6 million in 2015 compared to 2014 after we amended our staff benefits and allowance in the second quarter of 2014 by providing housing allowance to our new joining staff instead of using our leased staff quarter.

For the four months ended 30 April 2015 and 2016, the minimum lease payment under operating lease slightly increased by approximately HK\$0.2 million, primarily attributable to the Hong Kong office rental payment to Zone One (CS) Limited.

For details regarding the rental payment to Zone One (CS) Limited, please refer to “— Related Party Transactions” in this section.

In relation to the operating leases arrangement of Club Cubic with COD, the lease payments were primarily made up by the following two components:

(i) *Base fee*

It was calculated by multiplying the fixed amount of MOP12 per square foot by the size of Club Cubic. For the years ended 31 December 2014 and 2015 and the four months ended 30 April 2015 and 2016, the base fee remained stable at approximately HK\$3.3 million per annum for the respective periods.

(ii) *Profit sharing for operating lease payment*

This represents the sharing of profits of Club Cubic with COD at a fixed ratio. Pursuant to the Operating Agreement, the profits to be shared is calculated by deducting Royalty, the Base Fee, operating costs as agreed between us and COD and a fixed amount of reserve for fixture, furniture and reserve. Our profits sharing for operating lease payment increased from approximately HK\$7.0 million in 2014 to HK\$7.9 million in 2015 due to better performance of Club Cubic in 2015, therefore there was a higher profit shared in 2015 compared to that of 2014.

This was contrary to approximately 6.6% decrease in non-gaming revenue of City of Dreams from approximately US\$283.5 million in 2014 to approximately US\$264.9 million in 2015, according to the 2015 annual report of Melco International Development Limited listed on the Stock Exchange (SEHK: 200). Furthermore, the recent downturn in Macau gaming industry has caused the net revenue of US listed Melco Crown Entertainment Limited (NASDAQ: MPEL) decreased from approximately US\$4.8 billion in 2014 to approximately US\$4.0 billion in 2015 as disclosed in its 2015 annual report.

Despite the adverse economic environment in Macau, our Directors are of the view that our Group is a positive contributor to COD as Club Cubic can continue to demonstrate consistent financial performance and share more profits to COD through our operation of Club Cubic during the Track Record Period.

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In addition to sharing more profits to COD, the Directors consider that the premium clubbing and entertainment service offered by Club Cubic has indirectly enhanced the popularity and attracted customer traffic to the City of Dreams complex. For details regarding the reasons for increase in customer traffic to the City of Dreams complex, please refer to “Business — Mutual Benefits between our Group and COD”.

Our profit sharing for operating lease payment remained stable at approximately HK\$0.1 million for the four months ended 30 April 2015 and 2016.

For details regarding the operating agreement, please refer to “Business — Relationship with COD — Operating agreement” in this prospectus.

### Advertising and marketing expenses

For the years ended 31 December 2014 and 2015, the advertising and marketing expenses amounted to approximately HK\$19.3 million and HK\$21.0 million, representing approximately 16.0% and 16.7% of our revenue, respectively. For the four months ended 30 April 2015 and 2016, such expenses amounted to approximately HK\$4.9 million and HK\$6.7 million, representing approximately 14.6% and 19.3% of our revenue, respectively. The table below sets forth the breakdown of advertising and marketing expenses for the periods indicated:

	Year ended 31 December 2014		Year ended 31 December 2015		Four months ended 30 April 2015		Four months ended 30 April 2016	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Performers & agency fees	14,073	72.9	15,015	71.6	3,335	67.5	4,944	73.4
Advertising media & production fees	2,635	13.7	2,512	12.0	716	14.5	884	13.1
Public relations fees	957	5.0	1,562	7.5	426	8.6	406	6.0
Stage & costume costs	843	4.5	872	4.2	293	5.9	268	4.0
Others	795	3.9	1,003	4.7	168	3.5	237	3.5
Total	<u>19,303</u>	<u>100.0</u>	<u>20,964</u>	<u>100.0</u>	<u>4,938</u>	<u>100.0</u>	<u>6,739</u>	<u>100.0</u>

During the Track Record Period, we have engaged independent agents to negotiate and procure DJs and artists to perform in Club Cubic. Therefore, performers & agency fees, our major component, represent (i) the service fees we paid to these independent agents, which are generally calculated based on a fixed ratio of the fees to the DJs and artists; and (ii) the fees we paid to DJs and artists to perform at Club Cubic. Advertising media & production fees represents advertising costs for online and offline marketing channels to promote Club Cubic and our featured events.

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### Other operating expenses

Our other operating expenses are mainly represented by management and consultancy fee, entertainment & travelling expenses, and complimentary coupon expenses. For the years ended 31 December 2014 and 2015, other operating expenses were approximately HK\$34.6 million and HK\$35.1 million, representing approximately 28.8% and 28.0% of our revenue, respectively. For the four months ended 30 April 2015 and 2016, such expenses were approximately HK\$11.1 million and HK\$6.9 million, representing approximately 32.9% and 19.9% of our revenue, respectively. The table below sets forth a breakdown of our other operating expenses for the periods indicated:

	Years ended 31 December 2014		Years ended 31 December 2015		Four months ended 30 April 2015 (Unaudited)		Four months ended 30 April 2016	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Management and consultancy fee	7,433	21.5	9,768	27.9	3,094	27.8	443	6.4
Entertainment & travelling	8,888	25.7	7,775	22.2	2,777	25.0	1,798	25.9
Complimentary coupon	5,547	16.0	6,075	17.3	1,650	14.8	2,025	29.1
Contractor fees	960	2.8	3,490	10.0	1,286	11.6	1,286	18.5
General supplies	2,211	6.4	1,466	4.2	507	4.6	415	6.0
Utilities	1,208	3.5	1,385	3.9	334	3.0	72	1.0
Repair & maintenance	917	2.6	1,152	3.3	307	2.7	169	2.4
Credit card commission	930	2.7	1,113	3.2	302	2.7	245	3.5
Tourism tax	2,847	8.2	332	0.9	125	1.1	74	1.1
Provision for impairment of account receivables	617	1.8	—	—	—	—	—	—
Others	3,087	8.8	2,509	7.1	748	6.7	421	6.1
<b>Total</b>	<b>34,645</b>	<b>100.0</b>	<b>35,065</b>	<b>100.0</b>	<b>11,130</b>	<b>100.0</b>	<b>6,948</b>	<b>100.0</b>

Management and consultancy fee primarily represents (i) approximately HK\$0.6 million, HK\$0.6 million, HK\$0.2 million and HK\$0.2 million, respectively, relating to the fees paid to COD for the provision of accounting services for the years ended 31 December 2014 and 2015 and the four months ended 30 April 2015 and 2016 (for details of this arrangement, please refer to “— relationship with COD” in the Business Section to this prospectus); (ii) management fee of approximately HK\$0.6 million, HK\$0.6 million and HK\$0.2 million paid to Ocean Concept for the years ended 31 December 2014 and 2015 and the four months ended 30 April 2015, respectively. Such management fee has ceased since January 2016, therefore, for the four months ended 30 April 2016, no management fee was paid to Ocean Concept; and (iii) consulting fee of approximately HK\$5.8 million, HK\$7.5 million, HK\$2.5 million paid to Ocean Concept for providing operation, marketing and administrative services to our Group for the years ended 31 December 2014 and 2015 and the four months ended 30 April 2015. In the preparation of the Listing, the above arrangement with Ocean Concept was terminated in January 2016 and the relevant employees were hired by our Group directly. As such, there was no consulting fee paid for the four months ended 30 April 2016, while our staff cost increased by approximately HK\$2.5 million.

Entertainment & travelling expenses represents staff travelling, entertainment and staff's complimentary beverages expenses at Club Cubic. Our staff was given a quota of complimentary beverage at Club Cubic for purposes of business development and personal enjoyment.

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Our entrance tickets generally include one to two complimentary coupons to our customers for exchanging free beverage in Club Cubic. Therefore, we recorded the costs of these complimentary drinks as our coupon expenses during the Track Record Period.

Tourism tax is due for the operation of dance halls and karaoke and shall be 5% mainly on the total amount of the services provided. Our sales are generally recognised net of tourism tax, and the tourism tax recognised under other operating expenses represented the tourism tax provision on deemed sales income generated from offering complimentary coupons to our staff. Tourism tax expenses of approximately HK\$2.8 million recognised for the year ended 31 December 2014 was mainly due to additional tourism tax charge by the Financial Services Bureau of the Government of the Macao Special Administrative Region (the “FSB”) for the years ended 31 December 2011 and 2012 and additional provision made for the years ended 31 December 2013 and 2014. For details, please refer to the paragraph headed “— Year to year comparison of results of operation”.

The provision for impairment of account receivables was primarily in relation to one of our VIP Customers, which is a connected person being a nephew of Mr. Au Ion Weng (a non-executive Director) and a cousin of Mr. Jerry Au (a Controlling Shareholder).

### **Taxation**

#### *Macau profits tax*

The operating subsidiary in Macau of our Group is subject to a complementary tax rate of 12% of the assessable profits. Under the Profits Tax law and the Budget law of year 2015, the profits tax of the first MOP600,000 of the taxable profits is exempted. For more details, please refer to Note 9 to the Accountants’ Report set out in Appendix I to the Prospectus. The effective tax rate for the operation in Macau was approximately 10.5%, 7.8% and 7.8% for the years ended 31 December 2014 and 2015 and the four months ended 30 April 2015, respectively. As there was no assessable profits for the four months ended 30 April 2016, no profits tax was incurred for such period.

#### *Cayman Islands profit tax*

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law and the Cayman Islands currently levy no taxes on corporations based upon profits.

#### *Hong Kong profit tax*

The subsidiary of our operating subsidiary incorporated in Hong Kong is subject to Hong Kong profits tax, which is provided at the rate of 16.5% on the estimated assessable profits during the Track Record Period. No provision for Hong Kong profits tax has been made as our Group had no assessable profits derived from or earned in Hong Kong by our subsidiary during the Track Record Period.

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### *BVI profit tax*

Our subsidiaries of our Group were incorporated in the BVI as an exempted company with limited liability under the BVI Business Companies Act, 2004 (as amended). Notwithstanding any provision of the Income Tax Ordinance of the BVI, (a) the BVI subsidiaries; (b) all dividends, interest, rents, royalties, compensations and other amounts paid by the BVI subsidiaries; and (c) capital gains realized with respect to any shares, debt obligations or other securities of the BVI subsidiaries, are exempt from all provisions of the Income Tax Ordinance of the BVI.

As confirmed by our Directors, during the Track Record Period and up to the Latest Practicable Date, we had fulfilled all our income tax obligations and have not had any unresolved income tax issues or disputes with the relevant tax authorities.

### **Net profits and net profits margin for the years ended 31 December 2014 and 2015 and the four months ended 30 April 2015**

As a result of the cumulative effect of the above factors, our net profits were approximately HK\$8.8 million, HK\$9.4 million and HK\$2.2 million for the years ended 31 December 2014 and 2015 and the four months ended 30 April 2015, respectively. Our net profit margins were approximately 7.3%, 7.5% and 6.5% for the respective periods.

### **Net loss for the four months ended 30 April 2016**

For the four months ended 30 April 2016, we recorded a net loss of approximately HK\$0.5 million.

### *Non-HKFRS measures*

We recognised non-recurring listing expenses in the year ended 31 December 2015 and the four months ended 30 April 2016. To supplement our consolidated financial statements which are presented in accordance with HKFRS, we also presented the adjusted net profits and adjusted net profit margins for the periods as non-HKFRS measures. The adjusted net profits for the periods are defined as our net profit for the periods with non-recurring listing expenses excluded without taking into account the relevant taxation impact. The adjusted net profit margins for the periods are defined as dividing the adjusted net profits for the periods by our revenue in respective periods. We present these additional financial measures as these were used by our management to evaluate our financial performance by eliminating the impact of non-recurring listing expenses which are considered not indicative for evaluation of the actual performance of our business. We believe that these non-HKFRS measures provide additional information to investors and others in understanding and evaluating our consolidated results of operations in the same manner as our management and in comparing financial results across accounting periods and to those of our peer companies.

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The table below sets forth the adjusted net profit and adjusted net profit margin in each respective year/period during the Track Record Period:

	<b>Year ended</b>		<b>Four months ended</b>	
	<b>31 December</b>		<b>30 April</b>	
	<b>2014</b>	<b>2015</b>	<b>2015</b>	<b>2016</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			(Unaudited)	
Net profit/(loss) for the year/period	8,792	9,420	2,221	(536)
Non-recurring item — listing expenses	<u>—</u>	<u>2,469</u>	<u>—</u>	<u>2,870</u>
Adjusted net profit for the year/period	<u>8,792</u>	<u>11,889</u>	<u>2,221</u>	<u>2,334</u>
Adjusted net profit margin	7.3%	9.5%	6.5%	6.7%

### PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

#### Four months ended 30 April 2016 compared with four months ended 30 April 2015

##### *Revenue*

Our revenue increased slightly by approximately HK\$1.2 million or 3.6% from approximately HK\$33.8 million for the four months ended 30 April 2015 to approximately HK\$35.0 million for the respective period in 2016. Such increase was because of our strategic focus to organise featured events with internationally renowned DJs and artists, such as Tiesto, Steve Aoki, and Jason Derulo in which we generally charged higher entrance fees and higher minimum charge for reserving a table or private karaoke room. As a result we recorded (i) the increase in beverage sales from approximately HK\$27.3 million for the four months ended 30 April 2015 to approximately HK\$28.1 million for the respective period in 2016 and (ii) the increase in entrance fees income from approximately HK\$2.0 million for the four months ended 30 April 2015 to approximately HK\$2.9 million for the respective period in 2016, and partially offset by the decrease in events rental income generated from Taboo Show by approximately HK\$0.4 million for the four months ended 30 April 2016 compared to 2015 as Taboo show ceased to be performed since April 2016.

##### *Other income and gain*

Our other income and gain decreased from approximately HK\$1.1 million for the four months ended 30 April 2015 to approximately HK\$0.6 million for the respective period in 2016, primarily attributable to the decrease in service fee income to nil for the four months ended 30 April 2016, as we ceased a substantial amount of administrative works to be shared with Xin Limited in 2016.

For details regarding the administrative services provided to Xin Limited, please refer to paragraph headed “— Related Party Transactions” in this section.

## FINANCIAL INFORMATION

### *Cost of inventories sold*

Our cost of inventories sold remained relatively stable at approximately HK\$6.6 million for the four months ended 30 April 2015 to approximately HK\$6.8 million for the respective period in 2016.

### *Staff costs*

Our staff costs increased by approximately HK\$2.5 million from approximately HK\$7.5 million for the four months ended 30 April 2015 to approximately HK\$10.0 million for the respective period in 2016, primarily attributable to the hiring of the relevant employees of Ocean Concept starting from January 2016.

For details regarding the arrangement, please refer to the paragraph headed “Description and analysis of principal items in the consolidated statements of profit or loss and other comprehensive income — Staff costs” in this section.

### *Property rentals and related expenses*

Our property rentals and related expenses increased by approximately HK\$0.2 million from approximately HK\$1.8 million for the four months ended 30 April 2015 to approximately HK\$2.0 million for the respective period in 2016. This was primarily attributable to the Hong Kong office rental payment to Zone One (CS) Limited.

For details regarding the profit sharing for operating lease payment, please refer to the paragraph headed “Description and analysis of principal items in the consolidated statements of profit or loss and other comprehensive income — Property rentals and related expenses” in this section.

### *Advertising and marketing expenses*

Our advertising and marketing expenses increased by approximately HK\$1.8 million from approximately HK\$4.9 million for the four months ended 30 April 2015 to approximately HK\$6.7 million for the respective period in 2016. This was primarily attributable to the approximately HK\$1.6 million increase in performers & agency fees as we engaged internationally renowned DJs and artists, such as Tiesto, Steve Aoki and Jason Derulo for our featured events during the four months ended 30 April 2016.

### *Other operating expenses*

Our other operating expenses decreased slightly by approximately HK\$4.2 million from approximately HK\$11.1 million for the four months ended 30 April 2015 to approximately HK\$6.9 million for the respective period in 2016. Such decrease was mainly attributable to (i) the decrease in management and consultancy fee of approximately HK\$2.7 million primarily caused by the cessation of management fee and consulting fee paid to Ocean Concept since January 2016, and (ii) the reduction of approximately HK\$1.0 million in entertainment & travelling expenses due to tighter cost control with less complimentary coupons offered to staff in 2016.

## FINANCIAL INFORMATION

### *Income tax expenses*

Our income tax expenses decreased from approximately HK\$0.2 million for the four months ended 30 April 2015 to nil for the respective period in 2016. Our effective tax rates was 7.8% and nil for the respective periods. This was attributable to the fact that there was no assessable profits for the four months ended 30 April 2016.

For details, please refer to the paragraph headed “— Taxation” in this section.

### *Net loss for the period*

We recorded a net profit for the period of approximately HK\$2.2 million for the four months ended 30 April 2015 and a net loss of approximately HK\$0.5 million for the respective period in 2016. The change was mainly due to the listing expenses of approximately HK\$2.9 million incurred during the four months ended 30 April 2016 in the preparation of Listing. Excluding the non-recurring listing expenses, our net profit for the four months ended 30 April 2016 was approximately HK\$2.4 million, representing a 9.1% increase from respective period of 2015. Accordingly, our adjusted net profit margin (excluding the non-recurring listing expenses and without taking into account the relevant taxation impact) remained stable at approximately 6.5% and 6.7%, respectively.

### **Year ended 31 December 2015 compared with year ended 31 December 2014**

#### *Revenue*

Our revenue increased slightly by approximately HK\$5.2 million or 4.3% from approximately HK\$120.3 million for the year ended 31 December 2014 to approximately HK\$125.5 million for the year ended 31 December 2015. The slight increase was due to the combined of the following factors which includes (i) an approximately 43.6% increase in sponsorship income by HK\$4.3 million as a result of our 2015 Road to Ultra Macau under the internationally renowned Ultra music festival label, which alone attracted HK\$4.2 million sponsorship income primarily from Seapower and a wine distributor; and (ii) approximately HK\$3.3 million or 40.2% increase in our entrance fee income from approximately HK\$8.2 million in 2014 to approximately HK\$11.5 million in 2015 because of our strategic focus on organising featured events in 2015 such as 2015 Road to Ultra Macau and events with internationally renowned DJs and artists with high popularity and media interest such as Big Bang and Chris Brown through which we were able to charge a higher entrance fee.

These increases were then partially offset by (i) the 27.5% or HK\$1.1 million decrease in events rental income from COD for the Taboo Show because of the reduced number of shows in 2015; and (ii) the slight 1.4% or HK\$1.3 million decrease in beverages sales because the higher ticket fees for our featured events during the year ended 31 December 2015 reduced our customers' spending budget on beverages. During the year ended 31 December 2015, we recorded a decrease in sales of spirits by HK\$2.2 million which was partially offset by an increase in Champagnes sales by HK\$1.5 million as a result of our strategy to promote champagnes, which are in line with our premium and high-end positioning.

## FINANCIAL INFORMATION

### *Other income and gain*

Our other income and gain was stable at approximately HK\$3.3 million for the year ended 31 December 2014 and 2015.

### *Cost of inventories sold*

Our cost of inventories sold remained relatively stable at approximately HK\$22.3 million in 2014 and approximately HK\$21.7 million in 2015.

### *Staff costs*

Our staff costs increased by approximately HK\$0.2 million from approximately HK\$22.9 million for the year ended 31 December 2014 to approximately HK\$23.1 million for the year ended 31 December 2015. Such increase was mainly attributable to the increase of the staff benefits and allowance, from approximately HK\$3.5 million in 2014 to approximately HK\$3.6 million in 2015, as we amended our staff benefits and allowance in the second quarter of 2014 by providing housing allowance to our new joining staff instead of using our leased staff quarters.

### *Property rentals and related expenses*

Our property rentals and related expenses increased by approximately HK\$0.4 million from approximately HK\$12.9 million for the year ended 31 December 2014 to approximately HK\$13.3 million for the year ended 31 December 2015 mainly attributable to an increase in profit sharing for lease payment to COD in 2015.

### *Advertising and marketing expenses*

Our advertising and marketing increased by approximately HK\$1.7 million from approximately HK\$19.3 million for the year ended 31 December 2014 to approximately HK\$21.0 million for the year ended 31 December 2015, which was mainly attributable to the higher performers and contractors fee paid to the DJs, artists and independent agents for the featured events in 2015 as we strategically focus on organising featured events with internationally renowned DJs and artists with high popularity and media interest in 2015. Therefore, the DJs and artists we introduced are more costly than those in 2014.

### *Other operating expenses*

Our other operating expenses slightly increased by approximately HK\$0.5 million from approximately HK\$34.6 million for the year ended 31 December 2014 to approximately HK\$35.1 million for the year ended 31 December 2015. Such increase was mainly attributable to the increase of contractor fees from approximately HK\$1.0 million in 2014 to HK\$3.5 million in 2015 as we have outsourced our security guard service to a professional security guard servicing company since the fourth quarter of 2014. This offset with the reduction of tourism tax paid from approximately HK\$2.8 million in 2014 to HK\$0.3 million in 2015. We have received (i) a letter from the FSB in July 2014 requesting for additional information for our tax assessment. After submission of information, a Notice was received in September 2014 from the FSB, notifying us for an additional charge of our tourism tax of approximately HK\$0.5 million for the year of assessment ended 31 December 2011 and approximately HK\$1.1 million for the year of assessment ended 31 December 2012 primarily on the

## FINANCIAL INFORMATION

deemed sales income from complimentary coupons to our customers and staff. Subsequently, an appeal was filed in October 2014 our additional tax charge was lowered by approximately HK\$0.4 million for the year of assessment ended 31 December 2012. Accordingly, we settled additional charge of approximately HK\$0.5 million and approximately HK\$0.7 million and interest of approximately HK\$0.2 million and approximately HK\$0.1 million for the assessment year ended 31 December 2011 and 2012, respectively. Remaining amount for the year ended 31 December 2014 represented additional provision on tourism tax for the assessment year ended 31 December 2013 and 2014. An approximately HK\$0.3 million tourism tax for the year ended 31 December 2015 represented additional provision made on the potential additional exposure.

### *Income tax expenses*

The income tax expenses decreased from approximately HK\$1.0 million for the year ended 31 December 2014 to HK\$0.8 million for the year ended 31 December 2015, respectively. Our effective tax rates is 10.5% in 2014 and 7.8% in 2015, which are both lower than complementary tax rate of 12% because of exemption of taxable profits up to MOP0.6 million granted by the FSB for the year of assessment 2014 and 2015. In 2015, the effective tax rate is lower at 7.8% primarily because of the temporary differences not recognised on our plant and equipments during the year, which resulted in a lower assessable profits in Macau by HK\$3.0 million.

### *Net profit for the year and net profit margin*

The net profit for the year was increased by approximately HK\$0.6 million from approximately HK\$8.8 million for the year ended 31 December 2014 to approximately HK\$9.4 million for the year ended 31 December 2015. Our net profit margin increased from approximately 7.3% in 2014 to approximately 7.5% in 2015. Such increase in both the net profit and the net profit margin was mainly attributable to the increase of our revenue of approximately HK\$5.2 million, and offset against the listing expenses of approximately HK\$2.5 million incurred during the year ended 31 December 2015 for the preparation of the Listing. Excluding the non-recurring listing expenses, our net profit for the year ended 31 December 2015 would be approximately HK\$11.9 million, representing a 35.2% increase from 2014 attributable to the increase of approximately HK\$3.1 million, which was driven by (i) our sponsorship income increased by approximately HK\$4.3 million and (ii) entrance fee income increased by approximately HK\$3.2 million, and offset by the increase of approximately HK\$0.4 million of property rentals and related expenses. Accordingly, our adjusted net profit margin (excluding the non-recurring listing expense and without taking into account the relevant taxation impact) also increased to approximately 9.5%, which is approximately 2.2 percentage points higher than that of 2014.

## LIQUIDITY AND CAPITAL RESOURCES

During the Track Record Period and up to 31 August 2016, we utilised an overdraft facility of approximately HK\$3.0 million granted by a bank. As at 31 December 2014 and 2015 and 30 April 2016, we had cash and cash equivalents of approximately HK\$14.3 million, HK\$21.0 million and HK\$10.6 million, respectively, which were cash at banks and in hand. Our ongoing working capital requirements include payments for the purchase of our inventories, staff costs, rentals and other operating expenses, whereas our anticipated capital expenditures include costs associated with the expansion of our business, details of which are set out in the section headed “Future Plans and Use of Proceeds” in this prospectus. We expect to fund our future working capital and satisfy our capital expenditure requirements from cash generated from our operating activities and net proceeds received from the Placing.

## FINANCIAL INFORMATION

The following table sets out a summary of our consolidated statements of cash flows for the years ended 31 December 2014 and 2015 and the four months ended 30 April 2015 and 2016. Such a summary of the consolidated statements of cash flows is extracted from the Accountants' Report contained in Appendix I to this prospectus and should be read in conjunction with the entire financial information included therein, including the notes thereto:

	Year ended 31 December 2014 <i>HK\$'000</i>	Year ended 31 December 2015 <i>HK\$'000</i>	Four months ended 30 April 2015 <i>HK\$'000</i> (Unaudited)	Four months ended 30 April 2016 <i>HK\$'000</i>
Profit/(loss) before taxation	9,826	10,220	2,409	(536)
Adjustments for non-cash items	<u>2,502</u>	<u>2,016</u>	<u>596</u>	<u>734</u>
<b>Operating cash flows before changes in working capital</b>	<u>12,328</u>	<u>12,236</u>	<u>3,005</u>	<u>198</u>
Net cash (used in)/generated from operating activities	(8,143)	9,579	(3,950)	(9,600)
Net cash used in investing activities	(1,476)	(2,918)	(304)	(100)
Net cash used in financing activity	<u>—</u>	<u>—</u>	<u>—</u>	<u>(672)</u>
<b>Net (decrease)/increase in cash and cash equivalent</b>	(9,619)	6,661	(4,254)	(10,372)
Cash and cash equivalents at the beginning of the year/period	<u>23,920</u>	<u>14,301</u>	<u>14,301</u>	<u>20,962</u>
<b>Cash and cash equivalents at the end of the year/period</b>	<u><u>14,301</u></u>	<u><u>20,962</u></u>	<u><u>10,047</u></u>	<u><u>10,590</u></u>

### Cash flows (used in)/generated from operating activities

Our operating cash inflows are primarily derived from our revenue from sales of beverage, food and tobacco products, sponsorship income and events rental income, whereas our operating cash outflows mainly comprise of purchase of inventories, staff costs, base fee and profit sharing payments to COD pursuant to Operating Agreement and advertising and marketing expenses.

Our net cash flow generated from operating activities primarily reflects our profits/(loss) before tax, as adjusted for non-cash flow and non-operating items, such as depreciation expenses of plant and equipments, loss of disposal of plant and equipments and provision for impairment on account receivables, and the effects of changes in working capital such as increase or decrease in inventories, account and other receivables, account and other payables and balances with related parties and a shareholder.

## FINANCIAL INFORMATION

We recorded a net cash outflow from operating activities of approximately HK\$8.1 million for the year ended 31 December 2014. Such cash outflow was mainly attributable to (i) approximately HK\$14.0 million cash outflow from the decrease in account and other payables; (ii) approximately HK\$7.4 million net cash outflows from the increase in amounts due from related parties; offset by approximately HK\$12.3 million operating cash inflows before the change in working capital.

The HK\$14.0 million net cash outflow from the decrease in account and other payable was mainly attributable to (i) the settlement of approximately HK\$17.9 million account payable for beverage purchases from COD; and (ii) the settlement of approximately HK\$25.5 million rental payables comprising cumulative lease payment and profit sharing payables to COD; after netting off with (i) approximately HK\$10.3 million pre-opening loss taken up by COD; (ii) approximately HK\$15.1 million post-operating loss up to 31 March 2012 taken up by COD (please refer to the below for details); and (iii) approximately HK\$3.8 million cumulative sponsorship income receivables from COD and cumulative beverage sales and entrance fee income when executives of COD and its associates visit Club Cubic for business development purposes in our ordinary course of business.

Old Cubic was closed in August 2010 and Club Cubic was opened in April 2011. Therefore, between August 2010 and March 2011, there was a cumulative pre-opening loss of approximately HK\$10.3 million, which was generally related to staff cost and marketing expenses incurred in the preparation of the opening of Club Cubic. Subsequent to the opening and up to 31 March 2012, there was a cumulative post-operating loss of HK\$15.1 million, representing mainly operating cost and marketing expenses during the ramp up period of Club Cubic. Pursuant to the commercial negotiation between COD and the Group, the pre-opening loss and the post-operating loss were borne by COD.

According to the audited account issued by the local auditor of Luk Hing Macau, the taking up of pre-opening loss and post-operating loss by COD were recognised as “other income” in the statement of profit or loss for the period ended 31 December 2012 and recognized as part of the current account with COD as at 31 December 2012. The current account with COD was an overall net payable balance to COD and hence grouped under our trade and other payables as at 31 December 2012. During the year ended 31 December 2014, COD and the Group settled the pre-opening loss and post-operating loss by netting off with the trade and other payables to COD.

Our net cash inflow from operating activities for the year ended 31 December 2015 amounted to approximately HK\$9.6 million, which was due to a combined of (i) operating cash inflows of approximately HK\$12.2 million before the change in working capital; (ii) cash inflows of approximately HK\$7.5 million from the increase in account and other payables primarily attributable to the increase in accrued listing expenses in the preparation of the Listing and the increase in rental payable due to a better performance of Club Cubic in 2015; offset by cash outflows of approximately HK\$6.8 million from the increase in amounts due from related parties, which will be fully settled before the Listing.

Our net cash outflow from operating activities for the four months ended 30 April 2015 amounted to approximately HK\$4.0 million, which was due to a combined of (i) cash outflow of approximately HK\$4.4 million from the increase in amounts due from related parties, which will be fully settled before the Listing, (ii) cash outflow of approximately HK\$2.4 million from the increase in account and other receivables primarily attributable to increase in prepayments for the engagement of artists and licence fee for our 2015 Road to Ultra Macau event held in June 2015, offset by the operating cash inflows of approximately HK\$3.0 million before the change in working capital.

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Our net cash outflow from operating activities for the four months ended 30 April 2016 amounted to approximately HK\$9.6 million, which was due to a combined of (i) cash outflow of approximately HK\$6.7 million from the decrease in account and other payables primarily attributable to the decrease of the rental payables of approximately HK\$7.6 million, which mainly related to the settlement of the base fee and profit sharing payables to COD pursuant to our Operating Agreement and (ii) cash outflow of approximately HK\$3.4 million from the increase in account and other receivables mainly associated with the credit purchases by VIP customers.

### **Cash flows used in investing activities**

For the year ended 31 December 2014 and 2015 and the four months ended 30 April 2015 and 2016, our cash flows used in investing activities were approximately HK\$1.5 million, HK\$2.9 million, HK\$0.3 million and HK\$0.1 million, respectively, substantially all of them were used for purchasing plant and equipment.

### **Cash flows used in financing activities**

For the four months ended 30 April 2016, our cash flows used in financing activities were approximately HK\$0.7 million, representing a partial payment of dividend declared on 8 January 2016.

### **Capital Expenditure**

For the years ended 31 December 2014 and 2015 and the four months ended 30 April 2016, we incurred capital expenditure of approximately HK\$2.0 million, HK\$3.9 million and HK\$0.6 million, respectively, primarily attributable to the purchase of plant and equipments. These amounts included approximately HK\$0.5 million, HK\$1.0 million and HK\$0.5 million deposits previously paid for plant and equipments during the years ended 31 December 2014 and 2015 and the four months ended 30 April 2016, respectively.

In the year ending 31 December 2016, our Directors expect to incur major capital expenditure for additions of plant and equipment, including decoration and furniture and fixture, for the purpose of expanding the operation scale of Club Cubic in Macau. We plan to fund our capital expenditure mainly by cash generated from our operating activities and the net proceeds received from the Placing.

### **Working Capital**

Taking into account the financial resources available to our Group, including the balance of our cash and cash equivalents, cash generated from our operating activities and the estimated net proceeds received from the Placing, our Directors are of the opinion that our Group has sufficient working capital for its present requirements for at least the next twelve months from the date of this prospectus.

## FINANCIAL INFORMATION

### NET CURRENT ASSETS

As at 31 December 2014 and 2015, 30 April 2016 and 31 August 2016, our Group had recorded net current assets of approximately HK\$9.1 million, HK\$8.8 million, HK\$2.6 million and HK\$5.4 million, respectively. Details of the components are set out as follows:

	As at 31 December 2014 <i>HK\$'000</i>	As at 31 December 2015 <i>HK\$'000</i>	As at 30 April 2016 <i>HK\$'000</i>	As at 31 August 2016 <i>HK\$'000</i> (Unaudited)
<b>Current assets</b>				
Inventories	3,153	3,774	3,597	3,487
Account and other receivable	9,418	10,985	13,894	17,494
Amounts due from related parties	4,169	3,117	72	72
Cash and cash equivalents	14,301	20,962	10,590	11,739
	31,041	38,838	28,153	32,792
<b>Current liabilities</b>				
Account and other payables	20,011	27,520	20,795	21,681
Amounts due to related parties	773	555	2,807	1,783
Bank and other borrowings	—	—	—	2,945
Income tax payables	1,138	1,938	1,938	953
	21,922	30,013	25,540	27,362
<b>Net current assets</b>	<b>9,119</b>	<b>8,825</b>	<b>2,613</b>	<b>5,430</b>

Our net current assets decreased by approximately HK\$0.3 million or 3.3% from approximately HK\$9.1 million as at 31 December 2014 to approximately HK\$8.8 million as at 31 December 2015, primarily attributable to (i) the increase in cash and cash equivalents from approximately HK\$14.3 million as at 31 December 2014 to approximately HK\$21.0 million as at 31 December 2015 mainly resulted from the net cash generated from operating activities in 2015; and (ii) the increase in inventories from approximately HK\$3.2 million as at 31 December 2014 to approximately HK\$3.8 million as at 31 December 2015 was mainly because more beverages was purchased from Seapower during the year ended 31 December 2015 for the preparation of our featured events in early 2016, such as our featured event with Tiesto to perform in Club Cubic in February 2016, partially offset by (i) the increase in account and other payables from approximately HK\$20.0 million as at 31 December 2014 to approximately HK\$27.5 million as at 31 December 2015 mainly resulted from more beverages was purchased from Seapower and accrued listing expense in the preparation of the Listing and (ii) the HK\$0.8 million increase in income tax payables.

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Our net current assets decreased by approximately HK\$6.2 million or 70.5% from approximately HK\$8.8 million as at 31 December 2015 to approximately HK\$2.6 million as at 30 April 2016. Such decrease in our net current assets was mainly attributable to the dividend of approximately HK\$5.8 million declared by our subsidiary in January 2016. Dividend of HK\$3.3 million has been settled by (i) netting off with our amounts due from related parties; and (ii) cash payment during the four months ended 30 April 2016 while the remaining HK\$2.5 million was recognized as amounts due to related parties, which will be fully settled prior to the Listing.

### DESCRIPTION AND ANALYSIS OF PRINCIPAL ITEMS IN THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

#### Inventories

Our inventories primarily consisted of beverage and tobacco. The following table sets forth the breakdown of our inventories as at dates indicated.

	As at 31 December 2014		As at 31 December 2015		As at 30 April 2016	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Beverages	3,055	96.9	3,672	97.3	3,503	97.4
Tobacco	<u>98</u>	<u>3.1</u>	<u>102</u>	<u>2.7</u>	<u>94</u>	<u>2.6</u>
Total	<u><u>3,153</u></u>	<u><u>100.0</u></u>	<u><u>3,774</u></u>	<u><u>100.0</u></u>	<u><u>3,597</u></u>	<u><u>100.0</u></u>

Our inventories as at 31 December 2014 and 2015 and 30 April 2016 were primarily made up of beverages, representing 96.9%, 97.3% and 97.4% as at 31 December 2014 and 2015 and 30 April 2016, respectively.

As a clubbing venue, Club Cubic's food offerings mainly include snacks, primarily being served as side dishes to accompany drinks. Occasionally, customers at private karaoke rooms would like to order meals, in which case we would order delivery from restaurants nearby. As such, there was no balances in relation to food as at 31 December 2014 and 2015 and 30 April 2016, as the food were ordered on demand basis.

Below sets forth the breakdown of our inventory by types of beverages as at the dates indicated:

	As at 31 December 2014		As at 31 December 2015		As at 30 April 2016	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Spirits	1,349	44.2	1,528	41.6	1,682	48.0
Champagne	1,171	38.3	1,583	43.1	1,315	37.5
Wine	385	12.6	426	11.6	374	10.7
Others	<u>150</u>	<u>4.9</u>	<u>135</u>	<u>3.7</u>	<u>132</u>	<u>3.8</u>
Total	<u><u>3,055</u></u>	<u><u>100.0</u></u>	<u><u>3,672</u></u>	<u><u>100.0</u></u>	<u><u>3,503</u></u>	<u><u>100.0</u></u>

## FINANCIAL INFORMATION

Our beverage inventories primarily include Champagne and spirits, together representing 82.5%, 84.7% and 85.5% of our inventories as at 31 December 2014 and 2015, and as at 30 April 2016, respectively. Our beverage inventories increased from approximately HK\$3.1 million as at 31 December 2014 to approximately HK\$3.7 million as at 31 December 2015, which was mainly contributed by the approximately HK\$0.4 million increase in Champagne in the preparation of our featured events in early 2016. Through an independent agent, we engaged Tiesto, an internationally renowned DJ and Grammy Award winner, to perform in Club Cubic in February 2016. Having considered that our featured event with Tiesto in 2015 was the second largest in terms of beverage sales during the year ended 31 December 2015, we prepared more inventories as at 31 December 2015. Our beverage inventories then remained stable as at 30 April 2016 at HK\$3.5 million.

The following table sets forth our inventory turnover days during the Track Record Period:

	<b>Year ended 31 December</b>		<b>Four months ended 30 April</b>
	<b>2014</b>	<b>2015</b>	<b>2016</b>
Inventory turnover days ( <i>Note</i> )	52	64	64

*Note:* Inventory turnover days are calculated by dividing the inventory balance as at the end of each period by cost of inventories sold multiplied by the number of days during the period (i.e. 365 days for each of the two years ended 31 December 2015 and 121 days for the four months ended 30 April 2016).

Our inventory turnover days increased from approximately 52 days for the year ended 31 December 2014 to approximately 64 days for the year ended 31 December 2015 primarily attributable to more purchase of beverages during the year ended 31 December 2015 in the preparation of the 2016 Tiesto performance in Club Cubic. Our inventory turnover days remained stable at approximately 64 days for the four months ended 30 April 2016.

As at the Latest Practicable Date, approximately 89.6% of our inventories as at 30 April 2016 was subsequently settled.

## FINANCIAL INFORMATION

### Account and other receivables

	As at 31 December 2014 <i>HK\$'000</i>	As at 31 December 2015 <i>HK\$'000</i>	As at 30 April 2016 <i>HK\$'000</i>
Account receivables	3,799	4,703	7,354
Less: allowance for doubtful debts	(970)	(353)	(353)
	2,829	4,350	7,001
Sponsorship receivables	3,643	1,966	2,926
Events rental receivables	233	2,444	511
Prepayments	299	213	1,499
Deposits	1,249	768	465
Other receivables	1,247	1,364	1,592
	9,500	11,105	13,994
Portion classified as non-current			
— Deposit	(82)	(120)	(100)
Current portion	9,418	10,985	13,894

Our account and other receivables slightly increased from approximately HK\$9.4 million as at 31 December 2014 to approximately HK\$11.0 million as at 31 December 2015, primarily attributable to the increase in net account receivables and events rental receivables, and partially offset by the decrease in sponsorship receivables and deposit. Our account and other receivables further increased to HK\$13.9 million as at 30 April 2016 as a result of the increase in net account receivables and sponsorship receivables, and partially offset by the decrease in events rental receivables when the Taboo Show ceased to be performed since April 2016.

(i) *Net account receivables*

Below sets forth the breakdown of our net account receivables.

	As at 31 December 2014		As at 31 December 2015		As at 30 April 2016	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Credit purchases by						
VIP customers	2,194	77.6	2,582	59.3	6,161	88.0
Credit card						
receivables	635	22.4	1,438	33.1	471	6.7
Online sale						
receivables	—	—	330	7.6	369	5.3
Total	2,829	100.0	4,350	100.0	7,001	100.0

## FINANCIAL INFORMATION

During the Track Record Period, we may offer to grant credit period to our VIP customers to settle the bills at Club Cubic. In general, the credit period will last for up to 60 days. For details of VIP customers and our credit control, please refer to the paragraph headed “— Credit Control and Credit Sales Settlement” in the section headed “Business” in this prospectus. Credit purchases by VIP customers remained stable at HK\$2.2 million as at 31 December 2014 and HK\$2.6 million as at 31 December 2015, representing 77.6% and 59.3% of our net account receivables as at 31 December 2014 and 2015, respectively. Our account receivables from credit purchases by VIP Customers increased significantly by HK\$3.6 million or 138.5% from approximately HK\$2.6 million as at 31 December 2015 to HK\$6.2 million as at 30 April 2016, representing 88.0% of our net account receivables as at 30 April 2016. Such increase was mainly due to a larger proportion of sales recorded from our VIP customers during the four months ended 30 April 2016. During the Track Record Period, the total sales on credit to VIP customers represented approximately 13.0%, 17.4% and 26.8% of our revenue for the year ended 31 December 2014 and 2015 and four months ended 30 April 2016, respectively.

Credit card receivables are generally settled by financial institutions within a few business days after the sales. Therefore, credit card receivables represent the receivables of sales settled via credit card by our customers on the last few days of December 2014 and 2015 and April 2016.

Online sale receivables represented approximately 7.6% and 5.3% of our net account receivables as at 31 December 2015 and 30 April 2016. Online sale receivables were primarily receivables from an online ticketing agent.

The following table sets forth the ageing analysis of our net account receivables based on the invoice date as at the end of each reporting period indicated:

	<b>As at 31 December</b>		<b>As at 31 December</b>		<b>As at 30 April</b>	
	<b>2014</b>		<b>2015</b>		<b>2016</b>	
	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>
0 to 30 days	1,921	67.9	3,339	76.8	5,084	72.6
31 to 60 days	379	13.4	492	11.3	1,315	18.8
61 to 90 days	353	12.5	471	10.8	176	2.5
91 to 120 days	164	5.8	—	—	57	0.8
Over 120 days	<u>12</u>	<u>0.4</u>	<u>48</u>	<u>1.1</u>	<u>369</u>	<u>5.3</u>
<b>Total</b>	<u><u>2,829</u></u>	<u><u>100.0</u></u>	<u><u>4,350</u></u>	<u><u>100.0</u></u>	<u><u>7,001</u></u>	<u><u>100.0</u></u>

As at 31 December 2014, 31 December 2015 and 30 April 2016, more than 67.0% of our net account receivables were aged within 30 days and over 80.0% of our net account receivables were aged within 60 days, which are mostly within the credit period granted to our debtors of 60 days.

The net account receivables past due but not impaired amounted to approximately HK\$0.5 million as at 31 December 2014, HK\$0.5 million as at 31 December 2015 and HK\$0.6 million as at 30 April 2016, representing 18.7%, 11.9% and 8.6% of our net account receivables, respectively. Our Directors are of the view that there has not been a significant change in credit quality of these overdue balances

## FINANCIAL INFORMATION

and these debtors have long term relationship with our Group with reference to their settlement history. Our Group does not hold any collateral over such balances. As at the Latest Practicable Date, approximately 99.9% of our account receivables as at 30 April 2016 has been subsequently settled.

The following table sets out the movement in the allowance for doubtful debts during the year ended 31 December 2014 and 2015 and the four months ended 30 April 2016:

### Movement in the allowance for doubtful debts

	<i>HK\$'000</i>
As at 1 January 2014	353
Provision for impairment on account receivables	617
As at 31 December 2014 and 1 January 2015	970
Amounts written off as uncollectible	(617)
As at 31 December 2015, 1 January 2016 and 30 April 2016	353

The allowance for doubtful debts of approximately HK\$1.0 million as at 31 December 2014 were primarily represented by two customers, one of which a connected person being a nephew of Mr. Au Ion Weng (a non-executive Director) and a cousin of Mr. Jerry Au (a Controlling Shareholder). The allowance for doubtful debts decreased to HK\$0.4 million as at 31 December 2015 when such receivables of approximately HK\$0.6 million from them were fully written off because our Directors considered such amount was no longer recoverable as at 31 December 2015 after consideration of the credit quality of these customers and the ageing of these receivables. The allowance for doubtful debts remained at HK\$0.4 million as at 30 April 2016.

#### *(ii) Sponsorship receivables*

Sponsorship receivables represented approximately HK\$3.6 million, HK\$2.0 million and HK\$2.9 million as at 31 December 2014 and 2015 and 30 April 2016, respectively. Sponsorship receivables were primarily receivables from Seapower. Pursuant to our procurement contract with Seapower, we would be awarded (i) sponsorship fee for successfully organising events endorsing the Pernod Ricard's theme and as approved by them and (ii) incentive fee if our purchases reached a certain level. In general, the credit period will last for up to 30 days.

#### *(iii) Events rental receivables*

Events rental receivables represented approximately HK\$0.2 million, HK\$2.4 million and HK\$0.5 million as at 31 December 2014 and 2015 and 30 April 2016, respectively. Events rental receivables were primarily receivables from COD in relation to the leasing of Club Cubic as the venue to COD to organise the Taboo Show which ceased to be performed since April 2016. In general, the credit period will last up to 60 days.

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The table below sets forth our receivables turnover days during the Track Record Period:

	<b>Year ended 31 December</b>		<b>Four months</b>
	<b>2014</b>	<b>2015</b>	<b>ended 30 April</b>
			<b>2016</b>
Receivables turnover days ( <i>Note</i> )	20	25	36

*Note:* Receivables turnover days are calculated by dividing the receivable balances as at the end of each period by revenue and then multiplied by the number of days in the relevant period (i.e. 365 days for each of the two years ended 31 December 2015 and 121 days for the four months ended 30 April 2016). Receivable balances included the account receivables, sponsorship receivables and events rental receivables.

Our receivables turnover days were approximately 20 days, 25 days and 36 days for the years ended 31 December 2014 and 2015 and the four months ended 30 April 2016, respectively, which were within our credit period granted to our debtors, which are within 60 days.

*(iv) Prepayments, deposits and other receivables*

The following table sets forth a summary of our prepayments, deposits and other receivables as at the dates indicated:

	<b>As at</b>		<b>As at</b>		<b>As at</b>	
	<b>31 December 2014</b>	<b>31 December 2015</b>	<b>31 December 2015</b>	<b>30 April 2016</b>	<b>30 April 2016</b>	<b>30 April 2016</b>
	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>
Deposits	1,249	44.7	768	32.8	465	13.1
Prepayments	299	10.7	213	9.0	1,499	42.1
Other						
receivables	1,247	44.6	1,364	58.2	1,592	44.8
	2,795	100.0	2,345	100.0	3,556	100.0
Less: non-						
current portion	(82)		(120)		(100)	
Current portion	2,713		2,225		3,456	

Deposits represent mainly deposits for the acquisition of fixed assets and rental deposit. The decrease from approximately HK\$1.2 million as at 31 December 2014 to approximately HK\$0.8 million as at 31 December 2015 was due to the reduction of various deposits paid for our plant and equipments as at 31 December 2015. Our deposits decreased slightly to approximately HK\$0.5 million as at 30 April 2016.

Prepayments represent mainly payment made to our independent agents for the engagement of DJs and artists to perform at Club Cubic. Our prepayment increased significantly by approximately HK\$1.3 million from approximately HK\$0.2 million as at 31 December 2015 to approximately HK\$1.5 million as at 30 April 2016 primarily because of the engagement of DJs and artists for featured events to be held at Club Cubic between May and September 2016.

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Our other receivables represent mainly a refund of deposit from one of our independent agents for procuring and negotiating DJs and artists. In 2014, we entered into an agreement with one independent agent for the engagement of an artist to perform at Club Cubic. As a result of the absence of the artist from the performance, we further entered into a settlement agreement with this agent in the same year agreeing that a compensatory artist engagement would be delivered not later than 30 September 2016.

### Amounts due from related parties

Our amounts due from related parties decreased from approximately HK\$4.2 million as at 31 December 2014 to approximately HK\$3.1 million as at 31 December 2015 and approximately HK\$0.1 million as at 30 April 2016. The balance was mainly associated with the service income from Xin Limited and the amount due from the then shareholder of our subsidiary, Star Century. The amounts were unsecured, interest free and recoverable on demand. The amounts due from related parties will be fully settled before the Listing.

For details of the arrangements with Xin Limited and Star Century, please refer to paragraphs headed “— Related Party Transactions” and “— Dividend” below.

### Amounts due to related parties

Our amounts due to related parties remained stable at approximately HK\$0.8 million and HK\$0.6 million as at 31 December 2014 and 2015, respectively. The balance mainly represented consultancy fee payables to Ocean Concept Holdings Limited. Our amounts due to related parties increased to approximately HK\$2.8 million as at 30 April 2016, mainly associated with the rental payables to Zone One (CS) Limited and dividend payable to the then shareholder of our subsidiary, Star Century. The amounts due to related parties were unsecured, interest free and repayable on demand. The amount will be fully settled before the Listing.

For details of the arrangements with related parties, please refer to paragraphs headed “— Related Party Transactions” and “— Dividend” below.

### Account and other payables

The following table sets forth our account and other payables as at the dates indicated:

	As at		As at		As at	
	31 December 2014		31 December 2015		30 April 2016	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Account						
payables	1,162	5.8	2,520	9.2	3,533	17.0
Rental payables	4,151	20.7	7,768	28.2	129	0.6
Other payables	11,188	55.9	11,449	41.6	12,242	58.9
Accruals	<u>3,510</u>	<u>17.6</u>	<u>5,783</u>	<u>21.0</u>	<u>4,891</u>	<u>23.5</u>
	<u><u>20,011</u></u>	<u><u>100.0</u></u>	<u><u>27,520</u></u>	<u><u>100.0</u></u>	<u><u>20,795</u></u>	<u><u>100.0</u></u>

## FINANCIAL INFORMATION

(i) *Account payables*

Our account payables mainly comprised payables to our beverage suppliers. Account payables amounted to approximately HK\$1.2 million as at 31 December 2014, approximately HK\$2.5 million as at 31 December 2015 and approximately HK\$3.5 million as at 30 April 2016. The increase in account payables was due to more beverages purchased from Seapower during the year ended 31 December 2015 to prepare for the performance by Tiesto in February 2016 and to prepare for our 5th anniversary party in April 2016, which was our top featured event during the four months ended 30 April 2016.

The table below sets forth our account payables turnover days during the Track Record Period:

	<b>Year ended 31 December</b>		<b>Four months</b>
	<b>2014</b>	<b>2015</b>	<b>ended 30 April</b>
			<b>2016</b>
Account payables turnover days ( <i>Note</i> )	19	42	63

*Note:* Account payables turnover days are calculated by dividing the account payables as at the end of each period by cost of inventories sold and then multiplied by the number of days in the relevant period (i.e. 365 days for each of the two years ended 31 December 2015 and 121 days for the four months ended 30 April 2016).

The following table sets forth the aging analysis of our account payables based on the invoice dates as at the end of each reporting period indicated:

	<b>As at 31 December</b>		<b>As at 30 April</b>
	<b>2014</b>	<b>2015</b>	<b>2016</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
0 to 30 days	1,162	2,518	3,433
31 to 60 days	—	2	100
61 to 90 days	—	—	—
<b>Total</b>	<b>1,162</b>	<b>2,520</b>	<b>3,533</b>

Our account payables turnover days increased from approximately 19 days for the year ended 31 December 2014 to 42 days for the year ended 31 December 2015, primarily attributable to the prolonged repayment to our major creditors so as to further utilise the credit period granted by our major creditors. Our account payables turnover days increased further to 63 days for the four months ended 30 April 2016 because the accounts payable remained high as at 30 April 2016 as a result of two top five featured events held in April 2016, namely, the 5th Anniversary Party and the performance by Mightyfools.

Over 97% of our account payables as at 31 December 2014 and 2015 and 30 April 2016 were aged within 30 days, which were within the credit term of 45 days granted by our creditors in general.

As at the Latest Practicable Date, all our net account payables as at 30 April 2016 was subsequently settled.

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### *(ii) Rental payables*

Rental payables represent mainly the base fee and profit sharing payables to COD pursuant to our Operating Agreement. Rental payables amounted to approximately HK\$4.2 million as at 31 December 2014 and approximately HK\$7.8 million as at 31 December 2015. The 85.7% increase was due to the better performance of Club Cubic in 2015, resulting in a higher profit shared as payment to COD. The balance decreased significantly to approximately HK\$0.1 million as at 30 April 2016 because the base fee and profit sharing payables to COD for the year ended 31 December 2015 were settled prior to 30 April 2016.

Rental payables to Zone One (CS) Limited were included in the aforementioned amounts due to related parties.

### *(iii) Other payables*

Our other payables remained stable at approximately HK\$11.2 million and HK\$11.4 million as at 31 December 2014 and 2015. Pursuant to the Operating Agreement, COD assisted our Group with the commencement of Club Cubic operations by setting up a provisional start up fund of approximately MOP9.0 million (equivalent to approximately HK\$8.7 million). The amount is payable to COD and is unsecured, interest-free and repayable at Luk Hing Macau's best effort, but in any event no later than 10 days after the end of the term of the Operating Agreement (and any extension thereto), or, if earlier terminated, 10 days after termination date. Remaining other payables represent other tax payables and salaries payables. Other payables increased slightly by approximately HK\$0.8 million or 7.0% from approximately HK\$11.4 million as at 31 December 2015 to approximately HK\$12.2 million as at 30 April 2016 mainly attributable to payables to various marketing expenses such as independent agents for the engagement of DJs and artist in relation to featured events.

### *(iv) Accruals*

Accruals increased from approximately HK\$3.5 million as at 31 December 2014 to approximately HK\$5.8 million as at 31 December 2015 mainly because of the accrued listing expenses payable to professional parties in the preparation of the Listing. Accruals then decreased to HK\$4.9 million as at 30 April 2016 as a result of the partial settlement of listing expenses upon the submission of listing application.

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### CONTRACTUAL OBLIGATIONS AND COMMITMENTS

#### Operating lease commitments

Pursuant to the Operating Agreement, we paid COD a fixed base fee and share a portion of our profit of Club Cubic to obtain the right of use of the premises of Club Cubic for operation. This arrangement is accounted for as an operating lease. We also leased staff quarters and warehouses under operating lease arrangements. Leases for these properties are negotiated for terms ranging from one to three years. At the end of each reporting period, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

The following table sets forth a summary of the total future minimum lease payments due by us as at the dates indicated:

	As at 31 December		As at 30 April
	2014	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Not later than one year	4,187	4,294	4,773
In the second to fifth years inclusive	4,712	871	2,000
<b>Total</b>	<b>8,899</b>	<b>5,165</b>	<b>6,773</b>

Our operating lease commitment decreased from approximately HK\$8.9 million in 2014 to approximately HK\$5.2 million in 2015. This was mainly attributable to our operating lease commitment of our club premise with COD that will be expired on 31 March 2017. Subsequent to the Track Record Period, the Group has exercised the option to renew the Operating Agreement for a further three years until 31 March 2020.

In addition, the operating lease rentals for club premises included a fixed rental and a contingent rent depending on the net profit of the club operation pursuant to the terms and conditions as set out in the respective agreements. As the future net profit for the club operation could not be reliably determined, the relevant contingent rent has not been included above and only the minimum lease commitments have been included in the above table.

Our operating lease commitment increased from approximately HK\$5.2 million as at 31 December 2015 to approximately HK\$6.8 million as at 30 April 2016. This was mainly attributable to the office rental in Hong Kong for a term starting from 1 March 2016 to 31 December 2018.

For details, please refer to the section headed “Connected Transactions — Exempt Continuing Connected Transactions — 1. Tenancy Agreement relating to our Group’s Hong Kong office”.

#### Capital commitments

There were no material capital commitments as at 31 December 2014 and 2015 and 30 April 2016.

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### INDEBTEDNESS

As at 31 August 2016, being the latest practicable date for the purpose of the indebtedness statement, we have (i) unused loan facility of HK\$5.0 million granted by a financial institution and (ii) utilised overdraft facility of approximately HK\$3.0 million granted by a bank. The mortgage provided by the associate of our Controlling Shareholders and the pledge of fixed deposit of Mr. Jerry Au in respect of the above credit facilities will discontinue upon Listing and be replaced by a corporate guarantee by the Company.

Save as disclosed herein, we did not have any outstanding, mortgages, borrowings, charges, debentures, loan capital, bank loans and overdrafts, debt securities or other similar indebtedness, finance leases or hire purchase commitments, liabilities under acceptance or acceptance credits or guarantees or other material contingent liabilities as at 31 August 2016.

### NO MATERIAL ADVERSE CHANGE

After due and careful consideration, our Directors confirm that, up to the date of this prospectus, there has been no material adverse change in our financial and trading position or prospects since 30 April 2016, and there is no event since 30 April 2016 which would materially affect the information shown in the Accountants' Report, the text of which is set out in Appendix I to this prospectus.

### LISTING EXPENSES AND LATEST DEVELOPMENTS SUBSEQUENT TO THE TRACK RECORD PERIOD

Subsequent to the Track Record Period and up to the Latest Practicable Date, our business model, revenue structure and cost structure have largely remained unchanged.

COD Hotels transferred the licenses for the operation of Club Cubic to us on 15 September 2016. We expect to pay approximately MOP0.8 million (approximately HK\$0.8 million) in aggregate to COD Hotels and incur approximately MOP0.2 million (approximately HK\$0.2 million) government, legal and professional fees to acquire the licenses. The acquisition costs, including all directly attributable legal and professional expenses, will be capitalized as an intangible asset and recorded on our consolidated statements of financial position upon the completion of transfer.

According to the Euromonitor Report, from 2016 onwards, the competition in the clubbing industry is expected to intensify due to the increase of the clubbing venues in Macau. For example, Pacha Macau, located in Studio City, Cotai, became the largest clubbing venue in Macau in terms of gross floor area, since its official opening in January 2016. We continue to strategically focus on organising featured events with internationally renowned DJs and artists with high popularity and media interest. During the eight months ended 31 August 2015 and 2016, we held 31 featured events in both periods. We were able to attract stable customer visits at approximately 81,000 visits for the eight months ended 31 August 2016, compared to approximately 83,000 visits for the eight months ended 31 August 2015. We also continue to promote Champagne as our principal beverage products in Club Cubic. We managed to record a slight growth in its sales volume from approximately 19,000 bottles for the eight months ended 31 August 2015 to approximately 20,000 bottles for the respective period in 2016, and its selling price was maintained at over MOP1,500 per bottle in general. Leveraging on our proven track record in the industry and brand recognition in Macau, we aim to differentiate ourselves from our competitors by offering premium clubbing and entertainment services to high-end customers

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and music lovers. Based on our stable period-by-period operating statistic, our Directors consider that our operation is not materially affected by competition from existing and new competitors. We further organized 4 featured events at Club Cubic in September 2016.

On 17 September 2016, the Group organised the 2016 Road to Ultra Hong Kong event in Hong Kong with approximately 6,800 tickets sold. We generated revenue primarily from (i) the sales of beverage, (ii) sponsorship income, and (iii) entrance fee income.

Our Directors are of the view that the 2016 Road to Ultra Hong Kong event contributed positively to our Group's business in terms of (i) revenue growth; (ii) reducing the reliance on Club Cubic; (iii) enhancing our reputation of Club Cubic in Hong Kong; and (iv) increasing our experience of event organisation in Hong Kong.

In the preparation of the Placing, we incurred listing expenses for the services rendered by professional parties. Assuming a Placing Price of HK\$0.23 per Share (being the mid-point of the Placing Price range as stated in this prospectus), our Directors estimate the total listing expenses to be borne by our Group would be approximately HK\$27.5 million. During the year ended 31 December 2015 and the four months ended 30 April 2016, we incurred listing expenses of approximately HK\$2.5 million and HK\$2.9 million, respectively, being charged to our consolidated statements of profit or loss. We expect to incur an additional listing expenses of approximately HK\$22.1 million after the Track Record Period, of which approximately HK\$11.5 million is expected to be charged to our consolidated statements of profit or loss and other comprehensive income for the year ending 31 December 2016 and approximately HK\$10.6 million directly attributable to the issue of the Placing Shares is to be accounted for as a deduction from equity. Our Directors would like to emphasise that such cost is a current estimate for reference only, and the final amount to be recognised in our consolidated statements of profits or loss and other comprehensive income or to be capitalised is subject to adjustment based on audit and the subsequent changes in variables and assumptions.

Potential investors should note that the financial performance of our Group for the year ending 31 December 2016 is expected to be materially and adversely affected by the non-recurring listing expenses mentioned above.

Our Directors confirm that, up to the date of this prospectus, (i) there has been no material adverse change in the general economic and market conditions, legal and regulatory environment, and the industry in which we operate that has materially and adversely affected our Group's financial or operating position since 30 April 2016, being the date to which our latest audited financial statements were prepared, (ii) there has been no other material adverse change in the operating and financial positions or prospects of our Group since 30 April 2016, and (iii) save for the non-recurring listing expenses mentioned above, no event has occurred since 30 April 2016 which would materially affect the information shown in the Accountants' Report set forth in Appendix I to this prospectus.

## FINANCIAL INFORMATION

### KEY FINANCIAL RATIO

	<i>Notes</i>	<b>As at 31 December</b>		<b>As at 30 April</b>
		<b>2014</b>	<b>2015</b>	<b>2016</b>
Current ratio	<i>1</i>	1.4	1.3	1.1
Quick ratio	<i>2</i>	1.3	1.2	1.0
		<b>For the year ended 31 December</b>		<b>Four months</b>
		<b>2014</b>	<b>2015</b>	<b>ended 30 April</b>
				<b>2016</b>
Return on equity	<i>3</i>	66.5%	63.6%	N/A <sup>(4)</sup>

*Notes:*

- (1) Current ratio is calculated by dividing total current assets by total current liabilities as at the respective period end date.
- (2) Quick ratio is calculated by dividing total current assets less inventories by total current liabilities as at the respective period end date.
- (3) Return on equity is calculated by dividing net profit for the period by total equity at the end of the period and multiplied by 100.0%.
- (4) Return on equity is not applicable because the revenue for the four months ended 30 April 2016 is not comparable to that for the full years ended 31 December 2014 and 2015.

#### **Current ratio**

Our current ratio remained relatively stable at approximately 1.4 and 1.3 as at 31 December 2014 and 2015, respectively. Current ratio decreased to 1.1 as at 30 April 2016 mainly because of the declaration of dividend of approximately HK\$5.8 million in January 2016.

#### **Quick ratio**

Our quick ratio remained relatively stable at approximately 1.3 and 1.2 as at 31 December 2014 and 2015, respectively. Our quick ratio decreased to 1.0 as at 30 April 2016 mainly because of the declaration of dividend of approximately HK\$5.8 million in January 2016.

#### **Return on equity**

Our return on equity decreased from approximately 66.5% in 2014 to approximately 63.6% in 2015, primarily attributable to the increase in our net profit in 2015 by approximately 6.8%, while our total equity increased by approximately 12.0% during the year. The higher extent of increase in our total equity in 2015 was due to the lower retained earnings from previous years prior to 2014.

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### FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Our Directors monitor and manage the financial risks relating to our operations through internal risks reports which analyse exposures by degree and magnitude of risks. The material financial risks include credit risk and liquidity risk.

Details of these financial risk management policies on how to mitigate these material financial risks are set out below.

#### **Credit risk**

Our credit risk was primarily attributable to account and other receivables. Our Directors monitor the exposures to credit risk on an ongoing basis. Credit risk in respect of account receivables is limited as the balances are mainly due from VIP customers with an appropriate credit history and good reputation.

Our Group does not provide any guarantees which would expose our Group to credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statements of financial position.

#### **Liquidity risk**

Our Group is also exposed to minimal liquidity risk as a substantial portion of our financial assets and financial liabilities are due within one year and it can finance its operations mainly from internally generated cash flows.

In the management of the liquidity risk, our Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance our Group's operations and mitigate the effect of fluctuations in cash flows.

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### RELATED PARTY TRANSACTIONS

During the Track Record Period, we had entered into certain related party transactions, details of which are set out in Note 23 to the Accountant's Report.

Related companies	Transaction item	Year ended	Year ended	Four months ended	Four months ended	Details
		31 December 2014	31 December 2015	30 April 2015	30 April 2016	
		HK\$'000	HK\$'000	HK\$'000 (unaudited)	HK\$'000	
Star Century Investments Limited	Service income	336	22	22		— The sums represented provision of accounting services by our Group.
	Promotional supplies expenses	88	—	—		— The sums represented the provision of promotional suppliers by our Group.
Xin Limited	Service income	915	973	345		— The sums represented a sharing of administrative services, primarily representing
	Service expenses	703	909	352		— relevant salaries of administrative staff. In the preparation of the Listing, we have ceased a substantial amount of administrative works to be shared by the parties in 2016, while we will continue to obtain certain administrative services from Bo Xing. For details, please see "Connected Transactions — Exempt continuing connected transactions — 2. Administrative services agreement" in this prospectus.
Ocean Concept Holdings Limited	Advertising expenses	96	88	32		— The sums represented the advertising expenses for placing advertising in the restaurant outlets of Ocean Concept.
	Rental expenses	120	120	40		— The sums represented the use of office space by the employees set out in consulting services below.
	Consulting fee paid	5,814	7,366	1,910		— The sums represented the salaries of the then relevant employees of Ocean Concept, including our executive Directors Mr. Simon Choi, Mr. John Choi and Mr. Alex Yeung and other employees, which provided operation, marketing and administrative services to our Group. In the preparation of the Listing, the arrangement was terminated in January 2016 and the relevant employees were hired by our Group directly.
	Management fee paid	600	600	200		— The sums represented a premium for the provision of rental services set out above.
Zone One (CS) Limited	Rental expenses	—	—	—	200	The sums represented the rental payments for our Group's Hong Kong office.

With respect to the related party transaction set out above, our Directors confirm that these transactions were conducted on normal commercial terms and did not distort our results of operation during the Track Record Period or cause our Track Record Periods results to be not reflective of our future performance.

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### **OFF-BALANCE SHEET TRANSACTIONS AND ARRANGEMENTS**

As at the Latest Practicable Date, except for the contractual obligations and commitments disclosed above, we did not have any outstanding off-balance sheet transactions or arrangements.

### **PROPERTY INTERESTS**

During the Track Record Period and up to the Latest Practicable Date, we did not own any property, where details of our leased property are set out in the section headed “Business — Property Interests” in this prospectus.

### **DIVIDEND**

Luk Hing Macau declared dividends of HK\$4.5 million and HK\$7.8 million to its then shareholders during the years ended 31 December 2014 and 2015, respectively. Such dividends were settled with the amounts due from related parties during the years ended 31 December 2014 and 2015. On 8 January 2016, our Group’s subsidiary, Luk Hing Macau, declared and approved a dividend of approximately MOP 6.0 million (equivalent to approximately HK\$5.8 million) to its then sole shareholder, Star Century. Dividend of approximately MOP3.4 million (equivalent to approximately HK\$3.3 million) has been subsequently settled by (i) netting off with amounts due from related parties and (ii) by cash payment during the four months ended 30 April 2016, while the remaining amount of approximately MOP2.6 million (equivalent to approximately HK\$2.5 million) was recognised as amounts due to related parties, which would be settled by cash payment financed by our internally generated cash flows before the Listing. Our Directors consider that there will not be material adverse impact on our Group’s financial and liquidity position arising out of the dividend payment.

The declaration, payment and amount of dividends will be at the discretion of our Directors, subject to approval by our shareholders, and will be dependent upon our earnings, financial conditions, cash requirements and availability, future prospects, contractual restrictions, applicable laws and provisions and other relevant factors. To the extent profits are distributed as dividends, such portion of profits will not be available to be reinvested in our operations. There is no assurance as to the amount of dividend payment, if any, or the timing of any dividend payment. We do not currently have dividend policy or intention to pay dividend.

### **DISTRIBUTABLE RESERVES**

As at 30 April 2016, our Company had no distributable reserve available for distribution to our shareholders.

### **DISCLOSURE REQUIRED UNDER THE GEM LISTING RULES**

Save as disclosed in this prospectus, our Directors confirm that as at the Latest Practicable Date, there are no circumstances which would give rise to a disclosure requirement under Rules 17.15 to 17.21 of the GEM Listing Rules.

## FINANCIAL INFORMATION

### UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The statement of unaudited pro forma adjusted consolidated net tangible assets of our Group prepared in accordance with Rule 7.31 of the GEM Listing Rules is set out below to illustrate the effect of the Placing on the audited consolidated net tangible assets of our Group as if the Placing had been taken place on 30 April 2016.

The statement of unaudited pro forma adjusted consolidated net tangible assets of our Group has been prepared for illustrative purposes only. Because of its hypothetical nature, it may not give a true picture of the financial position of our Group as at 30 April 2016 or any future date following the Placing.

The following statement of unaudited pro forma adjusted consolidated net tangible assets of our Group is based on the audited consolidated net tangible assets of our Group attributable to owners of our Company as at 30 April 2016 as shown in the Accountants' Report set out in Appendix I to this prospectus and the adjustments described below.

	<b>Audited consolidated net tangible assets of our Group as at 30 April 2016 HK\$'000 (note 1)</b>	<b>Estimated net proceeds from the Placing HK\$'000 (note 2)</b>	<b>Unaudited pro forma adjusted consolidated net tangible assets of our Group HK\$'000 (note 3)</b>	<b>Unaudited pro forma adjusted consolidated net tangible assets per Shares HK\$ (note 4)</b>
Based on Placing Price of HK\$0.20 per Placing Share	8,452	68,589	77,041	0.04
Based on Placing Price of HK\$0.26 per Placing Share	8,452	94,089	102,541	0.06

*Notes:*

- (1) The audited consolidated net tangible assets of our Group as at 30 April 2016 is based on the net assets of our Group attributable to owners of our Company as extracted from the Accountants' Report set out in Appendix I to this prospectus.
- (2) The estimated net proceeds from the issue of the Placing Shares pursuant to the Placing are based on 450,000,000 new Shares at the Placing Price of lower limit and upper limit of HK\$0.20 and HK\$0.26 per Placing Share, respectively, after deduction of the underwriting commissions and fees and other related fees expenses payable by our Group in connection with the Placing, other than those expenses which had been recognised in profit or loss for the periods up to 30 April 2016. The calculation of such estimated net proceeds does not take into account of any shares which may be allotted and issued pursuant to the exercise of any options that may be granted under the Share Option Scheme.
- (3) The unaudited pro forma adjusted consolidated net tangible assets of our Group does not take into account the effect of any trading result and other transactions of our Group entered into subsequent to 30 April 2016.
- (4) The unaudited pro forma adjusted consolidated net tangible assets per Share is calculated based on 1,800,000,000 Shares in issue immediately following the completion of the Placing as set out in the "Share capital" section to this prospectus had the Placing been completed on 30 April 2016 and does not take into account of any Shares which may be issued upon the exercise of any options that may be granted under the Share Option Scheme or any Shares which may be allotted, issued or repurchase by the Company pursuant to the general mandates for the allotment and issue or repurchase of Shares.

## **FUTURE PLANS AND USE OF PROCEEDS**

### **BUSINESS OBJECTIVES**

Our business objective is to maintain our position as a premium clubbing and entertainment business operator based in Macau. We plan to continue to expand our market share and strengthen the market position of our business by adopting the following business strategies:

1. Continue to expand the scale of Club Cubic;
2. Strategically focus on organising featured events and leveraging our experience in organising events in other venues and outdoor;
3. Continue to strengthen the quality of our customer service and enhancing clubbing and entertainment experience;
4. Strengthen our effort in marketing of our brand and reinforce brand recognition; and
5. Expansion in regions other than Macau.

Please refer to the section headed “Business — Business Strategies” in this prospectus for a detailed description of our business strategies.

### **REASONS FOR THE PLACING**

The Placing of the Placing Shares will enhance capital base of our Group and provide our Group with additional working capital for achieving our business strategies and to implement the future plans set out in this section. The net proceeds of the Placing will provide financial resources to our Group to implement the business strategies set out in the section headed “Business — Business Strategies” to achieve our Group’s objective to maintain its status as a premium clubbing and entertainment business operator in Macau.

In particular, according to the Operating Agreement, one of the conditions for us to renew the term of the Operating Agreement for a further term from April 2020 to March 2025, is that our Group has to open the first phase expansion on or before 1 October 2017 (subject to COD 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). The investment for the first phase expansion shall not be less than MOP15 million. For details, please refer to the section headed “Business — Relationship with COD — Operating Agreement” in this prospectus. The Directors are of the view that it is in our Group’s interest to obtain the further extended term, because it would provide a more stable income source of our Group for a longer period of time. In addition, the expanded area would also provide a larger area to cater more customers which enables revenue growth. Hence, our Group considers that it is in the interest of our Group to proceed with the expansion plan. Details of the expansion plan was discussed in the section headed “Business — Our Club and Services — Club Cubic — Expansion Plan” in this prospectus.

## **FUTURE PLANS AND USE OF PROCEEDS**

The internal financial resources of our Group (after deducting the amount to be used as working capital) is insufficient to finance the first phase expansion. Our Group has tried to explore the possibilities of debt financing and obtained two credit facilities for the aggregate amount of HK\$8 million (among which approximately HK\$3.0 million has been utilised) and one of which for the sum of HK\$5.0 million was expired in October 2016, but were unable to locate other appropriate debt financing sources primarily because our Group has not been listed and has no real property to be provided as security. As a result, there is a shortfall of the capital for our Group to conduct the expansion. Therefore, our Group has an immediate funding need and that it is in the interest of our Group to conduct equity financing through the Placing. Our Directors confirm that our Group will commence the expansion plan after we have obtained the net proceeds from the Placing.

In addition, we believe that the Listing on GEM will provide an indirect complimentary advertising to raise our Group's brand awareness and publicity. We believe that a public listing status could attract suppliers who are more willing to establish business relationship with listed companies, and that the public listing status would also reinforce our premium and high-end image and public awareness to potential customers. It would also generate reassurance among our customers and suppliers in respect of the reputation, listing status, public financial disclosures and general regulatory supervision by the relevant regulatory bodies, and accordingly strengthen our competitiveness in the market. The Listing will also enable our Group to have access to capital market for raising funds both at the time of Listing and at later stages, which would in turn assist us in future business development of our Group.

### **USE OF PROCEEDS**

If the Placing Price is set at the high-end of the indicative Placing Price range, being HK\$0.26 per Placing Share, the net proceeds of the Placing will increase by approximately HK\$12.8 million to approximately HK\$88.8 million. In such case, the Company intends to apply the additional net proceeds for the above purposes on a pro-rata basis.

If the Placing Price is set at the low-end of the indicative Placing Price range, being HK\$0.20 per Placing Share, the net proceeds of the Placing will decrease by approximately HK\$12.8 million to approximately HK\$63.2 million. In such case, the Company intends to reduce the allocation of such net proceeds for the above purposes on a pro-rata basis.

## FUTURE PLANS AND USE OF PROCEEDS

Net proceeds of the Placing, after deducting underwriting commission and other expenses relating to the Listing payable by the Company and based on a Placing Price of HK\$0.23, being the midpoint of the indicative Placing Price range of HK\$0.20 to HK\$0.26 per Placing Share, is expected to be approximately HK\$76.0 million. The non-recurring expenses relating to the Listing has been/is expected to be charged to the financial results of our Group for the year ended 31 December 2015 and the year ending 31 December 2016. Our Directors presently intend that the net proceeds from the Placing will be applied as follows:

- approximately 49.2% of the net proceeds, representing approximately HK\$37.4 million, will be used for the opening costs to expand the scale of Club Cubic in Macau, which will be used primarily for decoration, furniture and fixture expenses, respectively and the remaining will be used for the engagement of professional consultants;
- approximately 21.0% of the net proceeds, representing approximately HK\$16.0 million, will be used for organizing events in venues other than Club Cubic including but not limited to venue rental, engaging performers and dancers and hiring part-time staff, and events marketing and promotion;
- approximately 19.8% of the net proceeds, representing approximately HK\$15.0 million, will be used for the research of expansion in regions other than Macau which includes engaging external market consultants and legal advisers to conduct business development studies and feasibility studies including market research, business, financial and legal analysis. The Group currently does not have any detailed plan or timeframe for the expansion plan; and
- approximately 10% of the net proceeds, representing approximately HK\$7.6 million, will be used for general working capital and other general corporate purpose.

## FUTURE PLANS AND USE OF PROCEEDS

### IMPLEMENTATION PLANS

In light of the business objectives and future plans of our Group, our Group will seek to attain the milestones contained in this paragraph from the Latest Practicable Date up to and including 31 December 2018. Investors should note that the milestones and their scheduled times for attainment are formulated on the bases and assumptions referred to in the section headed “Future Plans and Use of Proceeds — Bases and key assumptions of the business plans” in this prospectus. These bases and assumptions are inherently subject to many uncertainties, variables and unpredictable factors, in particular the risk factors set out in the section headed “Risk Factors” in this prospectus. Our Group’s actual course of business may vary from the business objectives set out in this prospectus. There can be no assurance that the plans of our Group will materialise in accordance with the expected time frame or that the objectives of our Group will be accomplished at all. Our Directors intend to carry out the following implementation plans:

#### **For the period from the Latest Practicable Date to 31 December 2016**

<b>Objectives</b>	<b>Plan/Activities</b>
Expansion of the scale of Club Cubic	<ul style="list-style-type: none"><li>— set up the project management team for Club Cubic expansion</li><li>— engagement of designers and other professional consultants such as electrical, mechanical, fire and safety consultants for the layout plan such that it will meet the relevant requirements</li><li>— carry out the renovation and decoration of the expansion area</li><li>— commence the application of relevant licenses for the operation of the new expansion area</li></ul>
Organising events in venues other than Club Cubic	<ul style="list-style-type: none"><li>— commence planning of events in 2017</li></ul>
Expansion in regions other than Macau	<ul style="list-style-type: none"><li>— explore opportunities in different areas/regions and with cooperation partners and landlord, signing of memorandum of understanding/agreement</li><li>— conduct market research on potential markets</li><li>— conduct feasibility studies by engaging external marketing consultants and legal advisers</li><li>— site visits</li></ul>

## FUTURE PLANS AND USE OF PROCEEDS

**For the six months ending 30 June 2017**

<b>Objectives</b>	<b>Plan/Activities</b>
Expansion of the scale of Club Cubic	<ul style="list-style-type: none"><li>— commence advertising and promotion of the new opening of the expansion area</li><li>— first phase expansion area open for business (subject to approval of relevant licenses)</li><li>— organise events in Club Cubic including the expansion areas from time to time to boost customer traffic</li><li>— carry out renovation and decoration of the expansion area</li><li>— expand our operation team to support the expansion area</li></ul>
Organising events in venues other than Club Cubic	<ul style="list-style-type: none"><li>— plan and finalise the lists of events outside Club Cubic (including the 2017 Road to Ultra event)</li><li>— commence marketing and promotion of events</li><li>— engaging performers and dancers and hiring part-time staff</li><li>— venue rental, stage design and set up</li><li>— execute events planned (if any)</li></ul>
Expansion in regions other than Macau	<ul style="list-style-type: none"><li>— explore potential cooperation partners and the acquisition targets, discuss/sign memorandum of understanding/agreement, execute cooperation/acquisition plan</li><li>— commence due diligence, if necessary, by engaging third party professionals</li><li>— Engaging professional consultants, accountants and legal advisers for executive of cooperation/acquisition plan (if any) in accordance with GEM Listing Rules</li><li>— Site visits and recruitment of staff</li></ul>

<b>FUTURE PLANS AND USE OF PROCEEDS</b>
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**For the six months ending 31 December 2017**

<b>Objectives</b>	<b>Plan/Activities</b>
Expansion of the scale of Club Cubic	<ul style="list-style-type: none"> <li>— Second phase expansion area open for business (subject to approval of relevant licenses and market conditions)</li> <li>— organise events in Club Cubic including the expansion areas from time to time to boost customer traffic</li> <li>— advertising and promotion of the new opening of expansion area</li> <li>— expand our operation team to support the expansion area</li> </ul>
Organising events in venues other than Club Cubic	<ul style="list-style-type: none"> <li>— execute events planned (if any)</li> <li>— engaging performers and dancers and hiring part-time staff</li> <li>— continue to promote the list of events</li> <li>— venue rental, stage design and set up</li> </ul>
Expansion in regions other than Macau	<ul style="list-style-type: none"> <li>— commence due diligence, if necessary, by engaging third party professionals</li> <li>— site visits and recruitment of staff</li> <li>— engaging professional consultants, accountants and legal advisers for executive of cooperation/acquisition plan (if any) in accordance with GEM Listing Rules</li> </ul>

**For the six months ending 30 June 2018**

<b>Objectives</b>	<b>Plan/Activities</b>
Expansion of the scale of Club Cubic	<ul style="list-style-type: none"> <li>— Organise events in Club Cubic including the expansion areas from time to time to boost customer traffic</li> </ul>
Organising events in venues other than Club Cubic	<ul style="list-style-type: none"> <li>— Plan and finalise the lists of events outside Club Cubic (including the 2018 Road to Ultra)</li> <li>— engaging performers and dancers and hiring part-time staff</li> <li>— commence marketing and promotion of events</li> <li>— execute events planned (if any)</li> </ul>
Expansion in regions other than Macau	<ul style="list-style-type: none"> <li>— execute cooperation/acquisition plan in accordance with GEM Listing Rules</li> </ul>

## FUTURE PLANS AND USE OF PROCEEDS

### For the six months ending 31 December 2018

Objectives	Plan/Activities
Expansion of the scale of Club Cubic	— Organise events in Club Cubic including the expansion areas from time to time to boost customer traffic
Organising events in venues other than Club Cubic	— execute events planned (if any)
	— engaging performers and dancers and hiring part-time staff
	— continue to promote the list of events
Expansion in regions other than Macau	— execute cooperation/acquisition plan in accordance with GEM Listing Rules

Our Directors intend to carry out the following implementation plans:

	For the period from the Latest Practicable Date to 31 December 2016 <i>(HK\$'million)</i>	For the six months ending 30 June 2017 <i>(HK\$'million)</i>	For the six months ending 31 December 2017 <i>(HK\$'million)</i>	Total <i>(HK\$'million)</i>	Approximate percentage of net proceeds <i>(%)</i>
1. Expansion of the scale of Club Cubic					
— Decoration, furniture and fixtures of the new areas	5.0	16.6	4.6	26.2	34.5
— Engagement of professional consultants	3.0	2.0	—	5.0	6.6
— Marketing and promotion for the expanded Club Cubic	—	1.0	1.0	2.0	2.6
— Recruitment of additional staff	—	1.0	1.0	2.0	2.6
— Others	1.0	0.9	0.3	2.2	2.9
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
2. Organising events in venues other than Club Cubic					
— Engaging performers and dancers and hiring part-time staff	—	3.3	2.2	5.5	7.2
— Events marketing and promotion	—	1.1	1.1	2.2	2.9
— Venue rental, stage design and set up	—	3.3	3.3	6.6	8.7
— Other miscellaneous	—	1.1	0.6	1.7	2.2
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
3. Expansion in regions other than Macau					
— Setting up office in regions other than Macau and/or strategic investment, merger and acquisition	1.0	6.0	3.0	10.0	13.2
— Engagement of professional consultants such as external market consultants, accountants and legal advisers	0.2	0.6	0.2	1.0	1.3
— Site visits and recruitment of staff	0.1	0.4	0.5	1.0	1.3
— Other miscellaneous	0.5	1.0	1.5	3.0	4.0
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
4. Working capital and general corporate use	2.6	2.5	2.5	7.6	10.0
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>Total</b>	<u>13.4</u>	<u>40.8</u>	<u>21.8</u>	<u>76.0</u>	<u>100.0</u>

## FUTURE PLANS AND USE OF PROCEEDS

### BASES AND KEY ASSUMPTIONS OF THE BUSINESS PLANS

The business objectives set out by our Directors are based on the following bases and key assumptions:

- (a) our Group will have sufficient financial resources to meet the planned capital expenditure and business development requirements during the period to which the business objectives relate;
- (b) there will be no material changes in existing laws and regulations, or other governmental policies relating to our Group, or in the political, economic or market conditions in Macau, Hong Kong and PRC;
- (c) there will be no change in the funding requirement for each of the implementation plans described under the paragraph headed “— Implementation plans” above from the amount estimated by our Directors;
- (d) there will be no material changes in the bases or rates of taxation applicable to the activities of our Group;
- (e) there will be no significant changes in our business relationship with our existing major customers and suppliers;
- (f) the Placing will be completed in accordance with and as described in the section headed “Structure and conditions of the Placing” in this prospectus;
- (g) our Group will be able to retain its key staff in the management and the main operational departments;
- (h) our Group will not be materially affected by any risk factors set out in the section headed “Risk Factors” in this prospectus; and
- (i) our Group will be able to continue its operation in substantially the same manner as it has been operating during the Track Record Period and our Group will also be able to carry out its development plans without disruptions adversely affecting our operations or business objectives in any way.

The above allocation of net proceeds of the Placing will be adjusted on a pro-rata basis in the event that the Placing Price is determined at a higher or lower level compared to the mid-point of the Placing Price range as set out in this prospectus.

To the extent our net proceeds are not sufficient to fund the purposes set out above, we intend to fund the balance through a variety of means, including cash generated from operations and bank loans.

To the extent that the net proceeds from the Placing are not immediately used for the above purposes, they will be placed on short-term interest bearing deposits with licensed commercial banks or financial institutions.

## UNDERWRITING

### SOLE GLOBAL COORDINATOR AND SOLE BOOKRUNNER

China Everbright Securities (HK) Limited

### JOINT LEAD MANAGERS

China Everbright Securities (HK) Limited

Opus Capital Limited

Ping An Securities Limited

Innovax Capital Limited

### UNDERWRITERS

China Everbright Securities (HK) Limited

Opus Capital Limited

Ping An Securities Limited

Innovax Capital Limited

### UNDERWRITING ARRANGEMENTS

#### Underwriting Agreement

Pursuant to the Underwriting Agreement, the Company is offering the Placing Shares for subscription by way of Placing at the Placing Price, on and subject to the terms and conditions in the Underwriting Agreement and this prospectus.

Subject to, among other conditions, the Stock Exchange granting the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus and to certain other conditions set out in the Underwriting Agreement being satisfied at the relevant time on the relevant date as provided for in the Underwriting Agreement (or such later date as the Company and the Sole Global Coordinator may agree), the Underwriters have agreed to subscribe for or procure subscribers for the Placing Shares on the terms and conditions of the Placing.

#### Grounds for termination

The respective obligations of the Underwriters to subscribe for, or procure subscribers for, the Placing Shares are subject to termination. The Sole Global Coordinator (for itself and on behalf of the Underwriters) shall be entitled to terminate their obligations under the Underwriting Agreement upon the occurrence of any of the following events by notice to our Company given by the Sole Global Coordinator (for itself and on behalf of the Underwriters) at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date (the “**Termination Time**”) if prior to the Termination Time,

- (a) there comes to the notice of the Sole Sponsor or the Sole Global Coordinator together:
  - (i) any statement contained in this prospectus, the formal notice, any submissions, documents or information provided to the Sole Sponsor or the Sole Global Coordinator, any announcements or documents issued by our Company in connection with the Placing (including any supplement or amendment thereto) (the “**Relevant Documents**”), considered by the Sole Sponsor or the Sole Global Coordinator together

## UNDERWRITING

in its/their reasonable opinion was, when its was issued, or has become, or been discovered to be untrue, incorrect, inaccurate or misleading in any material respect or any expressions of opinion, intention or expectation contained in any of such documents are not, in the reasonable opinion of the Sole Sponsor or the Sole Global Coordinator together, in all material respects fair and honest and based on reasonable assumptions, when taken as a whole;

- (ii) any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute an omission therefrom considered by the Sole Sponsor or the Sole Global Coordinator together in its/their reasonable opinion to be material in the context of the Placing;
  - (iii) any breach of any of the obligations imposed upon any party to the Underwriting Agreement considered by the Sole Sponsor or the Sole Global Coordinator together in its/their reasonable opinion to be material in the context of the Placing (other than upon any of the Underwriters) (as the case may be);
  - (iv) either (A) there has been a breach of any of the warranties or provisions of the Underwriting Agreement by any of the warrantors or (B) any matter or event showing or rendering any of the warranties, as applicable, in the reasonable opinion of the Sole Sponsor or the Sole Global Coordinator together, to be untrue, incorrect, inaccurate or misleading in any material respect when given or repeated;
  - (v) any event, act or omission which gives or is likely to give rise to any liability of a material nature of any of the warrantors pursuant to the indemnity provisions under the Underwriting Agreement or the Placing to be performed or implemented as envisaged;
  - (vi) approval by the Stock Exchange of the listing of, and permission to deal in, the Shares is refused or not granted before the Listing Date, other than subject to customary conditions, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld;
  - (vii) our Company withdraws any of the Relevant Documents (and/or any other documents used in connection with the contemplated subscription of the Placing Shares); or
  - (viii) any person (other than the Sole Sponsor, the Sole Global Coordinator or any of the Underwriters) has withdrawn or sought to withdraw its consent to the issue of any of the Relevant Documents with the inclusion of its reports, letters, summaries of valuations and/or legal opinions (as the case may be) and references to its name included in the form and context in which it respectively appears; or
- (b) there shall develop, occur, happen, exist or come into effect:
- (i) any event, or series of events in the nature of force majeure, including, without limitation, acts of government or orders of any courts, labour disputes, strikes, calamity, crisis, lock-outs (whether or not covered by insurance), fire, explosion, flooding, civil commotion, acts of war, acts of God, acts of terrorism (whether or not responsibility has been claimed), declaration of a national or international emergency, riots, public

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disorder, economic sanctions, outbreaks of diseases or epidemics (including but not limited to SARS, MERS, H1N1 flu, H5N1 and H7N9 and other related or mutated forms), accidents, interruption or delay in transportation, any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared) or other state of emergency or calamity or crisis in Hong Kong, Macau, the BVI or Cayman Islands or any other jurisdictions relevant to any member of our Group or the Placing (the “**Relevant Jurisdictions**”);

- (ii) any change or development involving a prospective change or development, or any event or series of events, matters or circumstances likely to result in or represent any change or development involving a prospective change or development, in the local, national, regional, international financial, economic, political, military, industrial, fiscal, regulatory, currency, credit, market or exchange control conditions or any monetary or trading settlement system or matters and/or disaster including without limitation a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the United States, or a material fluctuation in the exchange rate of Hong Kong dollar or MOP against any foreign currency;
- (iii) any new law or regulation or any change or development involving a prospective change in existing laws or regulations or any change or development involving a prospective change in the interpretation or application thereof by any court or other competent authority in or affecting the Relevant Jurisdictions;
- (iv) the imposition of economic sanctions or changes in existing economic sanctions, in whatever form, directly or indirectly, by the United States or by the European Union (or any member thereof) on any of the Relevant Jurisdictions;
- (v) a change or development involving a prospective change in any taxation or exchange control (or the implementation of any exchange control, currency exchange rates or foreign investment laws or regulations) in any of the Relevant Jurisdictions;
- (vi) any change or development involving a prospective change, or a materialisation of, any of the risks set out in the section headed “Risk factors” in this prospectus;
- (vii) any litigation or claim of material importance being threatened or instigated against any member of our Group or any Director;
- (viii) a Director being charged with an indictable offence or prohibited by operation of law or regulation or otherwise disqualified from taking part in the management of a company;
- (ix) the chairman of the Board or chief executive officer of our Company vacating his office in circumstances where the operations of our Group may be adversely affected;
- (x) the commencement by any governmental, regulatory or political body or organisation of any action against a Director or a member of our Group or an announcement by any governmental, regulatory or political body or organisation that it intends to take such action;

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- (xi) any contravention by any member of our Group or any Director of the Companies Ordinance, Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Companies Law, the GEM Listing Rules, the SFO or any applicable laws;
- (xii) a prohibition on our Company for whatever reason from allotting or issuing the Placing Shares pursuant to the terms of the Placing;
- (xiii) non-compliance of this prospectus (and/or any other documents used in connection with the subscription of the Placing Shares) or any aspect of the Placing with the GEM Listing Rules or any other applicable laws;
- (xiv) other than with the written approval of the Sole Global Coordinator, the issue or requirement to issue by our Company of a supplement or an amendment to any of the Relevant Documents (and/or any other documents used in connection with the subscription of the Placing Shares) pursuant to the Companies Ordinance, Companies (Winding Up and Miscellaneous Provisions) Ordinance or the GEM Listing Rules;
- (xv) a valid demand by any creditor for repayment or payment of any indebtedness of any member of our Group or in respect of which any member of our Group is liable prior to its stated maturity;
- (xvi) any material loss or damage sustained by any member of our Group (howsoever caused and whether or not the subject of any insurance or claim against any person);
- (xvii) any change or prospective change in the earnings, results of operations, business, business prospects, financial or trading position, conditions or prospects (financial or otherwise) of our Company or any member of our Group (including any litigation or claim of material importance being threatened or instigated against our Company or any member of our Group);
- (xviii) a petition or an order is presented for the winding-up or liquidation of any member of our Group or any member of our Group makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of any member of our Group or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertakings of any member of our Group or any analogous matter thereto occurs in respect of any member of our Group;
- (xix) a disruption in or any general moratorium on commercial banking activities or foreign exchange trading or securities settlement, or payment or clearance services or procedures in or affecting any of the Relevant Jurisdictions;
- (xx) any change or development in the conditions of local, national or international equity securities or other financial markets; or

## UNDERWRITING

(xxi) the imposition of any moratorium, suspension or restriction on trading in shares or securities generally on or by the Stock Exchange, or minimum or maximum prices for trading having been fixed, or maximum ranges for prices having been required, by any of the said exchanges or by such system or by order of any government authority; or

(c) such other events or circumstances,

which in each case or in aggregate in the absolute opinion of the Sole Sponsor or the Sole Global Coordinator together (for themselves and on behalf of the Underwriters):

- (A) is or will be materially adverse to or may prejudicially affect the general affairs, management, business, financial, trading or other condition or prospects of our Group (as a whole) or any member of our Group or to any present or prospective shareholder in his, her or its capacity as such;
- (B) has or will have a material adverse effect on the success, marketability or pricing of the Placing or the level of interest under the Placing;
- (C) makes or may make it inadvisable, inexpedient or impracticable to proceed with or to market the Placing or the delivery of the Placing Shares on the terms and in the manner contemplated by any of the Relevant Documents; or
- (D) has or would have the effect of making any part of the Underwriting Agreement (including underwriting) incapable of implementation or performance in accordance with its terms and in the manner contemplated by any of the Relevant Documents and the Underwriting Agreement or which prevents the processing of applications and/or payments pursuant to the Placing or pursuant to the underwriting thereof,

then the Sole Sponsor or the Sole Global Coordinator together (for themselves and on behalf of the Underwriters) may in its/their absolute discretion, upon giving notice in writing to the Company, terminate the Underwriting Agreement with immediate effect.

### **Total commission, fee and expenses**

The Underwriters will receive an underwriting commission of 3.5% of the aggregate Placing Price of all Placing Shares, out of which they will pay any sub-underwriting commission, and an incentive fee of 2.0% of the aggregate Placing Price of all the Placing Shares shall be paid by the Company to the Sole Global Coordinator (or to such Underwriter(s) as designated by the Sole Global Coordinator in writing). In addition, the Sole Sponsor will receive a financial advisory and documentation fee in relation to the Listing and will be reimbursed for their expenses. Such commission, incentive fee, advisory and documentation fee and expenses, together with the GEM listing fees, legal and other professional fees, and printing and other expenses relating to the Placing and Listing, which are estimated to amount in aggregate to approximately HK\$27.5 million (assuming the Placing Price of HK\$0.23 per Share), will be borne by the Company.

## UNDERWRITING

### Underwriters' interest in the Company

Save as provided for under the Underwriting Agreement, the Underwriters do not have shareholding interests in any member of our Group nor has any right (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for any Shares.

### Undertakings

- (A) (a) Each of the Controlling Shareholders jointly and severally, undertakes to and covenants with our Company, the Sole Sponsor, the Sole Global Coordinator and the Underwriters that:
- (i) it/he shall not, and shall procure that the relevant registered holder(s) shall not, at any time during the period commencing on the date by reference to which disclosure of their shareholding is made in this prospectus and ending on the date which the period of six months commencing on the Listing Date (the “**First Six-month Period**”) expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares in respect of which it/he is shown by this prospectus to be the beneficial owner (whether direct or indirect) (the “**Lock-up Securities**”); and
  - (ii) it/he shall not, and shall procure that the relevant registered holder(s) shall not, at any time during the period of six months commencing on the date on which the First Six-month Period expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of any of the Lock-up Securities if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, any of the Controlling Shareholders will cease to be a controlling shareholder (within the meaning of the GEM Listing Rules) of our Company.
- (b) Each of the Controlling Shareholders undertakes to and covenants with each of our Company, the Sole Sponsor, the Sole Global Coordinator and the Underwriters that:
- (i) in the event that it/he pledges or charges any of its/his direct or indirect interest in the Shares under Rule 13.18(1) of the GEM Listing Rules or pursuant to any right or waiver granted by the Stock Exchange pursuant to Rule 13.18(4) of the GEM Listing Rules at any time during the relevant periods specified in paragraph (a) above, each of the Controlling Shareholders must inform our Company, the Sole Sponsor and the Sole Global Coordinator (for themselves and on behalf of the Underwriters), immediately thereafter, disclosing the details specified in Rule 17.43(1) to (4) of the GEM Listing Rules; and
  - (ii) having pledged or charged any of its/his interests in the Shares under paragraph (i) above each of the Controlling Shareholders must inform our Company, the Sole Sponsor and the Sole Global Coordinator (for themselves and on behalf of the Underwriters), immediately in the event that it/he becomes aware that the pledgee or chargee has disposed of or intends to dispose of such interest and of the number of the Shares or other securities of our Company affected.

## UNDERWRITING

- (B) Our Company undertakes to and covenants with each of the Sole Sponsor, the Sole Global Coordinator and the Underwriters that it shall not (and shall procure each other member of our Group not to), unless in compliance with the requirements of the GEM Listing Rules (including but not limited to Rule 17.29 of the GEM Listing Rules), except for the issue of Shares under the Placing, the Capitalisation Issue, the grant of any option under the Share Option Scheme or the issue of Shares upon exercise of any option granted under the Share Option Scheme, at any time during the First Six-month Period,
- (i) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of our Company, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares), or deposit any Shares or other securities of our Company, with a depository in connection with the issue of depository receipts; or
  - (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Shares or other securities of our Company, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares); or
  - (iii) enter into any transaction with the same economic effect as any transaction specified in paragraph (i) or (ii) above; or
  - (iv) offer to or agree to or announce any intention to effect any transaction specified in paragraph (i), (ii) or (iii) above, in each case, whether any of the transactions specified in paragraph (i), (ii) or (iii) above is to be settled by delivery of Shares or other securities of our Company, or in cash or otherwise (whether or not such transaction will be completed within the First Six-month Period).

### **SOLE SPONSOR'S INTEREST AND INDEPENDENCE**

Save as disclosed in this prospectus, and for sponsorship and documentation fee paid and to be paid to China Everbright Capital Limited as the Sole Sponsor in connection with the Listing and as our compliance adviser with effect from the Listing Date, neither China Everbright Capital Limited nor any of its close associates has or may, as a result of the Listing and the Placing, have any interest in any class of securities of our Company or any other members of our Group (including options or rights to subscribe for such securities).

## UNDERWRITING

No director or employee of China Everbright Capital Limited who is involved in providing advice to our Company has or, as a result of the Listing and/or the Placing, may have any interest in any class of securities of our Company or any other members of our Group (including options or rights to subscribe for such securities). No director or employee of China Everbright Capital Limited has any directorship in our Company or any other members of our Group.

The Sole Sponsor satisfies the independence criteria applicable to sponsors as set forth in Rule 6A.07 of the GEM Listing Rules.

### **MINIMUM PUBLIC FLOAT**

Our Directors will ensure that there will be a minimum 25% of the total issued Shares held in public hands in accordance with Rule 11.23 of the GEM Listing Rules after completion of the Placing.

## STRUCTURE AND CONDITIONS OF THE PLACING

### THE PLACING

Our Company is initially offering 450,000,000 Placing Shares for subscription pursuant to the Placing, representing 25% of our Company's enlarged issued share capital immediately after completion of the Placing. Subject to the terms of the Underwriting Agreement, the Placing Shares are fully underwritten by the Underwriters.

The Underwriters or agents nominated by them on behalf of our Company will conditionally place the Placing Shares at the Placing Price plus a 1% brokerage fee, a 0.005% Stock Exchange trading fee and a 0.0027% SFC transaction levy to professional, institutional and other investors in Hong Kong.

### CONDITIONS OF THE PLACING

The Placing is conditional upon:

- (a) the Listing Division of the Stock Exchange granting listing of and permission to deal in the Shares in issue and to be issued as described in this prospectus on GEM;
- (b) the Price Determination Agreement between our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters) being entered into on or around Friday, 4 November 2016 or such later date as agreed by our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters); and
- (c) the obligations of the Underwriters under the Underwriting Agreement becoming unconditional (including if relevant, as a result of the waiver of any condition(s) by the Sole Global Coordinator (for itself and on behalf of the Underwriters)), and not having been terminated in accordance with the terms of the Underwriting Agreement,

in each case, on or before the dates and times specified in the Underwriting Agreement (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than the 30th day after the date of this prospectus.

If these conditions are not fulfilled or (where applicable) waived by the Sole Global Coordinator (for itself and on behalf of the Underwriters) on or before the day which is the 30th day after the date of this prospectus, the Placing shall lapse and the Stock Exchange will be notified immediately. Notice of lapse of the Placing will be caused to be published by our Company on the GEM website and the website of our Company at [www.lukhing.com](http://www.lukhing.com) on the next Business Day immediately following of such lapse.

### PLACING PRICE

The Placing Price will not be more than HK\$0.26 per Placing Share and is expected to be not less than HK\$0.2 per Placing Share. Subscribers, when subscribing for the Placing Shares shall pay the Placing Price plus brokerage fee of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%. Assuming the Placing Price of HK\$0.2 or HK\$0.26 per Placing Share (being the highest and lowest prices of indicative Placing Price range respectively), investors shall pay HK\$2,020.15 and HK\$2,626.20 of every board lot of 10,000 Shares, respectively. The final Placing Price, the level of

## **STRUCTURE AND CONDITIONS OF THE PLACING**

indications of interests in the Placing and the basis of allocations of the Placing Shares will be announced on the GEM website and the website of our Company at [www.lukhing.com](http://www.lukhing.com) on or before Thursday, 10 November 2016.

### **DETERMINING THE PLACING PRICE**

The Placing Price is expected to be determined by an agreement to be entered into between our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters) on the Price Determination Date, which is expected to be on or around Friday, 4 November 2016 (or such later date as may be agreed between our Company and the Sole Global Coordinator). Prospective investors should be aware that if the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company is unable to reach an agreement on the Placing Price on or around Friday, 4 November 2016, the Placing will not proceed and will lapse.

The Placing Price will not be more than HK\$0.26 per Share and not less than HK\$0.2. The Placing Price is currently expected to be not less than HK\$0.2 per Share. The Sole Global Coordinator may, with the consent of our Company, reduce the indicative Placing Price range below to the above stated in this prospectus at any time prior to the Price Determination Date. If this occurs, notice of reduction of the indicative Placing Price range will be published on the Stock Exchange website and our Company's website at [www.lukhing.com](http://www.lukhing.com).

### **BASIS OF ALLOCATION**

Allocation of the Placing Shares to professional, institutional and other investors will be based on a number of factors, including the level and timing of demand and whether or not it is expected that the relevant investor is likely to acquire further Shares and/or hold or sell its Shares after the Listing. Such allocation is intended to result in a distribution of the Placing Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of our Company and the Shareholders as a whole. In particular, the Placing Shares will be allocated in accordance with Rule 11.23(8) of the GEM Listing Rules such that not more than 50% of the Shares in public hands at the time of the Listing will be owned by the three largest public Shareholders. There will not be any preferential treatment in the allocation of the Placing Shares to any persons.

Subject to prior written consent of the Stock Exchange, no allocations will be permitted to nominee companies unless the name of the ultimate beneficiary is disclosed, without the prior written consent of the Stock Exchange. Details of the Placing will be announced in accordance with Rules 10.12(4), 16.08 and 16.16 of the GEM Listing Rules.

### **COMMENCEMENT OF DEALINGS IN THE SHARES**

Dealings in the Shares on GEM are expected to commence on Friday, 11 November 2016. The Shares will be traded in board lots of 10,000 Shares and are freely transferrable. The stock code for our shares is 8052. No temporary documents or evidence of title will be issued.

## **STRUCTURE AND CONDITIONS OF THE PLACING**

### **SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS**

Application has been made to the Stock Exchange for the Listing of and permission to deal in the Shares in issue and to be issued as mentioned in the prospectus. Subject to the approval of the listing of, and permission to deal in, the Shares on the GEM and the compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day. Investors should seek the advice of their stockbroker or other professional adviser for details of those settlement arrangements that will affect their rights, interests and liabilities. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements have been made for the Shares to be admitted into CCASS.

## CORNERSTONE INVESTMENT

### THE CORNERSTONE PLACING

We and the Sole Global Coordinator have entered into an agreement with Mr. Lee Seunghyun (the “**Cornerstone Investor**”) who has agreed to subscribe at the Placing Price such number of Placing Shares (rounded down to the nearest whole board lot of 10,000 Shares) that may be subscribed for with US\$400,000 (equivalent to Hong Kong dollars at the exchange rate of US\$1.00 = HK\$7.75) (inclusive of any brokerage fee, SFC transaction levy and Stock Exchange trading fee) (the “**Cornerstone Placing**”). Assuming a Placing Price of HK\$0.20, HK\$0.23 and HK\$0.26 (being the minimum, mid-point and maximum of the indicative Placing Price range set forth in this prospectus), the number of Shares to be subscribed by the Cornerstone Investor will be approximately 15,340,000 Shares, 13,340,000 Shares and 11,800,000 Shares, respectively (the “**Cornerstone Investor’s Shares**”), representing approximately 0.9%, 0.7% and 0.7% of our Shares in issue immediately after the completion of the Placing and the Capitalisation Issue (without taking into account any Shares which may be issued pursuant to the exercise of options which may be granted under the Share Option Scheme). In the event that the requirement pursuant to Rule 11.23(8) of the GEM Listing Rules, in which no more than 50% of the Shares in public hands at the time of listing on Listing Date can be beneficially owned by the three largest public Shareholders, cannot be satisfied by the Company, the Sole Global Coordinator and the Company have the right to adjust the allocation of the number of Placing Shares to be subscribed by the Cornerstone Investor amongst the top three largest public Shareholders. Details of the actual number of Placing Shares to be allocated to the Cornerstone Investor will be disclosed in the announcement of results of allocations to be issued by us on or about 10 November 2016.

To the best knowledge of our Directors, each of the Cornerstone Investor and its ultimate beneficial owners is an Independent Third Party, not an existing Shareholder of our Company and independent from each other. Immediately following the completion of the Placing, the Cornerstone Investor will not have any board representation in our Company, nor will any of the Cornerstone Investor become a substantial shareholder of our Company. No special rights have been granted to the Cornerstone Investor as part of the Cornerstone Placing. The Cornerstone Investor’s Shares will rank pari passu with the fully paid Shares then in issue and will be counted towards the public float of our Shares under Rule 11.23 of the GEM Listing Rules.

Subject to the fulfillment of the conditions precedent as disclosed below, the Cornerstone Investor shall subscribe the Cornerstone Investor’s Shares pursuant to, and as part of, the Placing. The Cornerstone Investor will not subscribe for any Shares under the Placing other than pursuant to the relevant cornerstone investment agreement.

### OUR CORNERSTONE INVESTOR

We set out below a brief description of our Cornerstone Investor:

Mr. Lee Seunghyun (stage name: Seungri) is an internationally renowned artist and singer, and a member of one of South Korea’s top idol groups. Mr. Lee was engaged via an independent agent to perform in Club Cubic in October 2015 during the official after party of his group’s world tour concert in Macau. We may continue to engage Mr. Lee to perform in Club Cubic in the future. Mr. Lee is an Independent Third Party.

## CORNERSTONE INVESTMENT

### CONDITIONS PRECEDENT

The subscription obligation of the Cornerstone Investor is subject to, among other things, the following conditions precedent:

- (i) the Underwriting Agreement being entered into and having become unconditional (in accordance with its terms or as subsequently varied by agreement of the relevant parties thereto) by no later than the time and the date specified therein;
- (ii) the Underwriting Agreement not having been terminated;
- (iii) the Stock Exchange having granted the listing of, and permission to deal in, the Placing Shares and such approval or permission not having been revoked prior to the commencement of dealing in the Shares on the Stock Exchange; and
- (iv) no statute, rule or regulation shall have been enacted or promulgated by any governmental authority of any relevant jurisdiction which prohibits the consummation of the investment and there shall be no order or injunction of a court of competent and relevant jurisdiction in effect precluding or prohibiting consummation of the investment.

### RESTRICTIONS ON DISPOSALS BY THE CORNERSTONE INVESTOR

The Cornerstone Investor has agreed that, without the prior written consent of each of our Company and the Sole Global Coordinator, it shall not, whether directly or indirectly, at any time during the period of six months following the Listing Date (the “**Lock-up Period**”), (i) dispose of, or agree or contract to dispose of, either directly or indirectly, conditionally or unconditionally, any of its Cornerstone Investor’s Shares or any interest therein or any voting right or any other right attaching thereto; or (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such share capital or securities or interest therein or any voting right or any other right attaching thereto; or (iii) enter into any transaction directly with the same economic effect as any transaction described in paragraphs (i) or (ii) above; or (iv) agree or contract to, or publicly announce any intention to enter into, any transaction described in paragraphs (i), (ii) or (iii) above, whether any of the foregoing transactions described in paragraphs (i), (ii) or (iii) above is to be settled by delivery of share capital or such other securities, in cash or otherwise. The Cornerstone Investor may transfer its Cornerstone Investor’s Shares so subscribed for to a wholly-owned subsidiary of such Cornerstone Investor and any such transfer can only be made when the transferee agrees to be subject to the restrictions on disposal imposed on such Cornerstone Investor.

After the expiry of the Lock-up Period, the Cornerstone Investor will be free to dispose of any of its Shares and it shall not knowingly dispose of any of its Shares to create a disorderly or false market and is otherwise in compliance with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the SFO, the GEM Listing Rules and such other applicable laws, and the Cornerstone Investor shall not enter into any such transaction with a person who engages directly or indirectly in a business that competes or potentially competes with the business of our Company or with any other entity that is a holding company, subsidiary, close associate or associate of such person without the prior written consent of each of our Company and the Sole Global Coordinator. The Cornerstone Investor agrees and undertakes that, save with the prior written consent of our Company and the Sole Global Coordinator (which shall not be unreasonably withheld), the aggregate holding (whether direct and indirect) of the Cornerstone Investor and its respective associates in the total issued share capital of our Company shall be less than 10% of our Company’s entire issued share capital at all times during the Lock-up Period.

*The following is the text of a report, prepared for inclusion in this prospectus, received from the independent reporting accountants, HLB Hodgson Impey Cheng Limited, Certified Public Accountants, Hong Kong.*



31/F, Gloucester Tower  
The Landmark  
11 Pedder Street  
Central  
Hong Kong

27 October 2016

The Board of Directors  
Luk Hing Entertainment Group Holdings Limited  
China Everbright Capital Limited

Dear Sirs,

We set out below our report on the financial information relating to Luk Hing Entertainment Group Holdings Limited (the “**Company**”) and its subsidiaries (hereinafter collectively referred to as the “**Group**”) comprising the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for each of the years ended 31 December 2014 and 2015 and for the four months ended 30 April 2016 (the “**Track Record Period**”), and the consolidated statements of financial position as at 31 December 2014 and 2015 and 30 April 2016 and the statement of financial position of the Company as at 31 December 2015 and 30 April 2016 together with the notes thereto (the “**Financial Information**”), for inclusion in the prospectus of the Company dated 27 October 2016 (the “**Prospectus**”) in connection with the listing of the shares of the Company on the Growth Enterprise Market (“**GEM**”) of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 30 November 2015. Pursuant to a group reorganisation (the “**Reorganisation**”) as more fully explain in the section headed “History, Reorganisation and Corporate Structure” from pages 72 to 86 of the Prospectus, the Company became the holding company of the subsidiaries now comprising the Group. The Reorganisation became effective on 25 January 2016.

The Company has not carried on any business since the date of its incorporation saved for the Reorganisation. The Group is principally engaged in operation of clubbing business. As of the date of this report, the particulars of the Company's subsidiaries are as follows:

Name of subsidiaries	Place and date of incorporation and type of legal entity	Place of operations	Issued and paid up capital	Proportion of effective equity interests held by the Company		Principal activities
				Directly	Indirectly	
Luk Hing Development Limited (“ <b>Luk Hing Development BVI</b> ”)	The British Virgin Island (the “ <b>BVI</b> ”), 8 December 2015, Limited liability company	Macau	USD1	100%	—	Investment holding
Luk Hing International Limited (“ <b>Luk Hing International BVI</b> ”)	The BVI, 8 December 2015, Limited liability company	Macau	USD1	100%	—	Investment holding
Luk Hing Investment Limited (“ <b>Luk Hing Macau</b> ”)	Macau, 20 May 2010, Limited liability company	Macau	MOP25,000	—	100%	Operation of clubbing business
Luk Hing Investment (Hong Kong) Limited (“ <b>Luk Hing HK</b> ”)	Hong Kong, 12 January 2016, Limited liability company	Hong Kong	HK\$1	—	100%	Organizing music-related events

All of the above subsidiaries and the Company now comprising the Group have adopted 31 December as their financial year end date.

No statutory audited financial statements have been prepared for the Company, Luk Hing Development BVI and Luk Hing International BVI since the date of incorporation as there are no statutory requirements to prepare audited financial statements.

No audited financial statements have been prepared for Luk Hing HK as it is newly incorporated.

The statutory audited financial statements of Luk Hing Macau for the year ended 31 December 2014 and 31 December 2015 were prepared in accordance with Macao General Financial Reporting Standards (“**MFRSs**”) and were audited by Keng Ou, Certified Public Accountants in Macau.

For the purpose of this report, the directors of the Group have prepared the consolidated financial statements of the Group for the Track Record Period in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) and the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited (the “**GEM**”).

**Listing Rules**”) and the Hong Kong Companies Ordinance (the “**Underlying Financial Statements**”). We have undertaken an independent audit on the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing (the “**HKSAs**”) issued by the HKICPA.

We have also examined the Underlying Financial Statements in accordance with Auditing Guidance 3.340 “Prospectus and the Reporting Accountant” as recommended by the HKICPA.

The Financial Information set out in this report has been prepared based on the Underlying Financial Statements, with no adjustment made thereon, and on the basis set out in Note 3 of Section II below. The directors of the Group are responsible for the preparation of the Financial Information that gives a true and fair view in accordance with HKFRSs and the disclosure requirements of the GEM Listing Rules and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of the Financial Information that are free from material misstatement, whether due to fraud or error.

The Underlying Financial Statements are the responsibility of the directors of the Group who approved their issue. The directors of the Group are also responsible for the contents of the Prospectus in which this report is included. It is our responsibilities to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, the Financial Information for the purpose of this report and prepared on the basis set out in Note 3 of Section II below, gives a true and fair view of the financial position of the Group as at 31 December 2014 and 2015 and 30 April 2016 and of the Company as at 31 December 2015 and 30 April 2016 and of the Group’s financial performance and cash flows for the Track Record Period then end.

The comparative consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the four months ended 30 April 2015 together with the notes thereon have been extracted from the Group’s unaudited consolidated financial information for the same period (the “**April 2015 Financial Information**”) which was prepared by the directors of the Group solely for the purpose of this report. We have conducted our review of the April 2015 Financial Information in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA. Our review of the April 2015 Financial Information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit.

Accordingly, we do not express an audit opinion on the April 2015 Financial Information. Based on our review, nothing has come to our attention that causes us to believe that the April 2015 Financial Information is not prepared, in all material respects, in accordance with the accounting policies consistent with those used in the preparation of the Financial Information which conform with HKFRSs.

## I. FINANCIAL INFORMATION

## Consolidated Statements of Profit or Loss and Other Comprehensive Income

		Year ended 31 December 2014	Year ended 31 December 2015	Four months ended 30 April 2015 (unaudited)	Four months ended 30 April 2016
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	7	120,349	125,521	33,841	34,979
Other income and gain	8	3,342	3,298	1,103	621
Cost of inventories sold		(22,262)	(21,667)	(6,609)	(6,836)
Staff costs		(22,910)	(23,081)	(7,508)	(9,989)
Depreciation		(1,861)	(2,016)	(596)	(734)
Property rentals and related expenses		(12,884)	(13,337)	(1,754)	(2,020)
Advertising and marketing expenses		(19,303)	(20,964)	(4,938)	(6,739)
Other operating expenses		(34,645)	(35,065)	(11,130)	(6,948)
Listing expenses		—	(2,469)	—	(2,870)
Profit/(loss) before taxation		9,826	10,220	2,409	(536)
Taxation	9	(1,034)	(800)	(188)	—
<b>Profit/(loss) and total comprehensive income/ (loss) for the year/period attributable to the owners of the Company</b>	<b>10</b>	<b><u>8,792</u></b>	<b><u>9,420</u></b>	<b><u>2,221</u></b>	<b><u>(536)</u></b>
Earnings/(losses) per share					
— Basic (HK cents)	13	<u>0.65</u>	<u>0.70</u>	<u>0.16</u>	<u>(0.04)</u>

The accompanying notes form an integral part of the Financial Information.

## Consolidated Statements of Financial Position

		As at 31 December 2014 <i>HK\$'000</i>	As at 31 December 2015 <i>HK\$'000</i>	As at 30 April 2016 <i>HK\$'000</i>
	<i>Notes</i>			
<b>Assets</b>				
<b>Non-current assets</b>				
Plant and equipments	14	4,030	5,874	5,739
Deposits	16	<u>82</u>	<u>120</u>	<u>100</u>
		<u>4,112</u>	<u>5,994</u>	<u>5,839</u>
<b>Current assets</b>				
Inventories	15	3,153	3,774	3,597
Account and other receivables	16	9,418	10,985	13,894
Amounts due from related parties	17	4,169	3,117	72
Cash and cash equivalents	18	<u>14,301</u>	<u>20,962</u>	<u>10,590</u>
		<u>31,041</u>	<u>38,838</u>	<u>28,153</u>
<b>Liabilities</b>				
<b>Current liabilities</b>				
Account and other payables	19	20,011	27,520	20,795
Amounts due to related parties	20	773	555	2,807
Income tax payables		<u>1,138</u>	<u>1,938</u>	<u>1,938</u>
		<u>21,922</u>	<u>30,013</u>	<u>25,540</u>
<b>Net current assets</b>		<u>9,119</u>	<u>8,825</u>	<u>2,613</u>
<b>Total assets less current liabilities</b>		<u>13,231</u>	<u>14,819</u>	<u>8,452</u>
<b>Net assets</b>		<u>13,231</u>	<u>14,819</u>	<u>8,452</u>
<b>Equity</b>				
Share capital	21	24	24	—
Reserves		<u>13,207</u>	<u>14,795</u>	<u>8,452</u>
<b>Total equity</b>		<u>13,231</u>	<u>14,819</u>	<u>8,452</u>

The accompanying notes form an integral part of the Financial Information.

## Statement of Financial Position of the Company

		As at 31 December 2015 <i>HK\$'000</i>	As at 30 April 2016 <i>HK\$'000</i>
	<i>Notes</i>		
<b>Assets</b>			
<b>Non-current assets</b>			
Investments in subsidiaries		—	—
<b>Liabilities</b>			
<b>Current liabilities</b>			
Amounts due to subsidiaries		(34)	(76)
		(34)	(76)
<b>Net current liabilities</b>		(34)	(76)
<b>Total assets less current liabilities</b>		(34)	(76)
<b>Net liabilities</b>		(34)	(76)
<b>Equity</b>			
Share capital	21	—	—
Reserve	25	(34)	(76)
<b>Total equity</b>		(34)	(76)

## Consolidated Statements of Changes in Equity

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Legal reserve <i>HK\$'000</i> <i>(Note a)</i>	Retained earnings <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 1 January 2014	24	—	12	8,865	8,901
Profit and total comprehensive income for the year	—	—	—	8,792	8,792
Dividend declared <i>(Note 12)</i>	—	—	—	(4,462)	(4,462)
As at 31 December 2014 and 1 January 2015	24	—	12	13,195	13,231
Profit and total comprehensive income for the year	—	—	—	9,420	9,420
Share issued <i>(Note 21)</i>	—	—	—	—	—
Dividend declared <i>(Note 12)</i>	—	—	—	(7,832)	(7,832)
As at 31 December 2015 and 1 January 2016	24	—	12	14,783	14,819
Loss and total comprehensive loss for the period	—	—	—	(536)	(536)
Effect of reorganisation	(24)	—	—	—	(24)
Dividend declared <i>(Note 12)</i>	—	—	—	(5,807)	(5,807)
As at 30 April 2016	<u>—</u>	<u>—</u>	<u>12</u>	<u>8,440</u>	<u>8,452</u>
As at 1 January 2015	24	—	12	13,195	13,231
Profit and total comprehensive income for the period (unaudited)	—	—	—	2,221	2,221
As at 30 April 2015 (unaudited)	<u>24</u>	<u>—</u>	<u>12</u>	<u>15,416</u>	<u>15,452</u>

*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 their profit for the year to a legal reserve before appropriation of dividends until the legal reserve equals half of the quota capital of these subsidiaries. This reserve is not distributable to the shareholders.

## Consolidated Statements of Cash Flows

	Year ended 31 December 2014	Year ended 31 December 2015	Four months ended 30 April 2015 (unaudited)	Four months ended 30 April 2016
<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Operating activities</b>				
Profit/(loss) before taxation	9,826	10,220	2,409	(536)
<b>Adjustments for:</b>				
Provision for impairment on account receivables	617	—	—	—
Loss on disposal of plant and equipments	24	—	—	—
Depreciation of plant and equipments	14 <u>1,861</u>	<u>2,016</u>	<u>596</u>	<u>734</u>
Operating cash flows before movements in working capital	12,328	12,236	3,005	198
Decrease/(increase) in inventories	146	(621)	(173)	177
Decrease/(increase) in account and other receivables	1,172	(2,547)	(2,446)	(3,388)
Increase in amounts due from related parties	(7,432)	(6,780)	(4,384)	(2,114)
(Decrease)/increase in account and other payables	(13,994)	7,509	174	(6,725)
Increase/(decrease) in amounts due to related parties	<u>206</u>	<u>(218)</u>	<u>(126)</u>	<u>2,252</u>
<b>Cash (used in)/generated from operations</b>	<u>(7,574)</u>	<u>9,579</u>	<u>(3,950)</u>	<u>(9,600)</u>
Income tax paid	<u>(569)</u>	<u>—</u>	<u>—</u>	<u>—</u>
<b>Net cash (used in)/generated from operating activities</b>	<u>(8,143)</u>	<u>9,579</u>	<u>(3,950)</u>	<u>(9,600)</u>

	Year ended 31 December 2014	Year ended 31 December 2015	Four months ended 30 April 2015	Four months ended 30 April 2016
<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			(unaudited)	
<b>Investing activities</b>				
Purchase of plant and equipments	(1,487)	(2,918)	(304)	(100)
Proceeds from disposal of plant and equipments	<u>11</u>	<u>—</u>	<u>—</u>	<u>—</u>
<b>Net cash used in investing activities</b>	<u>(1,476)</u>	<u>(2,918)</u>	<u>(304)</u>	<u>(100)</u>
<b>Financing activity</b>				
Dividends paid	<u>—</u>	<u>—</u>	<u>—</u>	<u>(672)</u>
<b>Net cash used in financing activity</b>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(672)</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>	(9,619)	6,661	(4,254)	(10,372)
<b>Cash and cash equivalents at the beginning of the year/period</b>	<u>23,920</u>	<u>14,301</u>	<u>14,301</u>	<u>20,962</u>
<b>Cash and cash equivalents at the end of the year/period</b>	<u><u>14,301</u></u>	<u><u>20,962</u></u>	<u><u>10,047</u></u>	<u><u>10,590</u></u>

The accompanying notes form an integral part of the Financial Information.

## II. NOTES TO THE FINANCIAL INFORMATION

### 1. GENERAL INFORMATION

The Company was incorporated in Cayman Islands on 30 November 2015 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The Company's registered office and principal place of business is disclosed in the section headed "Corporate Information" in the Prospectus.

The Company is an investment holding company. The Group is principally engaged in operation of clubbing business.

### 2. REORGANISATION AND BASIS OF PRESENTATION

Pursuant to the Reorganisation carried out by the Group as fully explained in the section headed "Reorganisation" in the "History, Reorganisation and Corporate Structure" to the Prospectus and completed on 25 January 2016 by interspersing the Company and certain companies between Welmen Investment Co. Ltd, Yui Tak Investment Limited, Ocean Concept Holdings Limited, Toprich Investment (Group) Limited, Perfect Succeed Limited, Mr. John Choi, Mr. Simon Choi, Mr. Eric Au, Mr. Jerry Au, Mr. Bernard Yeung and Mr. Alex Yeung (the "Controlling Shareholders") and the group entities, the Company has become the holding company of the group entities now comprising the Group. The Controlling Shareholders are regarded as parties acting in concert and a group of concerted shareholders. The Group comprising the Company and its subsidiaries resulting from the Reorganisation is therefore regarded as a continuing entity under common control.

Accordingly, the Financial Information has been prepared on the basis as if the Company had always been the holding company of the Group throughout the Track Record Period by applying the principles of merger accounting. The consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Group have been prepared as if the Reorganisation had been completed at the beginning of the Track Record Period, or since the respective date of incorporation of the companies now comprising the Group, where there is a shorter period. The consolidated statements of financial position of the Group as at 31 December 2014 and 2015 have been prepared to present the assets and liabilities of the companies now comprising the Group using the existing carrying amounts of the principal business of the Group as if the current group structure had been in existence at that date taking into account the respective date of incorporation, where applicable.

The functional currency of the Company is Macau Pataca ("MOP"). The Financial Information is presented in Hong Kong dollars ("HK\$") for the convenience of the investors as the Company is seeking to list its shares on the GEM of the Stock Exchange. All values are rounded to the nearest thousand ("HK\$'000") except when otherwise indicated.

### 3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND SIGNIFICANT ACCOUNTING POLICIES

#### 3.1 Application of new and revised HKFRSs

For the purpose of preparing and presenting the Financial Information for the Track Record Period, the Group has consistently applied all the new and revised HKFRSs, HKAS amendments and interpretations issued by the HKICPA which are effective for the accounting periods beginning on 1 January 2016 throughout the Track Record Period.

At the date of this report, the HKICPA has issued the following new and revised standards, amendments and interpretations that are not yet effective. The Group has not early adopted these standards, amendments or interpretations during the Track Record Period.

HKFRS 9	Financial Instruments <sup>2</sup>
HKFRS 15	Revenue from Contracts with Customers <sup>2</sup>
HKFRS 16	Leases <sup>3</sup>
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transaction <sup>2</sup>
Amendments to HKFRS 15	Clarifications to HKFRS 15 Revenue from Contracts with Customers <sup>2</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>4</sup>
Amendments to HKAS 7	Disclosure Initiative <sup>1</sup>
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted.

<sup>4</sup> Effective for annual periods beginning on or after the date to be determined. Early adoption is permitted.

Other than explained below regarding the impact of HKFRS 16, the Group expects that the adoption of the above new or revised standards will have no significant financial impact.

#### *HKFRS 16 Leases*

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. It distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Subject to limited exceptions for short-term leases and low value assets, distinctions of operating and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognized for all leases by lessees. However, the standard does not significantly change the accounting of lessors.

Application of HKFRS 16 will result in the Group's recognition of right-of-use assets and corresponding liabilities in respect of many of the Group's lease arrangements. These assets and liabilities are currently not required to be recognized but certain relevant information is disclosed as commitments to these financial statements. As set out in Note 22 to the Financial Information, total operating lease commitment of the Group in respect of club premises, staff quarters and warehouses as at 30 April 2016 amounted to approximately HK\$6,773,000. The directors of the Group expect certain portion of these lease commitments will be required to be recognised in the consolidated statements of financial position as right-of-use assets and corresponding lease liabilities. However, it is not practicable to provide a reasonable estimate of the effect on the Group's consolidated financial statements until the Group performs a detailed review.

### **3.2 Significant accounting policies**

The Financial Information has been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the Financial Information includes applicable disclosure required by the Rules Governing the Listing of Securities on the GEM of the Stock Exchange and by the Hong Kong Companies Ordinance.

The Financial Information has been prepared on the historical cost basis, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the Financial Information is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

#### ***Basis of consolidation***

The Financial Information incorporates the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year/period are included in the consolidated statements of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on combination.

#### ***Subsidiaries***

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Company the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Company's voting rights and potential voting rights.

***Business combinations and goodwill***

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred to the Group, liabilities assumed by the Group to the sellers of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of HKAS 39 is measured at fair value with changes in fair value either recognised in profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of HKAS 39, it is measured in accordance with the appropriate HKFRSs. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

*Merger accounting for business combination involving entities under common control*

The Financial Information incorporates the financial statements items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or excess of the acquirers' interest in the net fair value of acquirees' identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated statements of profit or loss and other comprehensive income include the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under common control, where this is a shorter period, regardless of the date of the common control combination.

*Revenue recognition*

Revenue is measured at the fair value of the consideration received or receivable and represents amounts received and receivable for goods sold and services provided in the normal course of business, net of discounts.

*(i) Sales of beverage, food and tobacco*

Revenue from the sale of beverage, food and tobacco is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

*(ii) Revenue from club operations*

Revenue from club operations (including entrance fees income, events rental income and cloakroom income) is recognised when the services have been provided to the customers.

*(iii) Sponsorship income*

Sponsorship income is recognised when:

- the promotion events have been held; or
- the services have been rendered, and it is probable that the sponsorship income will be granted and the amount can be measured reliably.

(iv) *Interest income*

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

*Leasing*

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

*The Group as lessee*

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the Track Record Period in which they are incurred.

*Foreign currencies*

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rate of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purpose of presenting the Financial Information, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. HK\$) using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

*Retirement benefit costs*

Payments to defined contribution retirement benefit plans are charged as an expense when employees have rendered service entitling them to the contributions.

*Taxation*

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the Track Record Period. Taxable profit differs from profit before taxation as reported in the consolidated statements of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted by the end of each reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such

assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Current and deferred tax is recognised in profit or loss.

#### *Plant and equipments*

Plant and equipments are stated in the consolidated statements of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of assets less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of plant and equipments is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of plant and equipments is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

The estimated useful lives for plant and equipments are as follows:

Motor vehicles	5 years
Security surveillance-camera system	5–10 years
Furniture, fixtures and equipment	4–10 years
Tableware	3 years
Leasehold improvement	7–10 years

#### *Inventories*

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on weighted average method. Net realisable value represents the estimated selling price for inventories less costs necessary to make the sale.

#### *Impairment on tangible assets other than goodwill*

At the end of each reporting period, the Group reviews the carrying amounts of its tangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

#### *Financial instruments*

Financial assets and financial liabilities are recognised in the statements of financial position when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

#### *Financial assets*

The Group's financial assets represent loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

#### *Effective interest method*

The effective interest method is a method of calculating the amortised cost of a financial assets and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial assets, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for financial assets.

#### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including account and other receivables, amounts due from related parties and cash and cash equivalents) are carried at amortised cost using the effective interest method, less any impairment.

*Impairment of financial assets*

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contracts, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as account receivables which are assessed individually for impairment. Objective evidence of impairment for a receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period within 60 days, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of account receivables, where the carrying amount is reduced through the use of an allowance account. When an account receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the assets at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

*Financial liabilities and equity*

Debt and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

*Effective interest method*

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period.

*Other financial liabilities*

Other financial liabilities (including account and other payables and amounts due to related parties) are subsequently measured at amortised costs, using the effective interest method.

*Financial guarantee contracts*

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by the Group are initially measured at their fair values and, if not designated as at fair value through profit or loss, are subsequently measured at the higher of;

- (i) the amount of obligation under the contract, as determined in accordance with HKAS 37 'Provisions, Contingent Liabilities and Contingent Assets', and
- (ii) the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies.

*Derecognition*

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and subsequently all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

Financial liabilities are derecognised when and only when the obligation specified in the relevant contract is discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

*Related parties*

A party is considered to be related to the Group if:

- (i) A person or a close member of that person's family is related to the Group if that person:
  - (a) has control or joint control over the Group;
  - (b) has significant influence over the Group; or
  - (c) is a member of the key management personnel of the Group or the Company's parent.
- (ii) An entity is related to the Group if any of the following conditions apply:
  - (a) the entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiaries is related to the others);
  - (b) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group which the other entity is a member);
  - (c) both entities are joint ventures of the same third party;
  - (d) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

- (e) the entity is a post-employment benefit plan for the benefit of employees of the Group or an entity related to the Group;
- (f) the entity is controlled or jointly controlled by a person identified in (i); or
- (g) a person identified in (i)(a) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

- (a) that person's children and spouse or domestic partner;
- (b) children of that person's spouse or domestic partner; and
- (c) dependents of that person or that person's spouse or domestic partner.

#### 4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the directors of the Group are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

##### (a) Estimated impairment of account and other receivables

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2014 and 2015 and 30 April 2016, carrying values of account and other receivables were approximately HK\$9,418,000, HK\$10,985,000 and HK\$13,894,000, respectively (net of allowance for doubtful debt of approximately HK\$970,000, HK\$353,000 and HK\$353,000 respectively).

##### (b) Net realisable value of inventories

The directors of the Group reviews inventories on a product-by-product basis at the end of each reporting period, and makes allowance for obsolete inventory items identified that are no longer suitable for sales. The directors of the Group estimates the net realisable value for such items based primarily on the latest invoice prices and current market conditions. As at 31 December 2014 and 2015 and 30 April 2016, the carrying values of inventories were approximately HK\$3,153,000, HK\$3,774,000 and HK\$3,597,000 respectively).

## 5. FINANCIAL INSTRUMENTS

## (a) Categories of financial instruments

	As at 31 December 2014 <i>HK\$'000</i>	As at 31 December 2015 <i>HK\$'000</i>	As at 30 April 2016 <i>HK\$'000</i>
<b>Financial assets</b>			
Loans and receivables:			
— Account receivables	2,829	4,350	7,001
— Sponsorship receivables	3,643	1,966	2,926
— Events rental receivables	233	2,444	511
— Other receivables	1,247	1,364	1,592
— Amounts due from related parties	4,169	3,117	72
— Cash and cash equivalents	<u>14,301</u>	<u>20,962</u>	<u>10,590</u>
<b>Financial liabilities</b>			
Amortised cost			
— Account and other payables	20,011	27,520	20,795
— Amounts due to related parties	<u>773</u>	<u>555</u>	<u>2,807</u>

## (b) Financial risk management objectives and policies

The directors of the Group monitors and manages the financial risks relating to the operations of the Group through internal risks reports which analyse exposures by degree and magnitude of risks. These risks include market risk (including currency risk and interest risk), credit risk and liquidity risk.

The Group's major financial instruments include account and other receivables, cash and cash equivalents, amounts due from related parties, account and other payables and amounts due to related parties. Details of these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

*Credit risk*

The Group's credit risk is primarily attributable to account and other receivables. The Group monitors the exposures to credit risk on an ongoing basis. Credit risk in respect of account and other receivables is limited as the balances are mainly due from VIP customers and financial institutions with an appropriate credit history and good reputation.

The Group does not provide any guarantees which would expose the Group to credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statements of financial position. Further quantitative disclosures in respect of the Group's exposure to credit risk arising from account and other receivables are set out in Note 16.

*Currency risk*

The Group has minimal exposures to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in the functional currencies of the respective subsidiary. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should be the need arise.

*Liquidity risk*

The Group is exposed to minimal liquidity risk as a substantial portion of its financial assets and financial liabilities are due within one year and it can finance its operations from internally generated cash flows.

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effect of fluctuations in cash flows.

The following tables detail the Group's contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest dates on which the Group can be required to pay. The tables include both interest and principal cash flows.

	Weighted average interest rate %	On demand or within one year HK\$'000	More than one year but less than two years HK\$'000	More than two years but less than five years HK\$'000	Total undiscounted cash flow HK\$'000	Carrying amount HK\$'000
<b>As at 31 December 2014</b>						
<b>Non-derivative financial liabilities</b>						
Account and other payables	—	20,011	—	—	20,011	20,011
Amounts due to related parties	—	773	—	—	773	773
Financial guarantee contract (Note)	—	15,534	—	—	15,534	—
		<u>36,318</u>	<u>—</u>	<u>—</u>	<u>36,318</u>	<u>20,784</u>
<b>As at 31 December 2015</b>						
<b>Non-derivative financial liabilities</b>						
Account and other payables	—	27,520	—	—	27,520	27,520
Amount due to related parties	—	555	—	—	555	555
		<u>28,075</u>	<u>—</u>	<u>—</u>	<u>28,075</u>	<u>28,075</u>
<b>As at 30 April 2016</b>						
<b>Non-derivative financial liabilities</b>						
Account and other payables	—	20,795	—	—	20,795	20,795
Amounts due to related parties	—	2,807	—	—	2,807	2,807
		<u>23,602</u>	<u>—</u>	<u>—</u>	<u>23,602</u>	<u>23,602</u>

*Note:* The amount included for financial guarantee contract is the maximum amount the Group could be forced to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the Group considers that it is more likely that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivable held by the counterparty which are guaranteed suffer credit losses.

**(c) Fair value of financial instruments**

The fair values of financial assets and financial liabilities are determined as follows:

- (i) the fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices; and
- (ii) the fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The carrying amount of other financial assets and liabilities carried at amortised cost, approximate their respective fair values due to the relatively short-term nature of these financial instruments.

For financial reporting purpose, fair value measurement are categorised into level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the input to the fair value measurements in its entirety.

The table below gives the information about how the fair value of these financial assets and financial liabilities that are measured at fair value on a recurring basis are determined (in particular, the valuation technique(s) and inputs used). The difference level are defined as follows:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the assets or liability that are not based on observable market data (unobservable inputs).

There were no transfer between level 1, 2 and 3 during the Track Record Period.

The directors of the Group consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Group's consolidated statements of financial position approximate of their fair values.

*Capital risk management*

The primary objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value. The Group manages the capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the Track Record Period.

The Group monitors capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group overall strategy remains unchanged during the Track Record Period.

The capital structure of the Group consists of debt, cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital and reserves.

	As at 31 December 2014 <i>HK\$'000</i>	As at 31 December 2015 <i>HK\$'000</i>	As at 30 April 2016 <i>HK\$'000</i>
Total debts	—	—	—
Total equity	13,231	14,819	8,452
Gearing ratio	N/A	N/A	N/A

## 6. 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 currently operates in one business segment in operation of clubbing business. A single management team reports to the chief operating decision makers who comprehensively manages the entire business. Accordingly, the Group does not have separately reportable segments.

### Information about geographical areas

As the Group's business fundamentally participates in one geographical location classified by the location of assets, i.e. Macau, no separate geographical information based on the location of asset is presented.

The Group's operations are mainly located in Macau. All of the Group's revenue is derived from customers in Macau.

### Information about major customers

During the Track Record Period, no revenue from transactions with a single external customer amounted to 10% or more of the Group's total revenue.

## 7. REVENUE

The principal activity of the Group is the operation of clubbing business.

Revenue represents the amounts received or receivable from the sales of beverage, food and tobacco products, sponsorship income and revenue from club operations (including entrance fees income, events rental income and cloakroom income).

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

	Year ended 31 December 2014 <i>HK\$'000</i>	Year ended 31 December 2015 <i>HK\$'000</i>	Four months ended 30 April 2015 <i>HK\$'000</i> (unaudited)	Four months ended 30 April 2016 <i>HK\$'000</i>
Sales of beverage, food and tobacco products	97,869	96,669	28,492	29,057
Sponsorship income	9,930	14,263	2,233	2,320
Entrance fees income	8,244	11,480	2,008	2,891
Events rental income	3,977	2,872	1,018	621
Cloakroom income	329	237	90	90
	<u>120,349</u>	<u>125,521</u>	<u>33,841</u>	<u>34,979</u>

## 8. OTHER INCOME AND GAIN

	Year ended 31 December 2014 <i>HK\$'000</i>	Year ended 31 December 2015 <i>HK\$'000</i>	Four months ended 30 April 2015 <i>HK\$'000</i> (unaudited)	Four months ended 30 April 2016 <i>HK\$'000</i>
Net foreign exchange gain	1,226	959	297	278
Service income	1,251	995	367	—
Sundry income ( <i>Note</i> )	865	1,344	439	343
	<u>3,342</u>	<u>3,298</u>	<u>1,103</u>	<u>621</u>

*Note:* Sundry income mainly included the tips income of approximately HK\$513,000, HK\$504,000, HK\$209,000 and HK\$81,000 for the years ended 31 December 2014 and 2015 and four months ended 30 April 2015 and 2016 respectively.

## 9. TAXATION

	Year ended 31 December 2014 <i>HK\$'000</i>	Year ended 31 December 2015 <i>HK\$'000</i>	Four months ended 30 April 2015 <i>HK\$'000</i> (unaudited)	Four months ended 30 April 2016 <i>HK\$'000</i>
Income tax expense				
— Macau Complementary Tax	1,034	800	188	—

Macau Complementary Tax is calculated at 12% of the assessable profit for the Track Record Period.

No provision for Hong Kong Profits Tax has been made as the Group did not have assessable profit subject to Hong Kong Profits Tax during the Track Record Period.

Pursuant to the rules and regulations of the Cayman Islands and the BVI, the Group is not subject to any income tax in the Cayman Islands and the BVI during the Track Record Period.

The income tax expense can be reconciled to the profit/(loss) before taxation per consolidated statement of profit or loss and other comprehensive income as follows:

	Year ended 31 December 2014 <i>HK\$'000</i>	Year ended 31 December 2015 <i>HK\$'000</i>	Four months ended 30 April 2015 <i>HK\$'000</i> (unaudited)	Four months ended 30 April 2016 <i>HK\$'000</i>
Profit/(loss) before taxation	9,826	10,220	2,409	(536)
Tax at the applicable income tax rate	1,179	1,225	289	(70)
Tax effect of temporary difference not recognised	(266)	(364)	(78)	(32)
Tax effect of expenses not deductible for tax purpose	191	1	—	—
Tax losses not recognised	—	8	—	102
Exemption for tax liabilities in Macau Complementary Tax ( <i>Note</i> )	(70)	(70)	(23)	—
Taxation for the year/period	1,034	800	188	—

*Note:* Under the Macau Complementary Tax, for the years of assessment 2014 and 2015, the taxable profits up to MOP600,000 was exempted.

#### 10. PROFIT/(LOSS) FOR THE YEAR/PERIOD

	Year ended 31 December 2014 <i>HK\$'000</i>	Year ended 31 December 2015 <i>HK\$'000</i>	Four months ended 30 April 2015 <i>HK\$'000</i> (unaudited)	Four months ended 30 April 2016 <i>HK\$'000</i>
Profit/(loss) for the year/period has been arrived at after charging:				
Directors emoluments ( <i>Note 11</i> )	—	—	—	515
Other staff costs:				
Salaries and other benefits	22,660	22,882	7,435	9,418
Retirement benefits scheme contributions	250	199	73	56
	22,910	23,081	7,508	9,474
Auditors' remuneration	90	95	—	—
Cost of inventories sold	22,262	21,667	6,609	6,836
Lease payments under operating leases				
— Minimum lease payments	5,914	5,466	1,654	1,891
— Profit sharing for lease payment ( <i>Note</i> )	6,970	7,871	100	129
	12,884	13,337	1,754	2,020
Depreciation of plant and equipments	1,861	2,016	596	734
Provision for impairment on account receivables	617	—	—	—
Loss on disposal of plant and equipments	24	—	—	—

*Note:* Profit sharing for lease payment was the contingent rental depending on the net profit of the club operation, net of royalty and provision for fixed assets maintenance, pursuant to the term and conditions as set out in the respective agreement.

## 11. DIRECTORS' CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

## (a) Directors' and chief executive's emoluments

Details of the emoluments paid or payable to the directors and chief executive of the Group during the Track Record Period are as follows:

*For the year ended 31 December 2014*

	Fees <i>HK\$'000</i>	Salaries, allowances, bonuses and benefit in kind <i>HK\$'000</i>	Pension scheme contributions <i>HK\$'000</i>	Total remuneration <i>HK\$'000</i>
<b>Executive directors</b>				
Mr. Choi Yiu Ying ( <i>Note 1</i> )	—	—	—	—
Mr. Choi Siu Kit	—	—	—	—
Mr. Yeung Chi Shing	—	—	—	—
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

*For the year ended 31 December 2015*

	Fees <i>HK\$'000</i>	Salaries, allowances, bonuses and benefit in kind <i>HK\$'000</i>	Pension scheme contributions <i>HK\$'000</i>	Total remuneration <i>HK\$'000</i>
<b>Executive directors</b>				
Mr. Choi Yiu Ying ( <i>Note 1</i> )	—	—	—	—
Mr. Choi Siu Kit	—	—	—	—
Mr. Yeung Chi Shing	—	—	—	—
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

*For the four months ended 30 April 2015 (unaudited)*

	Fees <i>HK\$'000</i>	Salaries, allowances, bonuses and benefit in kind <i>HK\$'000</i>	Pension scheme contributions <i>HK\$'000</i>	Total remuneration <i>HK\$'000</i>
<b>Executive directors</b>				
Mr. Choi Yiu Ying ( <i>Note 1</i> )	—	—	—	—
Mr. Choi Siu Kit	—	—	—	—
Mr. Yeung Chi Shing	—	—	—	—
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

For the four months ended 30 April 2016

	Fees HK\$'000	Salaries, allowances, bonuses and benefit in kind HK\$'000	Pension scheme contributions HK\$'000	Total remuneration HK\$'000
<b>Executive directors</b>				
Mr. Choi Yiu Ying (Note 1)	—	212	6	218
Mr. Choi Siu Kit	—	186	6	192
Mr. Yeung Chi Shing	—	100	5	105
	—	498	17	515

Notes:

- (1) Mr. Choi Yiu Ying is also the Chief Executive of the Group and his emoluments disclosed above include those for the services rendered by him as the Chief Executive.
- (2) During the Track Record Period, no emolument was paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office.
- (3) There were no arrangement under which a director waived or agreed to waived any emoluments during the Track Record Period.

**(b) Employees' emoluments**

The five highest paid individuals included no director for the years ended 31 December 2014 and 2015 and four months ended 30 April 2015 and included two directors for the four months ended 30 April 2016. The emoluments of the five highest paid individuals are analysed as follows:

	Year ended 31 December 2014 HK\$'000	Year ended 31 December 2015 HK\$'000	Four months ended 30 April 2015 HK\$'000 (unaudited)	Four months ended 30 April 2016 HK\$'000
Salaries, allowances and benefit in kind	3,072	2,856	1,025	1,098
Discretionary bonus	—	—	—	—
Retirement scheme contributions	11	9	2	18
	3,083	2,865	1,027	1,116

The number of these five highest paid employees whose remuneration fell within the following band is as follows:

	Year ended 31 December 2014	Year ended 31 December 2015	Four months ended 30 April 2015 (unaudited)	Four months ended 30 April 2016
Nil to HK\$1,000,000	5	5	5	5

**Senior management of the Group**

The number of senior management of the Group of these highest paid employees fell within the following band is as follows:

	Year ended 31 December 2014	Year ended 31 December 2015	Four months ended 30 April 2015 (unaudited)	Four months ended 30 April 2016
Nil to HK\$1,000,000	<u>1</u>	<u>1</u>	<u>1</u>	<u>3</u>

During the Track Record Period, no emoluments were paid by the Group to any of the directors of the Group or the chief executive of the Group or the five highest paid employees or senior managements as an inducement to join or upon joining the Group or as compensation for loss of office. None of the non-director, highest paid employees and senior management waived or agreed to waive any emoluments during the Track Record Period. There was no arrangement under which a director waived or agreed to waive any remuneration during the Track Record Period.

**12. DIVIDENDS**

No dividend has been paid or proposed by the Company since its date of incorporation.

Prior to the Group Reorganisation, Luk Hing Macau had declared dividends in aggregate amounts of HK\$4,462,000, HK\$7,832,000 and HK\$5,807,000 to its then shareholder during the years ended 31 December 2014 and 2015 and four months ended 30 April 2016 respectively. The amounts were settled with amounts due from related parties and cash.

The rates of dividend and the number of shares ranking for dividends are not presented as such information is not meaningful having regard to the purpose of this Financial Information.

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

	Year ended 31 December 2014 HK\$'000	Year ended 31 December 2015 HK\$'000	Four months 30 April 2015 HK\$'000 (unaudited)	Four months 30 April 2016 HK\$'000
Profit/(loss) for the year/period attributable to the owners of the Company	<u>8,792</u>	<u>9,420</u>	<u>2,221</u>	<u>(536)</u>
	'000	'000	'000	'000
Number of ordinary shares for the purpose of calculating basic earnings/(loss) per share	<u>1,350,000</u>	<u>1,350,000</u>	<u>1,350,000</u>	<u>1,350,000</u>

The number of ordinary shares for the purpose of calculating basic earnings/(losses) per share has been determined on the assumption that the Reorganisation and the capitalization issue as described in Appendix IV to the Prospectus had been effective on 1 January 2014.

No diluted earnings/(losses) per share for the Track Record Period was presented as there were no potential dilutive ordinary shares in issue during the Track Record Period.

## 14. PLANT AND EQUIPMENTS

	Motor vehicles HK\$'000	Security surveillance- camera system HK\$'000	Furniture, fixtures and equipment HK\$'000	Tableware HK\$'000	Leasehold improvement HK\$'000	Total HK\$'000
<b>Cost</b>						
As at 1 January 2014	413	556	5,128	762	408	7,267
Additions	—	—	1,989	—	—	1,989
Disposal	—	(30)	(54)	—	—	(84)
As at 31 December 2014 and 1 January 2015	413	526	7,063	762	408	9,172
Additions	—	—	3,860	—	—	3,860
As at 31 December 2015 and 1 January 2016	413	526	10,923	762	408	13,032
Additions	—	—	599	—	—	599
As at 30 April 2016	413	526	11,522	762	408	13,631
<b>Accumulated depreciation</b>						
As at 1 January 2014	14	199	2,566	348	203	3,330
Charge for the year	82	91	1,197	414	77	1,861
Disposals	—	(20)	(29)	—	—	(49)
As at 31 December 2014 and 1 January 2015	96	270	3,734	762	280	5,142
Charge for the year	83	87	1,768	—	78	2,016
As at 31 December 2015 and 1 January 2016	179	357	5,502	762	358	7,158
Charge for the period	28	27	657	—	22	734
As at 30 April 2016	207	384	6,159	762	380	7,892
<b>Net book values</b>						
As at 30 April 2016	206	142	5,363	—	28	5,739
As at 31 December 2015	234	169	5,421	—	50	5,874
As at 31 December 2014	317	256	3,329	—	128	4,030

## 15. INVENTORIES

	As at 31 December 2014 <i>HK\$'000</i>	As at 31 December 2015 <i>HK\$'000</i>	As at 30 April 2016 <i>HK\$'000</i>
Beverage	3,055	3,672	3,503
Tobacco	98	102	94
	<u>3,153</u>	<u>3,774</u>	<u>3,597</u>

## 16. ACCOUNT AND OTHER RECEIVABLES

	As at 31 December 2014 <i>HK\$'000</i>	As at 31 December 2015 <i>HK\$'000</i>	As at 30 April 2016 <i>HK\$'000</i>
Account receivables	3,799	4,703	7,354
Less: allowance for doubtful debts	<u>(970)</u>	<u>(353)</u>	<u>(353)</u>
	2,829	4,350	7,001
Sponsorship receivables	3,643	1,966	2,926
Events rental receivables	233	2,444	511
Prepayments	299	213	1,499
Deposits	1,249	768	465
Other receivables	<u>1,247</u>	<u>1,364</u>	<u>1,592</u>
	9,500	11,105	13,994
Portion classified as non-current			
— Deposit	<u>(82)</u>	<u>(120)</u>	<u>(100)</u>
Current portion	<u>9,418</u>	<u>10,985</u>	<u>13,894</u>

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 30 days which are agreed with each of its sponsors.

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

	As at 31 December 2014 <i>HK\$'000</i>	As at 31 December 2015 <i>HK\$'000</i>	As at 30 April 2016 <i>HK\$'000</i>
0 to 30 days	1,921	3,339	5,084
31 to 60 days	379	492	1,315
61 to 90 days	353	471	176
91 to 120 days	164	—	57
Over 120 days	<u>12</u>	<u>48</u>	<u>369</u>
	<u>2,829</u>	<u>4,350</u>	<u>7,001</u>

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

**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 31 December 2014 and 2015 and 30 April 2016, account receivables of approximately HK\$529,000, HK\$519,000 and HK\$602,000 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</b> <b>31 December</b> <b>2014</b> <i>HK\$'000</i>	<b>As at</b> <b>31 December</b> <b>2015</b> <i>HK\$'000</i>	<b>As at</b> <b>30 April</b> <b>2016</b> <i>HK\$'000</i>
Overdue by:			
0 to 30 days	353	471	176
Over 30 days	<u>176</u>	<u>48</u>	<u>426</u>
	<u>529</u>	<u>519</u>	<u>602</u>

**Movement in the allowance for doubtful debts**

	<i>HK\$'000</i>
As at 1 January 2014	353
Provision for impairment on account receivables	<u>617</u>
As at 31 December 2014 and 1 January 2015	970
Amounts written off as uncollectible	<u>(617)</u>
As at 31 December 2015, 1 January 2016 and 30 April 2016	<u>353</u>

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.

As at 31 December 2014 and 2015 and 30 April 2016, the amounts of the Group's other receivables mainly represents refund for deposit for featured events of approximately HK\$739,000. The Group's deposits mainly represents deposits for acquisition of plant and equipments of approximately HK\$942,000, HK\$499,000 and HK\$118,000 and rental deposits of approximately HK\$307,000, HK\$269,000 and HK\$100,000 respectively.

## 17. AMOUNTS DUE FROM RELATED PARTIES

Name of related parties	Maximum balance outstanding during					
	Year ended			Four months		
	31 December 2014 HK\$'000	31 December 2015 HK\$'000	30 April 2016 HK\$'000	As at 31 December 2014 HK\$'000	As at 31 December 2015 HK\$'000	As at 30 April 2016 HK\$'000
Star Century Investments Limited (Note 1)	9,010	9,378	4,201	4,002	3,045	—
Xin Limited (Note 2)	1,821	1,191	72	167	72	72
				<u>4,169</u>	<u>3,117</u>	<u>72</u>

## Notes:

- Star Century Investments Limited is the then shareholder of Luk Hing Macau. The executive directors of the Group are the ultimate shareholders of Star Century Investments Limited.
- Xin Limited is the subsidiary of Star Century Investments Limited. The executive director of the Group, Mr. Choi Siu Kit, is the director of Xin Limited.

The amounts due from related parties were unsecured, interest free and recoverable on demand.

## 18. CASH AND CASH EQUIVALENTS

	As at 31 December 2014 HK\$'000	As at 31 December 2015 HK\$'000	As at 30 April 2016 HK\$'000
MOP	6,372	10,596	2,685
HK\$	7,918	10,331	7,893
RMB	<u>11</u>	<u>35</u>	<u>12</u>
	<u>14,301</u>	<u>20,962</u>	<u>10,590</u>

Cash and cash equivalents carry interest at market rates per annum which range from 0.01% to 0.30% for the years ended 31 December 2014 and 2015 and four months ended 30 April 2016.

## 19. ACCOUNT AND OTHER PAYABLES

	As at 31 December 2014 HK\$'000	As at 31 December 2015 HK\$'000	As at 30 April 2016 HK\$'000
Account payables	1,162	2,520	3,533
Rental payables	4,151	7,768	129
Other payables	11,188	11,449	12,242
Accruals	<u>3,510</u>	<u>5,783</u>	<u>4,891</u>
	<u>20,011</u>	<u>27,520</u>	<u>20,795</u>

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 date, as of the end of each reporting period:

	As at 31 December 2014 <i>HK\$'000</i>	As at 31 December 2015 <i>HK\$'000</i>	As at 30 April 2016 <i>HK\$'000</i>
0 to 30 days	1,162	2,518	3,433
31 to 60 days	—	2	100
61 to 90 days	—	—	—
	<u>1,162</u>	<u>2,520</u>	<u>3,533</u>

As at 31 December 2014 and 2015 and 30 April 2016, other payables mainly represented the amount due to Melco Crown (COD) Retail Services Limited of approximately HK\$8,896,000, HK\$8,939,000 and HK\$8,991,000 respectively. The amount is unsecured, interest free and repayable on demand.

## 20. AMOUNTS DUE TO RELATED PARTIES

The amounts due to related parties were unsecured, interest free and repayable on demand.

## 21. SHARE CAPITAL

The Company was incorporated with 10,000,000 authorised ordinary shares of HK\$0.01 each and 1 share was issued to the initial subscriber at par upon incorporation and transferred to Mr. Choi Siu Kit on the same date. On 19 January 2016, Mr. Choi Siu Kit transfer 1 share to Welmen Investment Co. Ltd. ("Welmen") at par. And on the same date, the Company issued 8,999 shares and 1,000 shares to Welmen and Kambridge Limited respectively for the Reorganisation as set out in the section headed "Reorganisation" in the "History, Reorganisation and Coporate Structure" to the Prospectus.

The share capital of the Group as at 31 December 2014 represented the share capital of Luk Hing Macau and the share capital as at 31 December 2015 represented the aggregate of share capital of Luk Hing Macau and the Company in issue as at those dates respectively. As at 30 April 2016, the share capital represented the issued share capital of the Company.

	Number of Shares	Amount <i>HK\$'000</i>
<b>Luk Hing Macau:</b>		
Ordinary share of MOP25,000 each		
Authorised, issued and fully paid:		
As at 1 January 2014, 31 December 2014, 1 January 2015,		
31 December 2015 upon incorporation, 1 January 2016 and 30 April		
2016	<u>1</u>	<u>24</u>

HK\$'000

Shown in consolidated statements of financial position as:

As at 1 January 2014, 31 December 2014 and 1 January 2015	24
Issue of share on 30 November 2015	<u>—</u>
As at 31 December 2015 and 1 January 2016	24
Share issued	—
Effect of reorganisation	<u>(24)</u>
As at 30 April 2016	<u><u>—</u></u>

Number of Shares	Amount HK\$'000
---------------------	--------------------

**The Company**

Ordinary shares of HK\$0.01 each

Authorised:

On date of incorporation and as at 31 December 2015 and 30 April 2016	10,000,000	<u><u>100</u></u>
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Number of Shares	Amount HK\$
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Issued:

Issue of share upon incorporation	1	<u>0.01</u>
As at 31 December 2015 and 1 January 2016	1	0.01
Issue of 9,999 shares upon Reorganisation on 19 January 2016	9,999	<u>99.99</u>
As at 30 April 2016	10,000	<u><u>100</u></u>

**22. OPERATING LEASE ARRANGEMENTS**

The Group leases the club premises, staff quarters and warehouses under operating lease arrangements. Leases for these properties are negotiated for terms ranging from one to five years. At the end of each reporting period, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	As at 31 December 2014 HK\$'000	As at 31 December 2015 HK\$'000	As at 30 April 2016 HK\$'000
Within one year	4,187	4,294	4,773
In the second to fifth year inclusive	<u>4,712</u>	<u>871</u>	<u>2,000</u>
	<u><u>8,899</u></u>	<u><u>5,165</u></u>	<u><u>6,773</u></u>

In addition, the operating lease rentals for club premises are included a fixed rental and a contingent rental depending on the net profit of the club operation pursuant to the terms and conditions as set out in the respective agreements. As the future net profit for the club operation could not be reliably determined, the relevant contingent rental has not been included in above table.

## 23. MATERIAL RELATED PARTY TRANSACTIONS

In addition to the information disclosed elsewhere in the financial information, 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 represented are disclosed in Note 11.
- (b) During the Track Record Period, the Group had the following transactions with related parties:

Related parties	Nature of transactions	Year ended	Year ended	Four months	Four months
		31 December	31 December	ended	ended
		2014	2015	30 April	30 April
		HK\$'000	HK\$'000	2015	2016
				HK\$'000	HK\$'000
				(unaudited)	
Star Century Investments Limited (Note 1)	Service income	336	22	22	—
	Promotional supplies expenses	88	—	—	—
Xin Limited (Note 2)	Service income	915	973	345	—
	Service expenses	703	909	352	—
Ocean Concept Holdings Limited (Note 3)	Advertising expenses	96	88	32	—
	Rental expenses	120	120	40	—
	Consulting fee paid	5,814	7,366	1,910	—
	Management fee paid	600	600	200	—
Zone One (CS) Limited (Note 4)	Rental expenses	—	—	—	200

## Notes:

- Star Century Investments Limited is the then shareholder of Luk Hing Macau. The executive directors of the Group are the ultimate shareholders of Star Century Investments Limited.
  - Xin Limited is the subsidiary of Star Century Investments Limited. The executive director of the Group, Mr. Choi Siu Kit, is also the director of Xin Limited.
  - Ocean Concept Holdings Limited is a Controlling Shareholder of the Company. The directors of the Group, Mr. Choi Yiu Ying and Mr. Choi Siu Kit, are also the directors of Ocean Concept Holdings Limited.
  - 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 of the Group.
- (c) During the year ended 31 December 2014, the Group had provided corporate guarantee to Melco Crown (COD) Retail Services Limited for its loan to Star Century Investments Limited amounting to MOP16,000,000 (equivalent to approximately HK\$15,534,000). During the year ended 31 December 2015, the loan was fully settled and the guarantee was released. The directors of the Group considered that no provision has been made as it was not probable that the settlement of the loan would be in default.

**24. NON-CASH TRANSACTION**

During the years ended 31 December 2014 and 2015 and four months ended 30 April 2016, dividend of approximately HK\$4,462,000, HK\$7,832,000 and HK\$2,670,000 respectively were settled with the amounts due from related parties.

**25. RESERVE OF THE COMPANY**

	<b>Accumulated losses</b> <i>HK\$'000</i>
As at 30 November 2015 (date of incorporation)	—
Loss for the period	<u>(34)</u>
As at 31 December 2015 and 1 January 2016	(34)
Loss for the period	<u>(42)</u>
As at 30 April 2016	<u><u>(76)</u></u>

**III. SUBSEQUENT EVENTS**

Subsequent to the end of the reporting period, the Group had entered into a supplemental agreement with the owner of the club premises. The Group may extend the right to operate the club to March 2025 subject to the terms therein.

On 15 September 2016, Melco Crown (COD) Hotels Limited, the holder of the dance hall license and karaoke license of the club premises, had transformed the licenses to Luk Hing Macau at consideration of approximately MOD800,000 (equivalent to approximately HK\$777,000).

**IV. SUBSEQUENT FINANCIAL STATEMENTS**

No audited financial statements of the Company or any of its subsidiaries have been prepared in respect of any year subsequent to 30 April 2016.

Yours faithfully,  
**HLB Hodgson Impey Cheng Limited**  
 Certified Public Accountants  
**Shek Lui**  
 Practising Certificate Number: P05895  
 Hong Kong

The information set out below does not form part of the Accountants' Report received from the Company's reporting accountants, HLB Hodgson Impey Cheng Limited, Certified Public Accountants, Hong Kong, as set out in Appendix I, and is included in this prospectus for information purposes only.

The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" to this prospectus and the Accountants' Report set out in Appendix I to this prospectus.

#### A. STATEMENT OF UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The statement of unaudited pro forma adjusted consolidated net tangible assets of the Group prepared in accordance with Rule 7.31 of the GEM Listing Rules is set out below to illustrate the effect of the Placing on the audited consolidated net tangible assets of the Group as if the Placing had taken place on 30 April 2016.

The statement of unaudited pro forma adjusted consolidated net tangible assets of the Group has been prepared for illustrative purposes only and, because of its hypothetical nature, may not give a true picture of the financial position of the Group as at 30 April 2016 or any future date following the Placing.

The following statement of unaudited pro forma adjusted consolidated net tangible assets of the Group is based on the audited consolidated net tangible assets of the Group attributable to owners of the Company as at 30 April 2016 as shown in the Accountants' Report set out in Appendix I to this prospectus and the adjustments described below.

	<b>Audited consolidated net tangible assets of the Group as at 30 April 2016 HK\$'000 (Note 1)</b>	<b>Estimated net proceeds from the Placing HK\$'000 (Note 2)</b>	<b>Unaudited pro forma adjusted consolidated net tangible assets of the Group HK\$'000 (Note 3)</b>	<b>Unaudited pro forma adjusted consolidated net tangible assets per shares HK\$ (Notes 4)</b>
Based on Placing Price of HK\$0.20 per Placing Share	<u>8,452</u>	<u>68,589</u>	<u>77,041</u>	<u>0.04</u>
Based on Placing Price of HK\$0.26 per Placing Share	<u>8,452</u>	<u>94,089</u>	<u>102,541</u>	<u>0.06</u>

*Notes:*

- (1) The audited consolidated net tangible assets of the Group as at 30 April 2016 is based on the net assets of the Group attributable to owners of the Company as extracted from the Accountants' Report set out in Appendix I to this prospectus.

- (2) The estimated net proceeds from the issue of the Placing Shares pursuant to the Placing are based on 450,000,000 Placing Shares at the Placing Price of lower limit and upper limit of HK\$0.20 and HK\$0.26 per Placing Share, respectively, after deduction of the underwriting commissions and fees and other related fees expenses payable by the Group in connection with the Placing, other than those expenses which had been recognised in profit or loss for the periods up to 30 April 2016. The calculation of such estimated net proceeds does not take into account of any shares which may be allotted and issued pursuant to the exercise of any options that may be granted under the Share Option Scheme.
- (3) The unaudited pro forma adjusted consolidated net tangible assets of the Group does not take into account the effect of any trading result and other transactions of the Group entered into subsequent to 30 April 2016.
- (4) The unaudited pro forma adjusted consolidated net tangible assets per share is calculated based on 1,800,000,000 shares in issue immediately following the completion of the Placing. As set out in the “Share Capital” section to this prospectus had the placing been completed on 30 April 2016 and does not take into account of any shares which may be issued upon the exercise of any options that may be granted under the Share Option Scheme or any shares which may be allotted, issued or repurchase by the Company pursuant to the general mandates for the allotment and issue or repurchase of shares.

**B. REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION**

*The following is the text of a report, prepared for inclusion in this prospectus, received from the independent reporting accountants, HLB Hodgson Impey Cheng Limited, Certified Public Accountants, Hong Kong, in respect of the Group's unaudited pro forma financial information.*



31/F, Gloucester Tower  
The Landmark  
11 Pedder Street  
Central  
Hong Kong

27 October 2016

**INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE  
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION INCLUDED IN  
AN INVESTMENT CIRCULAR**

TO THE DIRECTORS OF  
LUK HING ENTERTAINMENT GROUP HOLDINGS LIMITED

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Luk Hing Entertainment Group Holdings Limited (the “**Company**”) and its subsidiaries (hereinafter collectively referred to as the “**Group**”) by the directors of the Company for illustrative purpose only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group as at 30 April 2016 and the related notes (the “**Unaudited Pro Forma Financial Information**”) as set out in Section A of Appendix II to the prospectus of the Company dated 27 October 2016 (the “**Prospectus**”) issued by the Company in connection with the listing of the Company's shares on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited. The applicable criteria on the basis of which the directors of the Company have compiled the Unaudited Pro Forma Financial Information are described on Section A of Appendix II to the Prospectus.

The Unaudited Pro Forma Financial Information has been compiled by the directors of the Company to illustrate the proposed placing of shares of the Company on the Group's financial position as at 30 April 2016 as if the proposed placing had taken place on the same date. As part of this process, information about the Group's financial position has been extracted by the directors of the Company from the Group's financial statements for the four months ended 30 April 2016 included in the accountants' report set out in Appendix I to the Prospectus.

**Directors' Responsibility for the Unaudited Pro Forma Financial Information**

The directors of the Company are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 7.31 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “**GEM Listing Rules**”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” (“**AG 7**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”).

**Our Independence and Quality Control**

We have complied with the independence and other ethical requirements of the “Code of Ethics for Professional Accountants” issued by the HKICPA, which is founded on the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Hong Kong Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

**Reporting Accountants’ Responsibilities**

Our responsibility is to express an opinion, as required by paragraph 7.31(7) of the GEM Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the directors of the Company have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 7.31 of the GEM Listing Rules and with reference to AG 7 issued by the HKICPA.

For the purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of Unaudited Pro Forma Financial Information included in the Prospectus is solely to illustrate the impact of a significant event or transaction on the unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 30 April 2016 would have been as presented.

A reasonable assurance engagement to report on whether the Unaudited Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors of the Company in the compilation of the Unaudited Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The Unaudited Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the Unaudited Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Unaudited Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Opinion**

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 7.31(1) of the GEM Listing Rules.

Yours faithfully

**HLB Hodgson Impey Cheng Limited**

Certified Public Accountants

**Shek Lui**

Practising Certificate Number: P05895

Hong Kong

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman Islands company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 30 November 2015 under the Cayman Companies Law. The Company's constitutional documents consist of its Amended and Restated Memorandum of Association ("**Memorandum**") and the Amended and Restated Articles of Association ("**Articles**").

## 1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum provides, *inter alia*, that the liability of members of the Company is limited and that the objects for which the Company is established are unrestricted (and therefore include acting as an investment company), and that the Company shall have and be capable of exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate whether as principal, agent, contractor or otherwise and since the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b) By special resolution the Company may alter the Memorandum with respect to any objects, powers or other matters specified in it.

## 2. ARTICLES OF ASSOCIATION

The Articles were adopted on 18 October 2016. A summary of certain provisions of the Articles is set out below:

### (a) Shares

#### (i) *Classes of shares*

The share capital of the Company consists of ordinary shares.

#### (ii) *Variation of rights of existing shares or classes of shares*

Subject to Subject to the Cayman Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to any class of shares may (unless otherwise provided for by the terms of issue of the shares of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. The provisions of the Articles relating to general meetings shall mutatis mutandis apply to every such separate general meeting, but so that the necessary quorum (other than at an adjourned meeting) shall be not less than two persons together holding (or, in the case of a shareholder being a corporation, by its duly authorized representative) or representing by proxy not less than one-third in nominal value of the

issued shares of that class. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

*(iii) Alteration of capital*

The Company may, by an ordinary resolution of its members: (a) increase its share capital by the creation of new shares of such amount as it thinks expedient; (b) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares; (c) divide its unissued shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges or conditions; (d) subdivide its shares or any of them into shares of an amount smaller than that fixed by the Memorandum; (e) cancel any shares which, at the date of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled; (f) make provision for the allotment and issue of shares which do not carry any voting rights; (g) change the currency of denomination of its share capital; and (h) reduce its share premium account in any manner authorised and subject to any conditions prescribed by law.

*(iv) Transfer of shares*

Subject to the Cayman Companies Law and the requirements of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), all transfers of shares shall be effected by an instrument of transfer in the usual or common form or in such other form as the Board may approve and may be under hand or, if the transferor or transferee is a Clearing House or its nominee(s), under hand or by machine imprinted signature, or by such other manner of execution as the Board may approve from time to time.

Execution of the instrument of transfer shall be by or on behalf of the transferor and the transferee, provided that the Board may dispense with the execution of the instrument of transfer by the transferor or transferee or accept mechanically executed transfers. The transferor shall be deemed to remain the holder of a share until the name of the transferee is entered in the register of members of the Company in respect of that share.

The Board may, in its absolute discretion, at any time and from time to time remove any share on the principal register to any branch register or any share on any branch register to the principal register or any other branch register. Unless the Board otherwise agrees, no shares on the principal register shall be removed to any branch register nor shall shares on any branch register be removed to the principal register or any other branch register. All removals and other documents of title shall be lodged for registration and registered, in the case of shares on any branch register, at the relevant registration office and, in the case of shares on the principal register, at the place at which the principal register is located.

The Board may, in its absolute discretion, decline to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or on which the Company has a lien. It may also decline to register a transfer of any share issued under any share option scheme upon which a restriction on transfer subsists or a transfer of any share to more than four joint holders.

The Board may decline to recognise any instrument of transfer unless a certain fee, up to such maximum sum as the Stock Exchange may determine to be payable, is paid to the Company, the instrument of transfer is properly stamped (if applicable), is in respect of only one class of share and is lodged at the relevant registration office or the place at which the principal register is located accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require is provided to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The register of members may, subject to the GEM Listing Rules, be closed at such time or for such period not exceeding in the whole 30 days in each year as the Board may determine.

Fully paid shares shall be free from any restriction on transfer (except when permitted by the Stock Exchange) and shall also be free from all liens.

*(v) Power of the Company to purchase its own shares*

The Company may purchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirement imposed from time to time by the Articles or any, code, rules or regulations issued from time to time by the Stock Exchange and/or the Securities and Futures Commission of Hong Kong.

Where the Company purchases for redemption a redeemable Share, purchases not made through the market or by tender shall be limited to a maximum price and, if purchases are by tender, tenders shall be available to all members alike.

*(vi) Power of any subsidiary of the Company to own shares in the Company*

There are no provisions in the Articles relating to the ownership of shares in the Company by a subsidiary.

*(vii) Calls on shares and forfeiture of shares*

The Board may, from time to time, make such calls as it thinks fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment of such shares made payable at fixed times. A call may be made payable either in one sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the

sum is due shall pay interest on the same at such rate not exceeding 20% per annum as the Board shall fix from the day appointed for payment to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced the Company may pay interest at such rate (if any) not exceeding 20% per annum as the Board may decide.

If a member fails to pay any call or instalment of a call on the day appointed for payment, the Board may, for so long as any part of the call or instalment remains unpaid, serve not less than 14 days' notice on the member requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice shall name a further day (not earlier than the expiration of 14 days from the date of the notice) on or before which the payment required by the notice is to be made, and shall also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the appointed time, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, nevertheless, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20% per annum as the Board may prescribe.

**(b) Directors**

*(i) Appointment, retirement and removal*

At any time or from time to time, the Board shall have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an additional Director to the existing Board subject to any maximum number of Directors, if any, as may be determined by the members in general meeting. Any Director so appointed to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director so appointed as an addition to the existing Board shall hold office only until the first annual general meeting of the Company after his appointment and be eligible for re-election at such meeting. Any Director so appointed by the Board shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at an annual general meeting.

At each annual general meeting, one third of the Directors for the time being shall retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one third shall be the number of retiring Directors. The Directors to retire in each year shall be those who have been in office longest since their last re-election or appointment but, as between persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot.

No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected has been lodged at the head office or at the registration office of the Company. The period for lodgment of such notices shall commence no earlier than the day after despatch of the notice of the relevant meeting and end no later than seven days before the date of such meeting and the minimum length of the period during which such notices may be lodged must be at least seven days.

A Director is not required to hold any shares in the Company by way of qualification nor is there any specified upper or lower age limit for Directors either for accession to or retirement from the Board.

A Director may be removed by an ordinary resolution of the Company before the expiration of his term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and the Company may by ordinary resolution appoint another in his place. Any Director so appointed shall be subject to the "retirement by rotation" provisions. The number of Directors shall not be less than two.

The office of a Director shall be vacated if he:

- (aa) resign;
- (bb) dies;
- (cc) is declared to be of unsound mind and the Board resolves that his office be vacated;
- (dd) becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;
- (ee) he is prohibited from being or ceases to be a director by operation of law;
- (ff) without special leave, is absent from meetings of the Board for six consecutive months, and the Board resolves that his office is vacated;
- (gg) has been required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director; or

(hh) is removed from office by the requisite majority of the Directors or otherwise pursuant to the Articles.

From time to time the Board may appoint one or more of its body to be managing director, joint managing director or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the Board may determine, and the Board may revoke or terminate any of such appointments. The Board may also delegate any of its powers to committees consisting of such Director(s) or other person(s) as the Board thinks fit, and from time to time it may also revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

*(ii) Power to allot and issue shares and warrants*

Subject to the provisions of the Cayman Companies Law, the Memorandum and Articles and without prejudice to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached to it such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Board may determine). Any share may be issued on terms that upon the happening of a specified event or upon a given date and either at the option of the Company or the holder of the share, liable to be redeemed.

The Board may issue warrants to subscribe for any class of shares or other securities of the Company on such terms as it may from time to time determine.

Where warrants are issued to bearer, no certificate in respect of such warrants shall be issued to replace one that has been lost unless the Board is satisfied beyond reasonable doubt that the original certificate has been destroyed and the Company has received an indemnity in such form as the Board thinks fit with regard to the issue of any such replacement certificate.

Subject to the provisions of the Cayman Companies Law, the Articles and, where applicable, the rules of any stock exchange of the Relevant Territory (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others whose registered addresses are in any particular territory or territories where, in the absence of a registration statement or other

special formalities, this is or may, in the opinion of the Board, be unlawful or impracticable. However, no member affected as a result of the foregoing shall be, or be deemed to be, a separate class of members for any purpose whatsoever.

*(iii) Power to dispose of the assets of the Company or any of its subsidiaries*

While there are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries, the Board may exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Cayman Companies Law to be exercised or done by the Company in general meeting, but if such power or act is regulated by the Company in general meeting, such regulation shall not invalidate any prior act of the Board which would have been valid if such regulation had not been made.

*(iv) Borrowing powers*

The Board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and uncalled capital of the Company and, subject to the Cayman Companies Law, to issue debentures, debenture stock, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

*(v) Remuneration*

The Directors shall be entitled to receive, as ordinary remuneration for their services, such sums as shall from time to time be determined by the Board or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided among the Directors in such proportions and in such manner as they may agree or, failing agreement, either equally or, in the case of any Director holding office for only a portion of the period in respect of which the remuneration is payable, pro rata. The Directors shall also be entitled to be repaid all expenses reasonably incurred by them in attending any Board meetings, committee meetings or general meetings or otherwise in connection with the discharge of their duties as Directors. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

Any Director who, at the request of the Company, performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such special or extra remuneration as the Board may determine, in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the Board may from time to time decide. Such remuneration shall be in addition to his ordinary remuneration as a Director.

The Board may establish, either on its own or jointly in concurrence or agreement with subsidiaries of the Company or companies with which the Company is associated in business, or may make contributions out of the Company's monies to, any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or former Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and former employees of the Company and their dependents or any class or classes of such persons.

The Board may also pay, enter into agreements to pay or make grants of revocable or irrevocable, whether or not subject to any terms or conditions, pensions or other benefits to employees and former employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or former employees or their dependents are or may become entitled under any such scheme or fund as mentioned above. Such pension or benefit may, if deemed desirable by the Board, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

*(vi) Compensation or payments for loss of office*

Payments to any present Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually or statutorily entitled) must be approved by the Company in general meeting.

*(vii) Loans and provision of security for loans to Directors*

The Company shall not directly or indirectly make a loan to a Director or a director of any holding company of the Company or any of their respective close associates, enter into any guarantee or provide any security in connection with a loan made by any person to a Director or a director of any holding company of the Company or any of their respective close associates, or if any one or more of the Directors hold(s) (jointly or severally or directly or indirectly) a controlling interest in another company, make a loan to that other company or enter into any guarantee or provide any security in connection with a loan made by any person to that other company.

*(viii) Disclosure of interest in contracts with the Company or any of its subsidiaries*

With the exception of the office of auditor of the Company, a Director may hold any other office or place of profit with the Company in conjunction with his office of Director for such period and, upon such terms as the Board may determine, and may be paid such extra remuneration for that other office or place of profit, in whatever form, in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director, officer or member of any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration or other benefits received by him as a director, officer or member of such other company. The Board may also cause the voting power conferred by the shares in any other company held or

owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company.

No Director or intended Director shall be disqualified by his office from contracting with the Company, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship established by it. A Director who is, in any way, materially interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the earliest meeting of the Board at which he may practically do so.

There is no power to freeze or otherwise impair any of the rights attaching to any Share by reason that the person or persons who are interested directly or indirectly in that share have failed to disclose their interests to the Company.

A Director shall not vote or be counted in the quorum on any resolution of the Board in respect of any contract or arrangement or other proposal in which he or any of his close associate(s) has/have a material interest, and if he shall do so his vote shall not be counted nor shall he be counted in the quorum for that resolution, but this prohibition shall not apply to any of the following matters:

- (aa) the giving of any security or indemnity to the Director or his close associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;
- (bb) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has/have himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

- (dd) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries, including adoption, modification or operation of either
  - (i) any employees' share scheme or any share incentive or share option scheme under which the Director or his close associate(s) may benefit; or
  - (ii) any of a pension fund or retirement, death or disability benefits scheme which relates to Directors, their close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or his close associate(s), any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and
- (ee) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares debentures or other securities of the Company by virtue only of his/their interest in those shares, debentures or other securities.

The Board may meet anywhere in the world for the despatch of business and may adjourn and otherwise regulate its meetings as it thinks fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

**(c) Alterations to the constitutional documents and the Company's name**

To the extent that the same is permissible under Cayman Islands law and subject to the Articles, the Memorandum and Articles of the Company may only be altered or amended, and the name of the Company may only be changed, with the sanction of a special resolution of the Company.

**(d) meetings of member**

***(i) Special and ordinary resolutions***

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or by proxy or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given.

Under Cayman Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within 15 days of being passed.

An "ordinary resolution", by contrast, is a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given and held in accordance with the Articles. A resolution in writing signed by or on

behalf of all members shall be treated as an ordinary resolution duly passed at a general meeting of the Company duly convened and held, and where relevant as a special resolution so passed.

*(ii) Voting rights and right to demand a poll*

Subject to any special rights, restrictions or privileges as to voting for the time being attached to any class or classes of shares at any general meeting: (a) on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every share which is fully paid or credited as fully paid registered in his name in the register of members of the Company but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for this purpose as paid up on the share; and (b) on a show of hands every member who is present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote. Where more than one proxy is appointed by a member which is a Clearing House (as defined in the Articles) or its nominee(s), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he does use in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by poll save that the chairman of the meeting may, pursuant to the GEM Listing Rules, allow a resolution to be voted on by a show of hands. Where a show of hands is allowed, before or on the declaration of the result of the show of hands, a poll may be demanded by (in each case by members present in person or by proxy or by a duly authorised corporate representation):

- (A) at least two members;
- (B) any member or members representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or
- (C) a member or members holding shares in the Company conferring a right to vote at the meeting on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Should a Clearing House or its nominee(s) be a member of the Company, such person or persons may be authorised as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised in accordance with this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same rights and powers on behalf of the Clearing House or its nominee(s), as if such person were an individual member including the right to vote individually on a show of hands.

Where the Company has knowledge that any member is, under the GEM Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

*(iii) Annual general meetings*

The Company must hold an annual general meeting each year other than the year of the Company's adoption of the Articles. Such meeting must be held not more than 15 months after the holding of the last preceding annual general meeting, or such longer period as may be authorised by the Stock Exchange at such time and place as may be determined by the Board.

*(iv) Notices of meetings and business to be conducted*

An annual general meeting of the Company shall be called by at least 21 days' notice in writing, and any other general meeting of the Company shall be called by at least 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time, place and agenda of the meeting and particulars of the resolution(s) to be considered at that meeting and, in the case of special business, the general nature of that business.

Except where otherwise expressly stated, any notice or document (including a share certificate) to be given or issued under the Articles shall be in writing, and may be served by the Company on any member personally, by post to such member's registered address or (in the case of a notice) by advertisement in the newspapers. Any member whose registered address is outside Hong Kong may notify the Company in writing of an address in Hong Kong which shall be deemed to be his registered address for this purpose. Subject to the Cayman Companies Law and the GEM Listing Rules, a notice or document may also be served or delivered by the Company to any member by electronic means.

Although a meeting of the Company may be called by shorter notice than as specified above, such meeting may be deemed to have been duly called if it is so agreed:

- (i) in the case of an annual general meeting, by all members of the Company entitled to attend and vote thereat; and
- (ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting holding not less than 95% of the total voting rights in the Company.

All business transacted at an extraordinary general meeting shall be deemed special business. All business shall also be deemed special business where it is transacted at an annual general meeting, with the exception of certain routine matters which shall be deemed ordinary business.

(v) *Quorum for meetings and separate class meetings*

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, and continues to be present until the conclusion of the meeting.

The quorum for a general meeting shall be two members present in person (or in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(vi) **Proxies**

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy.

The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of a duly authorised officer or attorney. Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form as the Board may from time to time approve, provided that it shall not preclude the use of the two-way form. Any form issued to a member for appointing a proxy to attend and vote at an extraordinary general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable the member, according to his intentions, to instruct the proxy to vote in favour of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such business.

(e) **Accounts and audit**

The Board shall cause proper books of account to be kept of the sums of money received and expended by the Company, and of the assets and liabilities of the Company and of all other matters required by the Cayman Companies Law (which include an sales and purchases of goods by the Company) necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions.

The books of accounts of the Company shall be kept at the head office of the Company or at such other place or places as the Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any account, book or document of the Company except as conferred by the Cayman Companies Law or ordered by a court of competent jurisdiction or authorised by the Board or the Company in general meeting.

The Board shall from time to time cause to be prepared and laid before the Company at its annual general meeting balance sheets and profit and loss accounts (including every document required by law to be annexed thereto), together with a copy of the Directors' report and a copy of the auditors' report not less than 21 days before the date of the annual general meeting. Copies of these documents shall be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles together with the notice of annual general meeting, not less than 21 days before the date of the meeting.

Subject to the rules of the stock exchange of the Relevant Territory (as defined in the Articles), the Company may send summarized financial statements to shareholders who have, in accordance with the rules of the stock exchange of the Relevant Territory, consented and elected to receive summarized financial statements instead of the full financial statements. The summarized financial statements must be accompanied by any other documents as may be required under the rules of the stock exchange of the Relevant Territory and must be sent to those shareholders that have consented and elected to receive the summarised financial statements not less than 21 days before the general meeting.

The Company shall appoint auditor(s) to hold office until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with the Board. The auditors' remuneration shall be fixed by the Company in general meeting or by the Board if authority is so delegated by the members.

The auditors shall audit the financial statements of the Company in accordance with generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Stock Exchange.

**(f) Dividends and other methods of distribution**

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the Board.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide:

- (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid, although no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share;

- (ii) all dividends shall be apportioned and paid pro rata in accordance with the amount paid up on the shares during any portion(s) of the period in respect of which the dividend is paid, and (iii) The Board may deduct from any dividend or other monies payable to any member all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

Where the Board or the Company in general meeting has resolved that a dividend should be paid or declared, the Board may resolve:

- (aa) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled to such dividend will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or
- (bb) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit.

Upon the recommendation of the Board, the Company may by ordinary resolution in respect of any one particular dividend of the Company determine that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, bonus or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent and shall be sent at the holder's or joint holders' risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared, the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

The Board may, if it thinks fit, receive from any member willing to advance the same, and either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced may pay interest at such rate (if any) not exceeding 20% per annum, as the Board may decide, but a payment in advance of a call shall not entitle the member to receive any dividend or to exercise any other rights or privileges as a member in respect of the share or the due portion of the shares upon which payment has been advanced by such member before it is called up.

All dividends, bonuses or other distributions unclaimed for one year after having been declared may be invested or otherwise used by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends, bonuses or other distributions unclaimed for six years after having been declared may be forfeited by the Board and, upon such forfeiture, shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

**(g) Inspection of corporate records**

For so long as any part of the share capital of the Company is listed on the Stock Exchange, any member may inspect any register of members of the Company maintained in Hong Kong (except when the register of members is closed) without charge and require the provision to him of copies or extracts of such register all respects as if the Company were incorporated under and were subject to the Companies Ordinance.

**(h) Rights of minorities in relation to fraud or oppression**

There are no provisions in the Articles concerning the rights of minority members in relation to fraud or oppression. However, certain remedies may be available to members of the Company under Cayman Islands law, as summarized in paragraph 3(f) of this Appendix.

**(i) Procedures on liquidation**

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

- (i) if the Company is wound up and the assets available for distribution among the members of the Company are more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, then the excess shall be distributed *pari passu* among such members in proportion to the amount paid up on the shares held by them respectively; and
- (ii) if the Company is wound up and the assets available for distribution among the members as such are insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, on the shares held by them respectively.

If the Company is wound up (whether the liquidation is voluntary or compelled by the court), the liquidator may, with the sanction of a special resolution and any other sanction required by the Cayman Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets consist of property of one kind or different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be so divided aforesaid and may determine how such division shall be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator thinks fit, but so that no member shall be compelled to accept any shares or other property upon which there is a liability.

**(j) Subscription rights reserve**

Provided that it is not prohibited by and is otherwise in compliance with the Cayman Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of the shares to be issued on the exercise of such warrants, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of such shares.

**3. CAYMAN ISLANDS COMPANY LAW**

The Company was incorporated in the Cayman Islands as an exempted company on 30 November 2015 subject to the Cayman Companies Law. Certain provisions of Cayman Islands company law are set out below but this section does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the Cayman Companies Law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

**(a) Company operations**

An exempted company such as the Company must conduct its operations mainly outside the Cayman Islands. An exempted company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

**(b) Share capital**

Under Cayman Companies Law, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. Where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the “share premium account”. At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangements in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation, the following:

- (i) paying distributions or dividends to members;
- (ii) paying up unissued shares of the company to be issued to members as fully paid bonus shares;
- (iii) any manner provided in section 37 of the Cayman Companies Law;
- (iv) writing-off the preliminary expenses of the company; and
- (v) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

Notwithstanding the foregoing, no distribution or dividend may be paid to members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

Subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if authorised to do so by its articles of association, by special resolution reduce its share capital in any way.

**(c) Financial assistance to purchase shares of a company or its holding company**

There are no statutory prohibitions in the Cayman Islands on the granting of financial assistance by a company to another person for the purchase of, or subscription for, its own, its holding company’s or a subsidiary’s shares. Therefore, a company may provide financial assistance provided the directors of the company when proposing to grant such financial assistance discharge their duties of care and act in good faith, for a proper purpose and in the interests of the company. Such assistance should be on an arm’s-length basis.

**(d) Purchase of shares and warrants by a company and its subsidiaries**

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a member and, for the avoidance of doubt, it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares; an ordinary resolution of the Company approving the manner and terms of the purchase will be required if the articles of association do not authorise the manner and terms of such purchase. A company may not redeem or purchase its shares unless they are fully paid. Furthermore, a company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. In addition, a payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares that have been purchased or redeemed by a company or surrendered to the company shall not be treated as cancelled but shall be classified as treasury shares if held in compliance with the requirements of section 37A(1) of the Cayman Companies Law. Any such shares shall continue to be classified as treasury shares until such shares are either cancelled or transferred pursuant to the Cayman Companies Law.

A Cayman Islands company may be able to purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. Thus there is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases. The directors of a company may under the general power contained in its memorandum of association be able to buy, sell and deal in personal property of all kinds.

Subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

**(e) Dividends and distributions**

Subject to a solvency test, as prescribed in the Cayman Companies Law, and the provisions, if any, of the company's memorandum and articles of association, a company may pay dividends and distributions out of its share premium account. In addition, based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid out of profits.

For so long as a company holds treasury shares, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made, in respect of a treasury share.

**(f) Protection of minorities and shareholders' suits**

It can be expected that the Cayman Islands courts will ordinarily follow English case law precedents (particularly the rule in the case of *Foss v. Harbottle* and the exceptions to that rule) which permit a minority member to commence a representative action against or derivative actions in the name of the company to challenge, acts which are ultra vires, illegal fraudulent performed by those in control of the Company against the minority, or represent an irregularity in the passing of a resolution which requires a qualified (or special) majority which has not been obtained.

Where a company (not being a bank) is one which has a share capital divided into shares, the court may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine the affairs of the company and, at the direction of the court, to report on such affairs. In addition, any member of a company may petition the court which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

In general, claims against a company by its members must be based on the general laws of contract or tort applicable in the Cayman Islands or be based on potential violation of their individual rights as members as established by a company's memorandum and articles of association.

**(g) Disposal of assets**

There are no specific restrictions on the power of directors to dispose of assets of a company, however, the directors are expected to exercise duties of care, diligence and skill to the standard that a reasonable prudent person would exercise in comparable circumstances, in addition to fiduciary duties to act in good faith, for proper purpose and in the best interests of the company under English common law (which the Cayman Islands courts will ordinarily follow).

**(h) Accounting and auditing requirements**

A company must cause proper records of accounts to be kept with respect to (i) all sums of money received and expended by it; (ii) all sales and purchases of goods by the it and (iii) its assets and liabilities.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

If a company keeps its books of account at any place other than at its registered office or any other place within the Cayman Islands, it shall, upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2013 Revision) of the Cayman Islands, make available, in electronic form or any other medium, at its registered office copies of its books of account, or any part or parts thereof, as are specified in such order or notice.

**(i) Exchange control**

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

**(j) Taxation**

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet that:

- (i) no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciation shall apply to the Company or its operations; and
- (ii) no tax be levied on profits, income gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by the Company:
  - (aa) on or in respect of the shares, debentures or other obligations of the Company; or
  - (bb) by way of withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (2011 Revision).

The undertaking for the Company is for a period of 20 years from 16 December 2015.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments.

**(k) Stamp duty on transfers**

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

**(l) Loans to directors**

There is no express provision prohibiting the making of loans by a company to any of its directors. However, the company's articles of association may provide for the prohibition of such loans under specific circumstances.

**(m) Inspection of corporate records**

The members of a company have no general right to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

**(n) Register of members**

A Cayman Islands exempted company may maintain its principal register of members and any branch registers in any country or territory, whether within or outside the Cayman Islands, as the company may determine from time to time. There is no requirement for an exempted company to make any returns of members to the Registrar of Companies in the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of member, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2013 Revision) of the Cayman Islands.

**(o) Register of Directors and officers**

Pursuant to the Cayman Companies Law, the Company is required to maintain at its registered office a register of directors, alternate directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within 60 days of any change in such directors or officers, including a change of the name of such directors or officers.

**(p) Winding up**

A Cayman Islands company may be wound up by: (i) an order of the court; (ii) voluntarily by its members; or (iii) under the supervision of the court.

The court has authority to order winding up in a number of specified circumstances including where, in the opinion of the court, it is just and equitable that such company be so wound up.

A voluntary winding up of a company (other than a limited duration company, for which specific rules apply) occurs where the company resolves by special resolution that it be wound up voluntarily or where the company in general meeting resolves that it be wound up voluntarily because it is unable to pay its debt as they fall due. In the case of a voluntary winding up, the company is obliged to cease to carry on its business from the commencement of its winding up except so far as it may be beneficial for its winding up. Upon appointment of a voluntary liquidator, all the powers of the directors cease, except so far as the company in general meeting or the liquidator sanctions their continuance.

In the case of a members' voluntary winding up of a company, one or more liquidators are appointed for the purpose of winding up the affairs of the company and distributing its assets.

As soon as the affairs of a company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and the property of the company disposed of, and call a general meeting of the company for the purposes of laying before it the account and giving an explanation of that account.

When a resolution has been passed by a company to wind up voluntarily, the liquidator or any contributory or creditor may apply to the court for an order for the continuation of the winding up under the supervision of the court, on the grounds that (i) the company is or is likely to become insolvent; or (ii) the supervision of the court will facilitate a more effective, economic or expeditious liquidation of the company in the interests of the contributories and creditors. A supervision order takes effect for all purposes as if it was an order that the company be wound up by the court except that a commenced voluntary winding up and the prior actions of the voluntary liquidator shall be valid and binding upon the company and its official liquidator.

For the purpose of conducting the proceedings in winding up a company and assisting the one or more persons may be appointed to be called an official liquidator(s) The court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more than one person is appointed to such office, the court shall declare whether any act required or authorized to be done by the official liquidator is to be done by all or any one or more of such persons. The court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the court.

**(q) Reconstructions**

Reconstructions and amalgamations may be approved by a majority in number representing 75% in value of the members or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the courts. Whilst a dissenting member has the right to express to the court his view that the transaction for which approval is being sought would not provide the members with a fair value for their shares, the courts are unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management, and if the transaction were approved and consummated the dissenting member would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of their shares) ordinarily available, for example, to dissenting members of a United States corporation.

**(r) Take-overs**

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may at any time within two months after the expiration of that four-month period, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the Cayman Islands courts within one month of the notice objecting to the transfer. The burden is on the dissenting member to show that the court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority members.

**(s) Indemnification**

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, save to the extent any such provision may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.

**4. GENERAL**

Appleby, the Company's legal adviser on Cayman Islands law, has sent to the Company a letter of advice which summarises certain aspects of the Cayman Islands company law. This letter, together with a copy of the Cayman Companies Law, is available for inspection as referred to in the paragraph headed "Documents Available for Inspection" in Appendix V. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

**A. FURTHER INFORMATION ABOUT OUR GROUP****1. Incorporation**

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on 30 November 2015 under the Cayman Companies Law. Our registered address is at PO Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands. We have registered a place of business in Hong Kong at Room 1505, 15/F., Shun Tak Centre West Tower, 168–200 Connaught Road Central, Sheung Wan, Hong Kong and have been registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on 13 April 2016. Ms. Li Oi Lai of 18/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong has been appointed as our agent for the acceptance of service of process and notices in Hong Kong.

As we are incorporated in the Cayman Islands, our corporate structure, our Memorandum of Association and Articles of Association are subject to the relevant laws of the Cayman Islands. A summary of the relevant provisions of our Memorandum of Association and Articles of Association and certain relevant aspects of Cayman Islands company law are set out in Appendix III to this prospectus.

**2. Changes in share capital**

As at the date of our incorporation, the authorised share capital of the Company was HK\$100,000 divided into 10,000,000 Shares of par value of HK\$0.01 each. The following sets out the changes in the Company's issued share capital since the date of its incorporation:

- (a) On 30 November 2015, one Share of HK\$0.01 was allotted, issued and credited as fully paid to Reid Services Limited as the initial subscriber. On the same date, Reid Services Limited transferred one Share to Mr. John Choi.
- (b) On 19 January 2016, Mr. John Choi transferred at par one Share to Welmen. On the same date, the Company allotted and issued, credited as fully paid, 8,999 Shares to Welmen and 1,000 Shares to Kenbridge, respectively.
- (c) On 20 January 2016, 225 Shares and 25 Shares (representing the then 2.5% of the entire issued share capital of our Company) were transferred to Dynamic Charm from Welmen and Kenbridge at a consideration of HK\$1,125,000 and HK\$125,000, respectively.
- (d) On 21 January 2016, 450 Shares and 50 Shares (representing the then 5% of the entire issued share capital of our Company) were transferred to Mr. Gordon Au from Welmen and Kenbridge at a consideration of HK\$2,250,000 and HK\$250,000, respectively.
- (e) On 26 January 2016, 225 Shares and 25 Shares (representing the then 2.5% of the entire issued share capital of our Company) were transferred to Active Harvest from Welmen and Kenbridge at a consideration of HK\$1,125,000 and HK\$125,000, respectively.
- (f) On 18 October 2016, the authorised share capital of the Company was increased from HK\$100,000 divided into 10,000,000 Shares to HK\$100,000,000 divided into 10,000,000,000 Shares by the creation of an additional 9,990,000,000 Shares.

Immediately following the completion of the Placing and the Capitalisation Issue (taking no account of any Shares which may be allotted and issued pursuant to the exercise of the options which may be granted under the Share Option Scheme), our authorised share capital upon completion of the Placing will be HK\$100,000,000 divided into 10,000,000,000 Shares, of which 1,800,000,000 Shares will be issued fully paid or credited as fully paid, and 8,200,000,000 Shares will remain unissued.

Save as disclosed in this prospectus, there has been no alteration in the Company's share capital since the date of our incorporation.

### 3. Resolutions of our Shareholders

Pursuant to the written resolutions of the Shareholders of our Company passed on 18 October 2016, our Shareholders resolved that (among other matters):

- (a) the Memorandum of Association and Articles of Association were approved and adopted conditional upon and with effect from the Listing;
- (b) the authorised share capital of our Company was increased from HK\$100,000 divided into 10,000,000 Shares to HK\$100,000,000 divided into 10,000,000,000 Shares by the creation of an additional 9,990,000,000 Shares of HK\$0.01 each ranking pari passu in all respect with the then existing Shares;
- (c) conditional upon all the conditions set out in "Structure and Conditions of the Placing" in this prospectus being fulfilled:
  - (i) the Placing and the proposed Listing of the Shares on the GEM of the Stock Exchange be and are hereby approved and the Board (or any committee thereof established by the Board pursuant to the Articles of Association) be and is hereby authorised to make or effect such modifications as it thinks fit;
  - (ii) the Board (or any committee thereof established by the Board pursuant to the Articles of Association) be and is hereby authorised to allot and issue, and approve the transfer of such number of Shares in connection with the Placing;
  - (iii) the Board (or any committee thereof established by the Board pursuant to the Articles of Association) be and is hereby authorised to agree the price per Placing Share with the Sole Global Coordinator; and
  - (iv) conditional on the share premium account of our Company being credited as a result of the Placing, the Directors (or any committee thereof established by the Board) were authorised to capitalise the sum of HK\$13,499,900 standing to the credit of the share premium account of the Company by applying such sum in paying up in full at par 1,349,990,000 Shares for allotment and issue to the Shareholders whose names are on the register of members of our Company at the close of business on the day prior to the Listing Date (or such other date and time as they (or any committee thereof established by the Board) may direct) in proportion (as nearly as possible without involving fractions so that no fraction of a share shall be allotted and issued) to their then existing holdings in our Company and so that the Shares to be allotted and issued pursuant to

this resolution should rank pari passu in all respects with the then existing issued Shares (the “**Capitalisation Issue**”) and the Directors were authorised to allot and issue such number of Shares pursuant to the Capitalisation Issue and the Directors were authorised to give effect to such capitalisation;

- (v) the rules of the Share Option Scheme, the principal terms of which are set out in paragraph headed “D. Share Option Scheme” of this Appendix, were approved and adopted and the Directors were authorised to approve any amendments to the rules of the Share Option Scheme as may be acceptable or not objected to by the Stock Exchange, and at the Directors’ absolute discretion to grant options to subscribe for Shares thereunder and to allot, issue and deal with Shares pursuant to the exercise of options which may be granted under the Share Option Scheme and to take all such steps as may be necessary, desirable or expedient to implement the Share Option Scheme;
- (d) a general unconditional mandate be and is hereby given to our Directors to exercise all the powers of our Company to allot, issue and deal with Shares or securities convertible into Shares and to make or grant offers or agreements or options (including any warrants, bonds, notes and debentures conferring any rights to subscribe for or otherwise receive Shares) which might require Shares to be allotted, issued or dealt with, otherwise than pursuant to a rights issue or pursuant to the exercise of any subscription rights attaching to any warrants which may be allotted and issued by our Company from time to time on a specific authority granted by the Shareholders in general meetings or, pursuant to the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles Association, Shares not exceed 20% of the aggregate nominal value of the Shares in issue immediately following completion of the Placing and the Capitalisation Issue, such mandate to remain in effect until the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company is required to be held by the Articles of Association or any applicable laws, or until being revoked or varied by an ordinary resolution of Shareholders in general meeting, whichever occurs first;
- (e) a general unconditional mandate was given to the Directors authorizing them to exercise all the powers of our Company to repurchase its own Shares on the Stock Exchange or on any other approved stock exchange on which the securities of our Company may be listed and which is recognized by the SFC and the Stock Exchange for this purpose, such number of Shares as will represent up to 10% of the aggregate nominal value of the Shares in issue immediately following the completion of the Placing and the Capitalisation Issue, such mandate to remain in effect until the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company is required to be held by the Articles of Association or any applicable laws, or until being revoked or varied by an ordinary resolution of Shareholders in a general meeting, whichever occurs first;
- (f) the general mandate mentioned in paragraph (d) above be extended by the addition to the aggregate nominal value of the share capital of our Company which may be allotted or agreed conditionally or unconditionally to be allotted and issued by our Directors pursuant to

such general mandate of an amount representing the aggregate nominal value of the share capital of our Company repurchased by the Company pursuant to the mandate to purchase Shares referred to in paragraph (e) above;

- (g) the Company approved the form and substance of each of the service contracts or letters of appointment made between each of our Directors and the Company.

#### 4. Repurchases of our own Shares

This section includes information relating to the repurchase of our Shares, including information required by the Stock Exchange to be included in this prospectus concerning such repurchase.

##### *(a) Relevant Legal and Regulatory Requirements*

The GEM Listing Rules permit our shareholders to grant to our Directors a general mandate to repurchase our Shares that are listed on the Stock Exchange. Such mandate is required to be given by way of an ordinary resolution passed by our shareholders in a general meeting.

##### *(b) Shareholders' Approval*

All proposed repurchases of Shares (which must be fully paid up) must be approved in advance by ordinary resolutions of our shareholders in a general meeting, either by way of general mandate or by specific approval of a particular transaction.

On 18 October 2016, our Directors were granted a general unconditional mandate to repurchase up to 10% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Placing on the Stock Exchange or on any other stock exchange on which our securities may be listed and which is recognized by the SFC and the Stock Exchange for this purpose. This mandate will expire at the earliest of (i) the conclusion of our next annual shareholders' general meeting, (ii) the date by which our next shareholders' general meeting is required by applicable laws and our Articles of Association to be held, or (iii) such mandate being revoked or varied by ordinary resolutions of our shareholders in a general meeting (the "**Relevant Period**").

##### *(c) Source of Funds*

Our repurchase of the Shares listed on the Stock Exchange must be funded from the funds legally available for the purpose in accordance with our Memorandum of Association and Articles of Association and the applicable laws of the Cayman Islands. We may not repurchase our Shares on the Stock Exchange for consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange. Subject to the above, we may make repurchases with funds which would otherwise be available for dividend or distribution or out of the proceeds of an issuance of new Shares for the purpose of the repurchase.

*(d) Reasons for Repurchases*

Our Directors believe that it is in the Company and our Shareholders' best interests for our Directors to have general authority to execute repurchases of our Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made where our Directors believe that such repurchases will benefit the Company and our Shareholders.

*(e) Funding of Repurchases*

In repurchasing securities, we may only apply funds legally available for such purpose in accordance with our Memorandum of Association and Articles of Association, the applicable laws of the Cayman Islands and the GEM Listing Rules.

Under the Cayman Companies Law, any repurchase of shares may be made out of the profits of our Company, the share premium amount of our Company or the proceeds of a fresh issue of Share made for the purpose of the repurchase or, subject to the memorandum of Association and Articles of Association and the Cayman Companies Law, out of capital and, in the case of any premium payable on a purchase over the par value of the Shares to be repurchased must be provided for, out of either or both of the profits of our Company or the share premium account of our Company or, subject to the memorandum of Association and Articles of Association and the Cayman Companies Law, out of capital.

On the basis of the current financial position of our Company as disclosed in this prospectus and taking into account the current working capital position of our Company, our Directors believe that, if the repurchase mandate were to be exercised in full, it might have a material adverse effect on our working capital and/or the gearing position as compared with the position disclosed in this prospectus. However, our Directors do not propose to exercise the repurchase mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or the gearing levels which in the opinion of our Directors are from time to time appropriate for us.

*(f) Share Capital*

The exercise in full of the current repurchase mandate, on the basis of 1,800,000,000 Shares in issue immediately after completion of the Placing, could accordingly result in up to 180,000,000 Shares being repurchased by us during the Relevant Period.

*(g) General*

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their associates (as defined in the GEM Listing Rules) currently intends to sell any of our Shares to us or our subsidiaries.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the repurchase mandate in accordance with the GEM Listing Rules, our Memorandum of Association and Articles of Association, the Cayman Companies Law and any other applicable laws of the Cayman Islands.

If, as a result of any repurchase of our Shares, a shareholders' proportionate interest in our voting rights is increased, such increase will be treated as an acquisition for the purposes of the Hong Kong Code on Takeovers and Mergers. Accordingly, a shareholder or a group of shareholders acting in concert could obtain or consolidate control of us and become obliged to make a mandatory offer in accordance with rule 26 of the Hong Kong Code on Takeovers and Mergers. Our Directors are not aware of any consequences of repurchases which would arise under the Hong Kong Code on Takeovers and Mergers.

No connected person as defined by the GEM Listing Rules has notified us that he or it has a present intention to sell his or its Shares to us, or has undertaken not to do so, if the repurchase mandate is exercised.

## **5. Changes in the Share Capital of Subsidiaries**

Our subsidiaries are referred to in the Accountants' Report, the text of which is set out in Appendix I to this prospectus. Save as disclosed in the section headed "History, Reorganisation and Corporate Structure" in this prospectus, there has been no alteration to the share capital of any of the subsidiaries of the Company within the two years immediately preceding the date of this prospectus.

## **6. Corporate Reorganisation**

The companies comprising our Group underwent the Reorganisation in preparation for the Listing. Please refer to the section "History, Reorganisation and Corporate Structure — Reorganisation" in this prospectus.

# **B. FURTHER INFORMATION ABOUT OUR BUSINESS**

## **1. Summary of material contracts**

We have entered into the following contracts (not being contracts entered into in the ordinary course of business) within the two years immediately preceding the date of this prospectus that are or may be material:

- (a) a share division and transfer agreement (股之分割及移轉合同) in Chinese dated 25 January 2016 entered into between Star Century, Luk Hing Development BVI and Luk Hing International BVI, pursuant to which Star Century (i) splitted the share of nominal value of MOP25,000 of Luk Hing Macau into two shares of nominal value of MOP12,500 each, and (ii) transferred one share to Luk Hing Development BVI for the consideration equal to the nominal value of the share and (iii) transferred one share to Luk Hing International BVI for the consideration equal to the nominal value of the share;
- (b) Deed of Indemnity;
- (c) Deed of Non-competition;
- (d) a cornerstone investment agreement dated 20 October 2016, entered into between our Company, Lee Seunghyun and the Sole Global Coordinator, details of which are set out in the section headed "Cornerstone Investment" in this prospectus; and
- (e) Underwriting Agreement.

## 2. Intellectual property rights

As of the Latest Practicable Date, our Group has registered or has applied for the registration of the following intellectual property rights which are material in relation to our Group's business.

### (a) Trademarks

- (i) As at the Latest Practicable Date, our Group has registered the following trademarks which are material in relation to our Group's business:

Trademark	Proprietor	Territory of registration	Class	Registration number	Expiry date
	Luk Hing HK	Hong Kong	43	301484802	26 November 2019
	Luk Hing Macau	Hong Kong	35, 41, 43	303644974	30 December 2025
	Luk Hing Macau	Macau	43	N/046423	24 March 2017

### (b) Domain Names

As at the Latest Practicable Date, our Group has registered the following domain names:

Domain Name	Registrant	Expiry Date
www.lukhing.com	Luk Hing Macau	19 February 2017
www.cubic-cod.com	Luk Hing Macau	25 October 2018
www.cubicmacau.com	Luk Hing Macau	15 January 2017

## C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

### 1. Disclosure of Interests

- (a) *Interests and short positions of the Directors and the chief executive of our Company in the shares, underlying shares and debentures of our Company and its associated corporations*

So far as our Directors are aware, immediately following completion of the Placing and taking into no account of any share(s) which may be allotted and issued pursuant to the exercise of any option which may be granted under the Share Option Scheme, the interests and short positions of our Directors and chief executive of our Company in the equity or debentures of our Company or any associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions which they are taken or deemed to have under such provisions of the SFO) once the Shares are listed, or which will be required, pursuant to Rules

5.46 to 5.67 of the GEM Listing Rules to be notified to us and the Stock Exchange or which will be required pursuant to section 352 of the SFO to be entered in the register referred to therein once the Shares are listed, are 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 immediately after completion of the Placing
Mr. Simon Choi (Notes 2 and 3)	Our Company	Interest of a controlled corporation, interest held jointly with another person	1,093,500,000 Shares (L)	60.75%
	Welmen	Interest of a controlled corporation	3,031.11 shares (L)	30.3111%
		Beneficial owner	706.67 shares (L)	7.0667%
Mr. John Choi (Notes 2 and 3)	Our Company	Interest of a controlled corporation, interest held jointly with another person	1,093,500,000 Shares (L)	60.75%
	Welmen	Interest of a controlled corporation	3,031.11 shares (L)	30.3111%
		Beneficial owner	706.67 shares (L)	7.0667%
Mr. Eric Au (Note 2)	Our Company	Interest held jointly with another person	1,093,500,000 Shares (L)	60.75%
	Welmen	Beneficial owner	1,605.56 shares (L)	16.0556%
Mr. Alex Yeung (Note 2)	Our Company	Interest held jointly with another person	1,093,500,000 Shares (L)	60.75%
	Welmen	Beneficial owner	1,233.44 shares (L)	12.3444%

*Note:*

- (1) The letter “L” denotes the person’s long position in the shares of our Company or the relevant associated corporation.
- (2) On 2 March 2016, Mr. Simon Choi, Mr. John Choi, Mr. Eric Au, Mr. Jerry Au, Mr. Bernard Yeung and Mr. Alex Yeung 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 our Group, details of which are set out in the section headed “Relationship with our Controlling Shareholders” in the prospectus. As such, pursuant to the acting in concert arrangement, each of Mr. Simon Choi, Mr. John Choi, Mr. Eric Au, Mr. Jerry Au, Mr. Bernard Yeung and Mr. Alex Yeung is deemed to be interested in 60.75% of the issued share capital of our Company held by Welmen.

- (3) Welmen is owned as to 30.3111% by Yui Tak and Yui Tak is wholly owned by Ocean Concept. 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. Simon Choi and as to 50% by Mr. John Choi. By virtue of the SFO, each of Mr. Simon Choi and Mr. John Choi 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 our Company held by Welmen.

**(b) *Interests and short positions of the substantial shareholders in the Shares and Underlying Shares of Our Company***

So far as our Directors are aware, assuming no exercise of any option which may be granted under the Share Option Scheme, the following persons will, immediately following the completion of the Placing, have interests or short positions in our Shares or underlying Shares which would fall to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

Name of shareholder	Name of Group member/associated corporation	Nature of interest	Number and class of securities <sup>(1)</sup>	Approximate percentage of shareholding interest immediately after the Placing
Welmen	Our Company	Beneficial owner	1,093,500,000 Shares (L)	60.75%
Yui Tak (Note 3)	Our Company	Interest of a controlled corporation	1,093,500,000 Shares (L)	60.75%
Ocean Concept (Note 3)	Our Company	Interest of a controlled corporation	1,093,500,000 Shares (L)	60.75%
Toprich (Note 4)	Our Company	Interest of a controlled corporation	1,093,500,000 Shares (L)	60.75%
Perfect Succeed (Note 4)	Our Company	Interest of a controlled corporation	1,093,500,000 Shares (L)	60.75%
Mr. Simon Choi (Notes 2 and 4)	Our Company	Interest of a controlled corporation, interest held jointly with another person	1,093,500,000 Shares (L)	60.75%
Mr. John Choi (Notes 2 and 4)	Our Company	Interest of a controlled corporation interest held jointly with another person	1,093,500,000 Shares (L)	60.75%

Name of shareholder	Name of Group member/associated corporation	Nature of interest	Number and class of securities <sup>(1)</sup>	Approximate percentage of shareholding interest immediately after the Placing
Mr. Eric Au (Note 2)	Our Company	Interest held jointly with another person	1,093,500,000 Shares (L)	60.75%
Mr. Jerry Au (Note 2)	Our Company	Interest held jointly with another person	1,093,500,000 Shares (L)	60.75%
Mr. Bernard Yeung (Note 2)	Our Company	Interest held jointly with another person	1,093,500,000 Shares (L)	60.75%
Mr. Alex Yeung (Note 2)	Our Company	Interest held jointly with another person	1,093,500,000 Shares (L)	60.75%
Kenbridge	Our Company	Beneficial owner	121,500,000 Shares (L)	6.75%
Mr. Tommy Poon (Note 5)	Our Company	Interest of a controlled corporation	121,500,000 Shares (L)	6.75%
Ms. Chan Ting Fai (Note 6)	Our Company	Interest of spouse	1,093,500,000 Shares (L)	60.75%
Ms. Lee Wan (Note 7)	Our Company	Interest of spouse	1,093,500,000 Shares (L)	60.75%
Ms. Mak Kai Fai (Note 8)	Our Company	Interest of spouse	1,093,500,000 Shares (L)	60.75%
Ms. Lau Sze Mun Charmaine (Note 9)	Our Company	Interest of spouse	121,500,000 Shares (L)	6.75%

*Note:*

- (1) The letter “L” denotes the person’s long position in the shares of our Company or the relevant associated corporation.
- (2) On 2 March 2016, Mr. Simon Choi, Mr. John Choi, Mr. Eric Au, Mr. Jerry Au, Mr. Bernard Yeung and Mr. Alex Yeung 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 our Group, details of which are set out in the section headed “Relationship with our Controlling Shareholders” in the prospectus. As such,

pursuant to the acting in concert arrangement, each of Mr. Simon Choi, Mr. John Choi, Mr. Eric Au, Mr. Jerry Au, Mr. Bernard Yeung and Mr. Alex Yeung is deemed to be interested in 60.75% of the issued share capital of our 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 our 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. Simon Choi and as to 50% by Mr. John Choi. By virtue of the SFO, each of Toprich, Perfect Succeed, Mr. Simon Choi and Mr. John Choi is deemed to be interested in 60.75% of the issued share capital of our Company held by Welmen.
- (5) Kenbridge is wholly owned by Mr. Tommy Poon. By virtue of the SFO, Mr. Tommy Poon is deemed to be interested in 6.75% of the issued share capital of our Company held by Kenbridge.
- (6) Ms. Chan Ting Fai is the spouse of Mr. John Choi. By virtue of the SFO, Ms. Chan Ting Fai is deemed to be interested in 60.75% of the issued share capital of our Company in which Mr. John Choi is interested.
- (7) Ms. Lee Wan is the spouse of Mr. Eric Au. By virtue of the SFO, Ms. Lee Wan is deemed to be interested in 60.75% of the issued share capital of our Company in which Mr. Eric Au is interested.
- (8) Ms. Mak Kai Fai is the spouse of Mr. Bernard Yeung. By virtue of the SFO, Ms. Mak Kai Fai is deemed to be interested in 60.75% of the issued share capital of our Company in which Mr. Bernard Yeung is interested.
- (9) Ms. Lau Sze Mun Charmaine is the spouse of Mr. Tommy Poon. By virtue of the SFO, Ms. Lau Sze Mun Charmaine is deemed to be interested in 6.75% of the issued share capital of our Company in which Mr. Tommy Poon is interested.

***(c) Interests of the substantial shareholder of any member of our Group (other than our Company)***

So far as our Directors are aware, no person (other than members of our Group) will, immediately following the completion of the Placing, be directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group.

**2. Arrangement with our Directors**

***(a) Disclosure of interests of our Directors***

Each of Mr. Simon Choi, Mr. John Choi, Mr. Alex Yeung, Mr. Eric Au, Mr. Au Ion Weng and Ms. Poon Kam Yee Odilia is interested in the Reorganisation and the transactions as contemplated under the material contracts as set out in the paragraph headed “Summary of Material Contracts” of this Appendix.

Save as disclosed in this prospectus, none of our Directors or their associates were engaged in any dealings with our Group during the two years preceding the date of this prospectus.

**(b) Service Contracts of our Directors***Executive Directors*

Each of the executive Directors has entered into a service contract with the Company for a term of three years commencing from the Listing Date until terminated by not less than three months' notice in writing served by either party on the other. Each of the executive Directors is entitled to their respective basic salaries set out below.

The current basic annual salaries of the executive Directors payable under their service contracts are as follows:

<b>Name</b>	<b>Annual salary</b> <i>HK\$</i>
Mr. Simon Choi	934,800
Mr. John Choi	840,000
Mr. Alex Yeung	315,600

*Non-executive Directors and Independent Non-executive Director*

Each of the non-executive Directors has been appointed for an initial term of two years commencing from the Listing Date while each of the independent non-executive Directors has been appointed for an initial term of one year commencing from the Listing Date, which shall be renewed and extended automatically for successive terms of one year upon expiry of the then current term until terminated by either party giving not less than three months' written notice to the other expiring at the end of the initial term of their appointment or any time thereafter. The appointments are subject to the provisions of the Articles of Association with regard to vacation of office of Directors, removal and retirement by rotation of Directors. Our non-executive Directors will not receive any directors' fee. Our independent non-executive Directors, Mr. Lam Wai Chin Raymond, Mr. Chan Ting Bond Michael and Mr. Tse Kar Ho Simon are entitled to a director's fee of HK\$180,000, HK\$180,000 and HK\$200,000 per annum, respectively. Save for directors' fees, none of the independent non-executive Directors is expected to receive any other remuneration for holding their office as an independent non-executive Director.

Save as aforesaid, none of the Directors has or is proposed to have a service contract with our Company or any of our subsidiaries other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation).

**(c) Directors' remuneration**

We did not pay any remuneration (including fees, salaries, contributions to pension schemes, housing allowances and other allowances and benefits in kind and discretionary bonuses) to our Directors for the years ended 31 December 2014 and 2015. For the four months ended 30 April 2016, the aggregate remuneration (including salaries and other allowances, share-based payments and social benefits) to our Directors amounted to HK\$0.5 million.

Under the arrangements in force as at the Latest Practicable Date, the estimated aggregate amount of remuneration (excluding discretionary bonus) payable to, and benefits in kind receivable by, our Directors in respect of the financial year ending 31 December 2016, is estimated to be approximately HK\$1.6 million in aggregate.

*(d) Fees or commissions received*

Save as disclosed in this prospectus, none of the Directors nor any of the persons whose names are listed in the paragraph entitled “Consents” in this Appendix had received any commissions, discounts, agency fees, brokerages, or other special terms in connection with the issue or sale of any capital of our Company or any of our subsidiaries within the two years preceding the date of the prospectus.

*(e) Disclaimers*

Save as disclosed in this prospectus:

- (i) none of our Directors or chief executive of our Company has any interest or short position in the Shares, underlying shares and debentures of our Company, or any associated corporation (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered into the register referred to therein, or will be required, pursuant to the Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to our Company and the Stock Exchange, in each case once our Shares are listed;
- (ii) none of our Directors nor any of the parties listed in the paragraph entitled “Consents” in this Appendix is interested in our promotion, or in any assets which have, within the two years immediately preceding the issue of this prospectus, been acquired or disposed or leased to us, or are proposed to be acquired or disposed of by or leased to any member of our Group;
- (iii) none of our Directors nor any of the parties listed in the paragraph entitled “Consents” in this Appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is unusual in its nature or conditions or significant in relation to the business of our Group;
- (iv) save for the Underwriting Agreements, none of the parties listed in the paragraph entitled “Consents” in this Appendix is interested legally or beneficially in any of our Shares or any shares in any of our subsidiaries, or has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for our securities;
- (v) within the two years immediately preceding the date of this prospectus, no commission, discount, brokerage or other special item has been granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries;

- (vi) within the two years immediately preceding the date of this prospectus, no commission has been paid or payable (except commissions to the Underwriters) for subscription, agreeing to subscribe, procuring subscriptions or agreeing to procure subscriptions of any shares in our Company; and
- (vii) so far as is known to our Directors, none of our Directors or Shareholders who are interested in 5% or more of our issued share capital or their close associates has any interest in either our five largest suppliers or five largest customers.

#### D. SHARE OPTION SCHEME

The following is a summary of the principal terms of our Share Option Scheme, conditionally adopted by a resolution of our Shareholders passed on 18 October 2016. The terms of our Share Option Scheme are in accordance with the provisions of Chapter 23 of the GEM Listing Rules.

##### 1. Purpose of our Share Option Scheme

The purpose of our Share Option Scheme is to recognize and acknowledge the contributions made by 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.

##### 2. Participants of our Share Option Scheme and the basis of determining the eligibility of the participants

Our Board may from time to time grant options to 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**”) on the basis of their contribution to the development and growth of our Group.

##### 3. Status of our Share Option Scheme

###### (a) Conditions of our Share Option Scheme

Our Share Option Scheme shall take effect subject to: (i) the commencement of dealings in our Shares on the Stock Exchange; (ii) the passing of the necessary resolutions to adopt our Share Option Scheme by our Shareholders; (iii) the obligations of the underwriters under the Underwriting Agreement becoming unconditional and not being terminated in accordance with the terms thereof or otherwise; and (iv) the Listing Division approving the listing of and permission to deal in any Shares to be allotted and issued pursuant to the exercise of options under our Share Option Scheme (the “**Conditions**”).

###### (b) Life of our Share Option Scheme

Our Share Option Scheme shall be valid and effective for 10 years from the date on which the last of the Conditions is fulfilled (the “**Scheme Period**”), after which time no further option will be granted but the provisions of our Share Option Scheme shall remain in full force and effect

in all other respects. The total number of Shares that may be allotted and issued upon the exercise of all options to be granted under our Share Option Scheme initially must not in aggregate exceed the number of shares in issue as at the Listing Date.

#### 4. Grant of options

##### *(a) Making of an offer*

An offer of the grant of an option shall be made to a Participant by letter (the “**Offer Letter**”) in such form as our Board may from time to time determine, requiring the Participant to undertake to hold the option on the terms on which it is to be granted (which may include a minimum period for which the option must be held before it can be exercised and a performance target that must be reached before the option can be exercised in whole or in part) and to be bound by the provisions of our Share Option Scheme (including any operational rules made under our Share Option Scheme). The offer shall remain open for acceptance for such time to be determined by our Board provided that no such offer shall be open for acceptance after the expiry of the Scheme Period or after the termination of our Share Option Scheme.

##### *(b) Acceptance of an offer*

An option shall be deemed to have been granted to (subject to certain restrictions in our Share Option Scheme), and accepted by, the Participant (the “**Grantee**”) and to have taken effect after we receive the Offer Letter signed by the Grantee together with a remittance in favour of our Company of HK\$1.0 or the equivalent amount in any currency by way of consideration for the grant of the option on or before the last day for acceptance as defined by our Board. The remittance is not in any circumstances refundable. Once accepted, the option is granted as from the date on which it was offered to the relevant Grantee.

##### *(c) Restrictions on time of grant*

No grant of options shall be made after a inside information in relation to the securities of our Company has occurred or inside information matter in relation to the securities of our Company has been the subject of a decision, until the inside information has been announced pursuant to the requirements of the GEM Listing Rules. In particular, no option shall be granted during the period of one month immediately preceding the earlier of:

- (i) the date of our Board meeting as shall have been notified to the Stock Exchange for the approval of our Company’s results for any year, half-year or quarterly or any other interim period (whether or not required under the GEM Listing Rules); and
- (ii) the deadline for our Company to publish an announcement of its results for any year or half-year under the GEM Listing Rules or quarterly or other interim period (whether or not required under the GEM Listing Rules),

and ending on the date of the results announcement. The period during which no option may be granted will cover any period of delay in the publication of a results announcement.

(d) *Grant to connected persons*

Any grant of options to a connected person must be approved by all our independent non-executive Directors who is a proposed Grantee of the options).

(e) *Grant to substantial shareholders and independent non-executive Directors*

Without prejudice to paragraph 4(d) above, any grant of options to a substantial shareholder or an independent non-executive Director of our Company or any of their respective associates must be approved by our Shareholders in general meeting if our Shares issued and to be issued and to be issued upon exercise of all options already granted and proposed to be granted to him (whether exercised, cancelled or outstanding) in the 12-month period up to and including the proposed date of such grant:

- (i) would represent in aggregate more than 0.1% of our Shares then in issue; and
- (ii) would have an aggregate value, based on the closing price of our Shares at the date of each grant, in excess of HK\$5 million (or such other amount as shall be permissible under the GEM Listing Rules from time to time).

(f) *Proceedings in general meeting to approve the grant of option*

At the general meeting to approve the proposed grant of options under paragraph (e), the grantee, his associates and all core connected persons of our Company must abstain from voting unless intending to vote against the proposed grant. At such general meeting, the vote to approve the grant of such options must be taken on a poll in accordance with the relevant provisions of the GEM Listing Rules.

## 5. Subscription price

The price per Share at which a Grantee may subscribe for Shares upon exercise of an option (the “**Subscription Price**”) shall, subject to any adjustment pursuant to paragraph 7 below, be a price determined by our Board in its sole and absolute discretion but in any event shall be at least the highest of:

- (i) the closing price of our 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 our 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 our Shares,

except that for the purposes of calculating the Subscription Price under paragraph 5(ii) above for an option offered within five business days of the Listing Date, the price at which our Shares are to be offered for subscription pursuant to the Placing shall be used as the closing price for any business day falling within the period before the Listing Date.

**6. Maximum number of Shares available for subscription***(a) Scheme Mandate*

Subject to sub-paragraphs 6(b) and 6(c) below, the maximum number of Shares in respect of which options may be granted under our Share Option Scheme and any other share option schemes of our Company shall not in aggregate exceed the number of shares that shall represent 10% of the total number of Shares in issue as of the Listing Date (the “**Scheme Mandate**”) being 180,000,000 Shares. For the purpose of calculating the Scheme Mandate, options which have lapsed in accordance with the terms of the relevant scheme shall not be counted in calculating the 10% limit.

*(b) Renewal of Scheme Mandate*

Our Company may seek approval by our Shareholders in general meeting for renewing or increasing the Scheme Mandate provided that the total number of Shares in respect of which options may be granted under our Share Option Scheme and any other schemes of our Company under the Scheme Mandate as renewed must not exceed 10% of the total number of Shares in issue as at the date of our Shareholders’ approval. Options previously granted under our Share Option Scheme and any other Share Option Schemes of our Company, whether outstanding, cancelled, lapsed in accordance with its applicable rules or already exercised, will not be counted for the purpose of calculating the limit as renewed.

For the purpose of seeking the approval of our Shareholders under this sub-paragraph 6(b), a circular containing the information required under Rule 23.02(2)(d) of the GEM Listing Rules and the disclaimer required under Rule 23.02(4) of the GEM Listing Rules must be sent to our Shareholders.

*(c) Grant of Options beyond Scheme Mandate*

Our Company may seek separate approval by our Shareholders in general meeting for granting options beyond the Scheme Mandate provided that the options in excess of the Scheme Mandate are granted only to Participants who are specifically identified before such approval in sought.

For the purpose of seeking the approval of our Shareholders under this sub-paragraph (6)(c), our Company must send a circular to our Shareholders containing a generic description of the specified Grantees who may be granted such options, the number and terms of the options to be granted, the purpose of granting such options to the Grantees with an explanation as to how the terms of options serve such purpose and the information required under Rule 23.02(2)(d) of the GEM Listing Rules and the disclaimer as required under 23.02(4) of the GEM Listing Rules.

*(d) Maximum number of Shares issued pursuant to Options*

Notwithstanding anything to the contrary in our Share Option Scheme, the maximum limit on the number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under our Share Option Scheme and any other schemes of our Company must not exceed such number of Shares as shall represent 30% of our Shares in issue from time to time. No options may be granted if such grant will result in this 30% limit being exceeded.

*(e) Grantee's maximum holding*

Unless approved by our Shareholders in general meeting in the manner prescribed in the GEM Listing Rules, our Board shall not grant options to any Grantee if the acceptance of those options would result in the total number of shares issued and to be issued to that Grantee on exercise of his options during any 12-month period exceeding 1% of the total Shares then in issue.

Where any further grant of options to a Grantee, if exercised in full, would result in the total number of Shares already issued or to be issued upon exercise of all options granted and to be granted to such Grantee (including exercised, cancelled and outstanding options) in any 12-month period up to and including the date of such further grant exceeding 1% of the total number of Shares in issue, such further grant must be separately approved by our Shareholders in general meeting with such Grantee and his close associates (or his associates if the Grantee is a connected person) abstaining from voting. Our Company must send a circular to our Shareholders and the circular must disclose the identity of the Grantee, the number and terms of the options to be granted and options previously granted to such Grantee and the information required under the GEM Listing Rules. The number and terms (including the Subscription Price) of the options to be granted to such Participant must be fixed before our Shareholders' approval. The date of the Board meeting for proposing such further grant of option should be taken as the date of grant for the purpose of calculating the Subscription Price.

*(f) Adjustment*

The number of Shares subject to the options issued pursuant to our Share Option Scheme may be adjusted in such manner as our Company's independent financial adviser or auditor (acting as expert and not as arbitrator) shall certify in writing to our Board to be in its opinion fair and reasonable in accordance with sub-paragraph 7(b) below.

**7. Reorganization of capital structure**

*(a) Adjustment of options*

In the event of any alteration in the capital structure of our Company whilst any option becomes or remains exercisable, whether by way of capitalization of profits or reserves, rights issue, consolidation, subdivision or reduction of the share capital of our Company (other than an issue of Shares as consideration in respect of a transaction to which our Company is a party), our Board shall make (and shall notify to the Grantee) such corresponding alterations (if any) to:

- (i) the number of Shares subject to the option so far as unexercised;

- (ii) the Subscription Price; or
- (iii) the number of Shares subject to our Share Option Scheme;

that are required to give each Grantee as near as possible the same proportion of share capital as that to which the Grantee was previously entitled (as interpreted in accordance with the Supplementary Guidance attached to the letter from the Stock Exchange dated 5 September 2005 to all issuers relating to Share Option Schemes), but not so that the effect would be to enable any Share to be issued to a Grantee at less than its nominal value, provided that no adjustments to the Subscription Price and number of Shares should be made to the advantage of the Participants without specific prior approval of our Shareholders.

*(b) Auditors/independent financial adviser confirmation*

On any capital reorganisation other than a capitalisation issue, the auditors or an independent financial adviser shall certify in writing to our Board that the adjustments made by our Board pursuant to sub-paragraph 7(a) above are in their opinion fair and reasonable.

## **8. Cancellation of options**

Subject to the consent from the relevant Grantee, our Board may at its discretion cancel options previously granted to and yet to be exercised by a Grantee for the purpose of re-issuing new options to that Grantee provided that there are sufficient available unissued options under the Scheme Mandate as renewed from time to time (excluding such cancelled options) in accordance with the terms of our Share Option Scheme.

## **9. Assignment of options**

An option is personal to the Grantee and shall not be transferable or assignable.

## **10. Options attached to our Shares**

Our Shares to be allotted upon exercise of an option will be subject to all the provisions of our Articles of Association and will rank pari passu with the fully paid Shares in issue as from the day when the name of the Grantee is registered on the register of members of our Company (the “**Registration Date**”). Accordingly our Shares will entitle the holders to participate in all dividends or other distributions paid or made on or after the Registration Date other than any dividends or other distributions previously declared or recommended or resolved to be paid or made with respect to a record date which is before the Registration Date.

A Share issued upon the exercise of an option shall not carry any voting rights until the registration of the Grantee or his nominee as the holder of the Share on the register of members of our Company.

Unless otherwise regulated by applicable law, a Grantee shall have no rights as Shareholder with respect to any Shares covered by an option before such Grantee exercises the option.

## 11. Exercise of options

### *(a) General*

The period during which an option may be exercised in accordance with the terms of our Share Option Scheme (the “**Option Period**”) shall be the period of time to be notified by our Board to each Grantee, which our Board may in its absolute discretion determine, save that such period shall not be more than ten years commencing on the Offer Date.

### *(b) Rights of Grantee upon his retirement or death*

If the Grantee ceases to be a Participant by reason of retirement, death or disability, the option shall vest immediately at the date of cessation and the Grantee or his legal personal representative shall be entitled within a period of 12 months from the date of retirement or death (or within such longer period as our Board may determine) to exercise the option (to the extent not already exercised).

### *(c) Rights of Grantee upon his cessation of employment under certain circumstances*

In the event the Grantee ceases to be a Participant for any reason other than his retirement or death or disability or termination of his employment on one or more of the grounds specified in sub-paragraph 12(iv) below or the termination of his business relation with the relevant member of our Group, the Grantee may exercise the option up to his or her entitlement at the date of cessation.

### *(d) Rights on a takeover*

In the event a general or partial offer, whether by way of take-over offer, or a take-over by way of a scheme of arrangement or otherwise in like manner, is made to all the holders of Shares, or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in concert with the offeror and the take-over offer becomes or is declared unconditional, the grantee shall be entitled to exercise the option (to the extent not already exercised), within one month from the date the take-over offer is declared unconditional.

### *(e) Rights on a voluntary winding up*

In the event of a notice is given by our Company to our Shareholders to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall on the same date as or soon after it dispatches such notice to each of our Shareholders give notice to all Grantees (together with a notice of the existence of the provisions of this sub-paragraph 11(e)). Upon receipt of such notice, each Grantee (or where permitted under sub-paragraph 11(b) his legal personal representative(s)) shall be entitled to exercise all or any of the option (to the extent which has become exercisable and not already exercised) at any time not later than two (2) business days prior to the proposed general meeting of our Company by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate Subscription Price for our Shares in respect of which the notice is given. Upon receipt of such notice together with the remittance by our Company, our Company shall as soon as possible and, in any event, no later than the business day immediately prior to the date of the proposed general meeting referred to above, allot the relevant

Shares to the Grantee credited as fully paid. The allotted Shares shall rank pari passu with all other Shares in issue on the date prior to the passing of the resolution to wind-up our Company to participate in the distribution of assets of our Company available in liquidation.

*(f) Rights on a compromise or arrangement*

If a compromise or arrangement between our Company and our Shareholders or creditors is proposed in connection with a scheme for the reconstruction of our Company or its amalgamation with any other company or companies, our Company shall give notice to the Grantee on the same day as it gives notice of the meeting to our Shareholders or creditors to consider the compromise or arrangement. Upon receipt of the notice, the Grantee may, during the period commencing on the date of the notice and ending on the earlier of:

- (i) the date two calendar months thereafter; and
- (ii) the date on which such compromise or arrangement is sanctioned by the court,

exercise the option (to the extent not already exercised), conditional upon the compromise or arrangement being sanctioned by the court and becoming effective. With effect from the date of such meeting, the rights of all Grantees to exercise their respective options shall forthwith be suspended. Our Company may require the Grantee to transfer or otherwise deal with our Shares issued as a result of the exercise of options in these circumstances so as to place the Grantee in the same position as nearly as would have been the case had such Shares been subject to the compromise or arrangement. If for any reason such compromise or arrangement is not approved by the court (whether upon the terms presented to the court or upon any other terms as may be approved by such court) the rights of Grantees to exercise their respective options shall with effect from the date of the making of the order by the court be restored in full and shall thereupon become exercisable (but subject to the other terms of this Share Option Scheme) as if such compromise or arrangement had not been proposed by our Company and no claim shall lie against our Company or any of its officers for any loss or damage sustained by any Grantee as a result of the aforesaid suspension.

## **12. Lapse of options**

An option where vested or unvested shall lapse automatically (to the extent not already exercised) on the earliest of:

- (i) the expiry of the Option Period;
- (ii) the expiry of the periods referred to in sub-paragraphs 11(a) to (f) above;
- (iii) in respect of a Grantee (being a Director or employee of our Group or Invested Entity) who ceases to be engaged by our Group or the Invested Entity by reasons other than termination of employment on grounds under paragraph 12(iv) below, the last date on which such Grantee was at work with our Group or the Invested Entity (whether salary is paid in lieu of notice or not);

- (iv) the date on which the Grantee (being a Director or employee of our Group or Invested Entity) ceases to be a Participant by reason of the termination of his employment on any one or more of the following grounds:
  - (a) that he has been guilty of misconduct; or
  - (b) that he has committed an act of bankruptcy or has become insolvent or has made an arrangement or composition with creditors generally; or
  - (c) that he has been convicted of a criminal offence involving his integrity or honesty; or
  - (d) any misconduct based on the sole and absolute option of our Company; or
  - (e) and a resolution of our Board or our Board of Directors of the relevant subsidiary of our Company to the effect that the employment of a Grantee has or has not been terminated on one or more of the grounds specified in this sub-paragraph 12(iv) shall be conclusive;
- (v) in the event of the Grantee not being a Director or employee of our Group or Invested Entity, the date on which our Board in its sole and absolute discretion resolves that such Grantee ceases to be qualified as a Participant by reason of termination of its business relations with the relevant member of our Group or by reason of its failure to comply with the provisions of the relevant contracts or agreements and/or its breaches of its fiduciary duties under common law or otherwise on other grounds as our Board considers appropriate;
- (vi) the date on which the Grantee commits a breach of paragraph 9 above;
- (vii) if an option is granted subject to certain conditions, restrictions or limitations, the date on which our Board resolves that the Grantee has failed to satisfy or comply with such conditions, restrictions or limitations; and
- (viii) the occurrence of such event or expiry of such period as may have been specifically provided for in the Offer Letter, if any.

### **13. Amendment of our Share Option Scheme**

The specific provisions of our Share Option Scheme which relate to the matters set out in Rule 23.03 of the GEM Listing Rules cannot be altered to the advantage of Participants, and changes to the authority of our Board in relation to any alteration of the terms of our Share Option Scheme shall not be made, in either case, without the prior approval of Shareholders in general meeting. Any alterations to the terms and conditions of our Share Option Scheme which are of material nature, or any change to the terms of options granted, must also, to be effective, be approved by our Shareholders in general meeting, except where alterations take effect automatically under the existing terms of our Share Option Scheme. Our Share Option Scheme so altered must comply with Chapter 23 of the GEM Listing Rules.

## 14. Termination

Our Company may at any time terminate the operation of our Share Option Scheme by resolution of our Board or resolution of our Shareholders in general meeting and in such event no further options will be offered but the provisions of our Share Option Scheme shall remain in force in all other respects to the extent necessary to give effect to the exercise of the options (to the extent not already exercised) granted prior to the termination or otherwise or may be required in accordance with the provisions of our Share Option Scheme. All options granted prior to the termination and yet to be exercised shall continue to be valid and exercisable in accordance with the terms of our Share Option Scheme.

As of the Latest Practicable Date, no option has been granted by our Company under our Share Option Scheme.

## E. OTHER INFORMATION

### 1. Estate Duty

The Revenue (Abolition of Estate Duty) Ordinance 2005 came into effect on 11 February 2006 in Hong Kong, pursuant to which estate duty ceased to be chargeable in Hong Kong in respect of the estates of persons dying on or after that date. No Hong Kong estate duty is payable and no estate duty clearance papers are needed for an application for a grant of representation in respect of holders of Shares whose death occur on or after 11 February 2006.

### 2. Stamp Duty

Dealings in the Shares will be subject to Hong Kong stamp duty. The current ad valorem rate of Hong Kong stamp duty is 0.1% on the higher of the consideration for or the market value of the Shares and it is charged on the purchaser on every purchase and on the seller on every sale of the Shares. In other words, a total stamp duty of 0.2% is currently payable on a typical sale and purchase transaction involving the Shares.

### 3. Tax and other indemnities

Each of our Controlling Shareholders (collectively, the “**Indemnifiers**”) has entered into the Deed of Indemnity (being the material contract referred to in “B. Further information about our business — 1. Summary of material contracts — (b) the Deed of Indemnity” in this Appendix) with and in favour of our Company (for itself and as trustee for its subsidiaries) to provide indemnities on a joint and several basis in respect of, among other matters:

- (a) any tax (which includes estate duty) liabilities in whatever part of the world which might be payable by any member of our Group in respect of any income, profits or gains earned, accrued or received or deemed to have been earned, accrued or received, or of any transactions entered into, or the occurrence of any matters or things on or up to the date on which the Placing becomes unconditional (the “**Effective Date**”), save for any taxation the extent that:

- (i) full provision has been made for such taxation in the audited accounts of our Group for the two years ended 31 December 2015 and the four months ended 30 April 2016 (the “**Accounts**”) as set out in Appendix I to the prospectus and to the extent that such taxation is incurred or accrued since 1 May 2016 which arises in the ordinary course of business of our Group as described in the section headed “Business” in the prospectus;
  - (ii) falling on any member of our Group on or after 1 May 2016, unless the liability for such taxation would not have arisen but for any act or omission of, or delay by, or transactions voluntarily effected by any member of our Group (whether alone or in conjunction with some other act, omission, delay or transaction, whenever occurring) other than in the ordinary course of its business or in the ordinary course of acquiring or disposing of capital assets or pursuant to a legally binding commitment created before 1 May 2016;
  - (iii) such taxation claim arises or is incurred as a result of the imposition of taxation as a consequence of any retrospective change in the law, rules and regulations or the interpretation or practice thereof by the Inland Revenue Department of Hong Kong or any other relevant authority (whether in Hong Kong, the Cayman Islands, Macau or any other part of the world) coming into force after the Effective Date or to the extent such taxation claim arises or is increased by an increase in rates of taxation after the Effective Date with retrospective effect;
  - (iv) any provisions or reserve made for taxation in the Accounts which is finally established to be an over-provision or an excessive reserve in which case the Indemnifiers’ liability (if any) in respect of such taxation shall be reduced by an amount not exceeding such provision or reserve, provided that the amount of any such provision or reserve applied pursuant to the deed of indemnity to reduce the Indemnifiers’ liability in respect of taxation shall not be available in respect of any such liability arising thereafter; and
- (b) any fines, penalties, administrative or other charges, levies, payments, orders, eviction or restraint from use of any property owned or leased by any member of our Group which may be imposed on any member of our Group in relation to events occurred on or before the Listing Date, or any damages, losses, liabilities, claims, expenses and costs (including all costs for relocation of any member of our Group and its assets from any property owned, leased occupied or used by any member of our Group in case of it being subject to any eviction or restraint from use of such property), or damages, liabilities, claims, losses (including loss of profits or benefits) incurred or suffered by any member of our Group directly or indirectly arising from or in connection with any possible or alleged violation or non-compliance with the applicable laws, rules or regulations of Hong Kong on all matters on or before the Listing Date and in connection with any property owned, leased, occupied or used by any member of our Group before the Listing Date; and
- (c) any depletion in or reduction in value of its assets or any loss (including all legal costs and suspension of operation), cost, expenses, damages or other liabilities which any member of the Group may incur or suffer arising from or in connection with the implementation of the Reorganisation.

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of its subsidiaries in the Cayman Islands.

#### **4. Litigation**

As at the Latest Practicable Date, no member of our Group was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance is known to our Directors to be pending or threatened against any member of our Group.

#### **5. Agency fees or commissions received**

The Underwriters will receive a commission of 3.5% of the aggregate Placing Price in respect of all the Placing Shares, out of which they will pay any sub-underwriting commissions and selling concessions, and an incentive fee of 2.0% of the aggregate Placing Price of all the Placing Shares shall be paid by our Company to the Sole Global Coordinator (or to such Underwriter(s) as designated by the Sole Global Coordinator in writing). In addition, the Sole Sponsor will also receive a sponsor's fees relating to the Placing of HK\$4.0 million. Such commissions, incentive fee, advisory and documentation fees and expenses, together with the Stock Exchange listing fees, legal and other professional fees, and printing and other expenses relating to the Placing, which are estimated to amount in aggregate to approximately HK\$26.8 million based on the minimum Placing Price of HK\$0.2, and approximately HK\$28.3 million based on the maximum Placing Price of HK\$0.26, will be payable by our Company.

#### **6. Application for listing of Shares**

The Sole Sponsor has made an application on behalf of our Company to the Listing Division of the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus and any Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme, being up to 10% of the Shares in issue on the Listing Date, on the Stock Exchange. All necessary arrangements have been made to enable the securities to be admitted into CCASS.

#### **7. Compliance adviser**

In accordance with the requirements of the GEM Listing Rules, our Company has appointed China Everbright Capital Limited as compliance adviser to provide advisory services to our Company to ensure compliance with the GEM Listing Rules for a period commencing on the Listing Date and ending on the date on which our Company complies with Rule 18.03 of the GEM Listing Rules in respect of its financial results for the second full financial year commencing after the Listing Date or until the agreement is terminated, whichever is the earlier.

#### **8. Preliminary Expenses**

Our preliminary expenses are approximately US\$3,600 and were paid by our Company.

#### **9. Promoter**

The Company has no promoter for the purpose of the GEM Listing Rules. Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus, no cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to any promoters in connection with the Placing and the related transactions described in this prospectus.

## 10. Qualifications of Experts

The qualifications of the experts (as defined under the GEM Listing Rules and the Companies Ordinance) who have given their opinions or advice in this prospectus are as follows:

Name	Qualifications
China Everbright Capital Limited	a licensed corporation to conduct type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO
HLB Hodgson Impey Cheng Limited	Certified public accountants
Leong Hon Man Law Office	Macau legal advisers
Appleby	Cayman Islands legal advisers

## 11. Consents

Each of China Everbright Capital Limited, HLB Hodgson Impey Cheng Limited, Leong Hon Man Law Office and Appleby has given and has not withdrawn its respective written consents to the issue of this prospectus with the inclusion of their reports and/or letters and/or opinion and/or the references to their names included herein in the form and context in which they are respectively included.

None of the experts named above has any shareholding interests in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

## 12. Binding Effect

This prospectus shall have the effect, if an application is made in pursuant hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

## 13. Miscellaneous

- (a) Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus:
  - (i) no share or loan capital of our Company or any of our subsidiaries has been issued or agreed to be issued or is proposed to be fully or partly paid either for cash or a consideration other than cash;
  - (ii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
  - (iii) no founders or management or deferred shares of our Company or any of our subsidiaries have been issued or agreed to be issued;

- (iv) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries; and
  - (v) no commission has been paid or is payable for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any share in our Company or any of our subsidiaries.
- (b) Our Directors confirm that:
- (i) there has been no material adverse change in the financial or trading position or prospects of our Group since 30 April 2016 (being the date to which the latest audited consolidated financial statements of our Group were prepared);
  - (ii) there is no arrangement under which future dividends are waived or agreed to be waived; and
  - (iii) there has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this prospectus.
- (c) The principal register of members of our Company will be maintained in the Cayman Islands by Estera Trust (Cayman) Limited and a Hong Kong register of members of our Company will be maintained in Hong Kong by Tricor Investor Services Limited. Unless the Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by our Hong Kong branch share registrar and may not be lodged in the Cayman Islands.
- (d) All necessary arrangements have been made to enable our Shares to be admitted into CCASS for clearing and settlement.
- (e) No company within our Group is presently listed on any stock exchange or traded on any trading system.
- (f) The Directors have been advised that, under the Cayman Companies Law, the use of a Chinese name by the Company for identification purposes only does not contravene the Cayman Companies Law.
- (g) The English and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided by section 4 of the Companies (Exemption from Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong). This prospectus is written in the English language and contains a Chinese translation for information purposes only. Should there be any discrepancy between the English language of this prospectus and the Chinese translation, the English language version of this prospectus shall prevail.

**A. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES**

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were the written consents referred to in the paragraph headed “Consents” of Appendix IV to this prospectus, and copies of the material contracts referred to in the paragraph headed “Summary of material contracts” of Appendix IV to this prospectus

**B. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection at the office of Vivien Teu & Co in association with Llinks Law Offices at Suites 1503–1504, Level 15, ICBC Tower, 3 Garden Road, Central, Hong Kong, during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (a) the Memorandum of Association of our Company;
- (b) the Articles;
- (c) the accountants’ report of the Company prepared by HLB Hodgson Impey Cheng Limited, the text of which is set out in Appendix I to this prospectus;
- (d) the letter on unaudited pro forma financial information issued by HLB Hodgson Impey Cheng Limited, the text of which is set out in Appendix II to this prospectus;
- (e) the audited financial statements of our Group for each of the two years ended 31 December 2015 and the four months ended 30 April 2016;
- (f) the letter prepared by Appleby summarising certain aspects of the Cayman Companies Law as referred to in Appendix III to this prospectus;
- (g) the Companies Law;
- (h) the legal opinions prepared by Leong Hon Man Law Office in respect of certain aspects of our Group in Macau and summary of Macau laws and regulations relating to our business;
- (i) the service contracts referred to in the paragraph headed “Service contracts of our Directors” in Appendix IV to this prospectus;
- (j) the rules of the Share Option Scheme referred to in the paragraph headed “Share Option Scheme” in Appendix IV to this prospectus;
- (k) the material contracts referred to in the paragraph headed “Summary of material contracts” in Appendix IV to this prospectus; and
- (l) the written consents referred to in the paragraph headed “Consents” in Appendix IV to this prospectus.

*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