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LUK HING ENTERTAINMENT GROUP HOLDINGS LIMITED
陸慶娛樂集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8052)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2017

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE

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

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

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

Dear Shareholders,

On behalf of the board of directors, I am pleased to present the annual results of Luk Hing Entertainment Group Holdings Limited (the "Company") for the year ended 31 December 2017. Over the course of the year, we continued to strengthen our competitiveness and market position as a leading clubbing business operator in Macau, as well as diversifying into catering business in Hong Kong and kept exploring other food, beverage and entertainment business opportunities in Hong Kong and the PRC.

During the year under review, the Company recorded total revenue of approximately HK$137.4 million, representing an increase of 6.3% from approximately HK$129.3 million in 2016. Loss attributable to the owners of the Company in 2017 increased 50% to approximately HK$9.3 million, from approximately HK$6.2 million in 2016. The increase of revenue was contributed by sales of food and beverage in our new restaurant, HEXA, which opened in the last quarter of 2017 and the increase in ticket sales of event held outside Club Cubic Macau. Increase in loss attributable to the owners of the Company was mainly caused by the increase in staff cost, post-listing professional fees and pre-opening and startup costs of HEXA and other projects.

BUSINESS ENVIRONMENT AND DEVELOPMENT

Club Cubic Macau

In 2017, most of the Group's revenue was still derived from Club Cubic Macau, which continued to act as the cash cow to support the Group's development. The competition in the Macau clubbing industry was intensified due to the increase of the clubbing venues in Macau. We see our events playing an important role in differentiating us from our competitors and maintaining our competitiveness, as our events often attracting customers from the PRC and Hong Kong. Over the past business years, we have successfully created sustainable growth from the crowd of club goers.

Regular events

In 2017, we introduced 3 new themes for our existing regular events, "Ladies' Night" and "Girls' Night Out" parties, which were held every Wednesday and Friday night with our resident DJs, to develop and support the local scene. We also introduced a new regular event hip-hop music night, Turn Up Hip Hop Night, which ws held every Thursday, to offer varieties and different genre of electronic music to enjoy.

Weekday	**Regular Events**
Every Wednesday	Ladies' Night
Every Thursday	Turn Up Hip Hop Night
Every Friday	Girls' Night Out

Featured events

In 2017, we organized more themed parties to expand and provide exciting new experiences for our customers throughout the year. Our Halloween party this year was spread over 2 nights with a total attendance of over 1,000 tricks or treaters.

Date	**Themed Parties**
4 February 2017	Magical School
24 June 2017	Full Moon
15 July 2017	Cirque Le Soir
30–31 October 2017	Halloween
16–19 November 2017	Grand Prix
24 December 2017	Xmas Eve

Aside from our themed parties, we have also consistently been booking some of the biggest electronic music talents from around the world, with over 50 international acts booked over the course of the year, including Armin Van Buuren, Hardwell, Jay Hardway & Malaa and Nicky Romero, continuing to draw big crowds from Macau, Hong Kong and the PRC as well as plenty of media interest.

Date	**Performers**
7 January 2017	Florian Picasso
18 February 2017	Timmy Trumpet
8 April 2017	Hardwell
6 May 2017	Curbi
20 May 2017	Brillz
17 June 2017	Headhunterz
29 July 2017	Jay Hardway & Malaa
12 August 2017	Kid Ink
9 September 2017	Armin Van Buuren
23 September 2017	Infected Mushroom
11 November 2017	Nicky Romero
2 December 2017	Wiwek

Event held outside Club Cubic Macau

Following our success in 2016, we organized our second annual outdoor music festival with more fans arriving at the heart of the city at the stylish outdoor location for the largest electronic music event ever to take place on Hong Kong soil in September 2017, which was 50% increase from attendance of 6,800 in 2016. There was also an increased percentage of foreign festival goers from both the PRC and the overseas.

HEXA

HEXA, our new fine dining Chinese cuisine restaurant with mixed entertainment activities located at Harbour City, opened in the last quarter of 2017. With its sweeping, 270-degree harbor view, stylish interior design and contemporary Cantonese cuisine, HEXA has brought unique dining experience at Harbour City. With fresh ingredients sourced from around, we strive to serve the best quality dishes made with the most innovative ideas through HEXA.

OUTLOOK

Moving forward, we will continue to strengthen our leading market position by brand building, improving our quality of customer service and attracting more and more internationally renowned DJs to perform in Club Cubic Macau. With the upcoming opening of the Hong Kong — Zhuhai — Macau Bridge, Macau will no doubt see an increase in the number of tourists as access from Hong Kong and the PRC is made easier and more convenient. This will positively affect our business in the years to come. As the growth of the electronic music industry continues to move at a fast pace in the region, it goes to show the rising potential of the nightlife scene in Macau, where big acts we book will continue to draw increasing crowds to Macau. The Group believes that there is ample room for growth and expansion of Club Cubic Macau and we endeavoured to speed up the completion of its expansion plan.

Over the past two years, we have organized the outdoor festival event in Hong Kong and accumulated valuable experience. The third edition of the festival will be returned in June 2018 to an indoor venue to bring the cool experience this summer. We anticipate an increased attendance of over 10,000 fans to be united from regional and international to witness performances from some of the world's most renowned DJs, live acts and unparalleled production for a one-of-a-kind, world's most premium electronic music festival experience.

Since its opening in the last quarter of 2017, HEXA has steadily played a more and more important role to the Group's revenue contribution. While we will continue to promote its public awareness, we strive to monitor and control its costs such that it will soon have positive impact to the Group's profit. Supplementary to HEXA, we are planning to open a roast-goose outlet in Langham Place Shopping Mall at the very heart of Mongkok soon in 2018. The outlet is known as Oh-My-Goose and it is designed as a fast causal restaurant which offers cool and high quality fast food at affordable price, which targets those young and trend-seeking young consumers at Mongkok.

We desired to further diversify our sources of revenue and capitalize our connections in the field. We obtained a Hong Kong money lender licence in the last quarter of 2017 and we target borrowers in the food, beverage and entertainment-related industry, including operators and suppliers. We will continue to develop the business in 2018. Apart from the above, we eager to extend our operations and business to the PRC, in particular Guangdong-Hong Kong-Macau Greater Bay Area, as we believe that there is enormous business potential there. Our investment in Club Cubic Zhuhai, which is expected to be opened by end of 2018, will provide us experience to do business in the region which we may replicate in future. We will also keep exploring other opportunities to expand our clubbing and restaurant business in the region.

I would like to take this opportunity to thank the management team and the entire workforce of the Company for their hard work and dedication over the past year. Last but not least, I would like to express my gratitude to our shareholders, investors and partners for their strong support.

Mr. Choi Yiu Ying
Chairman and Chief Executive Officer
Hong Kong, 26 March 2018

ANNUAL RESULTS

The board (the "Board") of Directors of Luk Hing Entertainment Group Holdings Limited (the "Company") is pleased to announce the following audited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2017, together with the comparative figures for the preceding year ended 31 December 2016:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	**Year ended 31 December 2017** *HK$'000*	Year ended 31 December 2016 *HK$'000*
Revenue	*5*	**137,384**	129,302
Other income and gain	*6*	**3,484**	2,659
Cost of inventories sold		**(26,591)**	(23,707)
Staff costs		**(39,881)**	(29,968)
Depreciation and amortisation		**(2,848)**	(1,976)
Property rentals and related expenses		**(17,478)**	(13,443)
Advertising and marketing expenses		**(24,466)**	(23,394)
Other operating expenses		**(42,899)**	(29,477)
Finance costs		**–**	(15)
Listing expenses		**–**	(16,165)
Loss before taxation	*8*	**(13,295)**	(6,184)
Taxation	*7*	**(217)**	–
Loss for the year		**(13,512)**	(6,184)
Other comprehensive income:			
Exchange difference on translating of financial statements of overseas subsidiaries		**82**	–
Total comprehensive loss for the year		**(13,430)**	(6,184)
Loss for the year attributable to:			
Owners of the Company		**(9,275)**	(6,184)
Non-controlling interests		**(4,237)**	–
		(13,512)	(6,184)
Total comprehensive loss for the year attributable to:			
Owners of the Company		**(9,193)**	(6,184)
Non-controlling interests		**(4,237)**	–
		(13,430)	(6,184)
Losses per share attributable to owners of the Company — Basic and diluted (HK cents)	*10*	**(0.52)**	(0.44)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 31 December 2017 HK$'000	As at 31 December 2016 HK$'000
Assets			
Non-current assets			
Plant and equipments		**21,119**	5,485
Intangible assets		**820**	934
Available-for-sale investments		**6,160**	–
Deposits	*11*	**3,885**	103
		31,984	6,522
Current assets			
Inventories		**3,923**	4,677
Account and other receivables	*11*	**25,723**	25,641
Loan receivables	*12*	**2,000**	–
Cash and cash equivalents		**49,167**	73,850
		80,813	104,168
Liabilities			
Current liabilities			
Account and other payables	*13*	**28,300**	23,643
Income tax payables		**226**	8
		28,526	23,651
Net current assets		**52,287**	80,517
Total assets less current liabilities		**84,271**	87,039
Non-current liabilities			
Deferred rentals	*13*	**1,833**	–
Amounts due to non-controlling interests		**4,112**	–
Provision for reinstatement costs		**715**	–
		6,660	–
Net assets		**77,611**	87,039
Equity			
Share capital		**18,000**	18,000
Reserves		**59,846**	69,039
Equity attributable to owners of the Company		**77,846**	87,039
Non-controlling interests		**(235)**	–
Total equity		**77,611**	87,039

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company							
	Share capital HK$'000	Share premium HK$'000	Legal reserve HK$'000 *(Note a)*	Exchange reserve HK$'000	Retained earnings/ (Accumulated losses) HK$'000	Sub-total HK$'000	Attributable to non-controlling interests HK$'000	Total HK$'000
As at 1 January 2016	24	–	12	–	14,783	14,819	–	14,819
Loss and total comprehensive loss for the year	–	–	–	–	(6,184)	(6,184)	–	(6,184)
Effect of reorganisation	(24)	–	–	–	–	(24)	–	(24)
Capitalisation issue	13,500	(13,500)	–	–	–	–	–	–
Issue of shares upon placing	4,500	90,000	–	–	–	94,500	–	94,500
Expenses in connection with the issue of shares	–	(10,265)	–	–	–	(10,265)	–	(10,265)
Dividends *(Note 9)*	–	–	–	–	(5,807)	(5,807)	–	(5,807)
As at 31 December 2016 and 1 January 2017	18,000	66,235	12	–	2,792	87,039	–	87,039
Loss for the year	–	–	–	–	(9,275)	(9,275)	(4,237)	(13,512)
Other comprehensive income for the year	–	–	–	82	–	82	–	82
Capital contribution from non-controlling interests	–	–	–	–	–	–	4,002	4,002
As at 31 December 2017	**18,000**	**66,235**	**12**	**82**	**(6,483)**	**77,846**	**(235)**	**77,611**

Note:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Luk Hing Entertainment Group Holdings Limited ("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. On 11 November 2016, the Company's shares were listed on the GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The registered office of the Company is PO Box 1350, Clifton House, 75 Fort Street, Grand Cayman, KY1-1180, Cayman Islands and the principal place of business in Hong Kong is located at Room 1505, 15/F., Shun Tak Centre West Tower, 168–200 Connaught Road Central, Sheung Wan, Hong Kong. The Company is an investment holding company.

The Company and its subsidiaries (collectively referred as the "Group") is principally engaged in the food and beverage and entertainment industry. The Group's principal activities are operation of clubs and restaurants, organising music-related featured events as well as granting loans to entities in the food and beverage and entertainment industry ("Money Lending Business").

Other than those subsidiaries established in the Macau whose functional currency is Macau Pataca ("MOP") and some subsidiaries established in the People's Republic of China (the "PRC") whose functional currency is Renminbi ("RMB"), the functional currency of the Company and Hong Kong operating subsidiaries is Hong Kong dollars (HK$).

The consolidated financial statements are presented in Hong Kong dollars ("HK$") for the convenience of the investors as the shares of the Company are listed on the GEM of the Stock Exchange. All values are rounded to the nearest thousand ("HK$'000") except when otherwise indicated.

2. REORGANISATION

Pursuant to the reorganisation carried out by the Group as fully explained in the section headed "Reorganisation" in the "History, reorganisation and Corporate Structure" of the prospectus of the Company dated 27 October 2016 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. Choi Siu Kit ("Mr. John Choi"), Mr. Choi Yiu Ying ("Mr. Simon Choi"), Mr. Au Wai Pong, Eric ("Mr. Eric Au"), Mr. Au Ka Wai ("Mr. Jerry Au"), Mr. Yeung Bernard Sie Hong ("Mr. Bernard Yeung") and Mr. Yeung Chi Shing ("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 consolidated financial statement has been prepared on the basis as if the Company had always been the holding company of the Group 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 reporting 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 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.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND SIGNIFICANT ACCOUNTING POLICIES

3.1 Application of new and revised HKFRSs

In the current year, the Group has applied, for the first time, the following amendments ("amendments to HKFRSs") issued by the HKICPA, which are effective for the Group's financial year beginning on or after 1 January 2017.

HKAS 7 (Amendments)	Disclosure Initiative
HKAS 12 (Amendments)	Recognition of Deferred Tax Assets for Unrealised Losses
HKFRS 12 (Amendments)	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle

Except as described below, the application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Amendments to HKAS 7 Disclosure Initiative

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities.

Specifically, the amendments require the following to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

The application of these amendments has had no impact on the Group's consolidated financial statements.

New and revised HKFRSs in issue but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRSs (Amendments)	Annual Improvements to HKFRSs 2015-2017 Cycle[2]
HKFRS 2 (Amendments)	Classification and Measurement of Share-based Payment Transactions[1]
HKFRS 4 (Amendments)	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
HKFRS 9	Financial Instruments[1]
HKFRS 9 (Amendments)	Prepayment Features with Negative Compensation[2]
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
HKFRS 15	Revenue from Contracts with Customers[1]
HKFRS 15 (Amendments)	Clarifications to HKFRS 15 Revenue from Contracts with Customers[1]
HKFRS 16	Leases[2]
HKFRS 17	Insurance Contracts[4]
HKAS 28 (Amendments)	Long-term Interests in Associates and Joint Ventures[2]
HKAS 28 (Amendments)	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle[1]
HKAS 40 (Amendments)	Transfers of Investment Property[1]
HK (IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK (IFRIC)-Int 23	Uncertainty over Income Tax Treatment[2]

[1] Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.
[2] Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted.
[3] Effective for annual periods beginning on or after a date to be determined. Early adoption is permitted.
[4] Effective for annual periods beginning on or after 1 January 2021.

HKFRS 9 Financial Instruments

The new standard addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

While the Group has yet to undertake a detailed assessment of the classification and measurement of financial assets, the financial assets currently held by the Group includes debt instruments currently classified as loans and receivables which would likely continue to be measured at amortised cost. Accordingly, the Group does not expect the new guidance to have a significant impact on the classification and measurement of its financial assets.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from HKAS 39 Financial Instruments: Recognition and Measurement and have not been changed.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

The impacts on the Group's financial results and position upon the adoption of HKFRS 9 are expected to have the effect. The Group has available-for-sale investments which carried at cost less impairment may be designated and classified at financial assets at fair values through other comprehensive income at the beginning of 2018 upon adoption of HKFRS 9.

Amendments to HKFRS 10 and HKAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

Amendments to HKFRS 10:

- An exception from the general requirement of full gain or loss recognition has been introduced into HKFRS 10 for the loss control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method.

- New guidance has been introduced requiring that gains or losses resulting from those transactions are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement at fair value of investments retained in any former subsidiary that has become an associate or a joint venture that is accounted for using the equity method are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

Amendments to HKAS 28:

- The requirements on gains and losses resulting from transactions between an entity and its associate or joint venture have been amended to relate only to assets that do not constitute a business.

- A new requirement has been introduced that gains or losses from downstream transactions involving assets that constitute a business between an entity and its associate or joint venture must be recognised in full in the investor's financial statements.

- A requirement has been added that an entity needs to consider whether assets that are sold or contributed in separate transactions constitute a business and should be accounted for as a single transaction.

The directors of the Company do not anticipate that the application of these amendments to HKFRS 10 and HKAS 28 will have a material impact on the Group's consolidated financial statements.

HKFRS 15 Revenue from Contracts with Customers

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and related interpretations.

HKFRS 15 requires the application of a 5-step approach to revenue recognition:

(a) Identify the contract(s) with a customer;

(b) Identify the performance obligations in the contract;

(c) Determine the transaction price;

(d) Allocate the transaction price to each performance obligation; and

(e) Recognise revenue when each performance obligation is satisfied.

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRSs. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

The Group's revenue recognition policies are disclosed in the notes to the consolidated financial statements of the annual report. Currently, revenue from the provision of services is recognised when significant acts were executed.

Management is currently assessing the effects of applying the new standard on the Group's consolidated financial statements and has identified the following areas that are likely to be affected:

(a) Application of HKFRS 15 may result in the identification of timing of revenue recognition either over the time or point in time which could affect those revenue from Group's service contracts recognised upon the significant acts were executed in earlier time than under the current accounting policy; and

(b) Certain costs incurred in obtaining a contract which are currently expensed may need to be recognised as an asset under HKFRS 15.

More detailed assessments will be carried out by the Group to estimate the impact of the new rules on the Group's consolidated financial statements.

HKFRS 16 Leases

HKFRS 16 provides new provisions for the accounting treatment of leases and will in the future no longer allow lessees to account for certain leases outside the statement of financial position. Instead, all long-term leases must be recognised in the statement of financial position in the form of assets (for the rights of use) and lease liabilities (for the payment obligations). Short-term leases with a lease term of twelve months or less and leases of low-value assets are exempt from such reporting obligations. The new standard will therefore result in recognition of a right-to-use asset and an increase in lease liabilities in the statement of financial position. In the income statement, rental expenses will be replaced with depreciation and interest expense. The new standard is not expected to be applied by the Group until the financial year ending 31 December 2019. HKFRS 16 will primarily affect the accounting for the Group's operating leases. At 31 December 2017, the Group had non-cancellable operating lease commitments of HK$48,647,000. Upon adoption of HKFRS 16 the majority of operating lease commitments will be recognised in the consolidated statement of financial position as lease liabilities and right-of-use assets. The lease liabilities would subsequently be measured at amortised cost and the right-of-use assets will be depreciated on a straight-line basis during the lease term.

The Group is in the process of making an assessment of the impact of other new standards, amendments to standards and interpretations and is not yet in a position to state whether they will have a significant impact on the Group's results of operations and financial position.

3.2 Significant accounting policies

The consolidated financial statements has been prepared in accordance with HKFRSs which is a collective term that includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the HKICPA. In addition, the consolidated financial statements 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.

Basis of preparation

The consolidated financial statements has been prepared on the historical cost basis.

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 consolidated financial statements 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.

4. OPERATING SEGMENT

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

Information about geographical areas

The Group's business and non-current assets are located in Hong Kong and Macau. The Group's revenue from external customers based on the location of the customers is detailed as below:

	Year ended 31 December 2017 *HK$'000*	Year ended 31 December 2016 *HK$'000*
Macau	**110,801**	116,132
Hong Kong	**26,583**	13,170
	137,384	129,302

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

	As at 31 December 2017 *HK$'000*	As at 31 December 2016 *HK$'000*
Macau	**5,746**	5,815
Hong Kong	**20,078**	707
The PRC	**5,383**	–
The US	**777**	–
	31,984	6,522

Information about major customers

During the year, no revenue from transactions with a single external customer amounted to 10% or more of the Group's total revenue (2016: HK$Nil).

5. REVENUE

Revenue represents the amounts received or receivable from the sales of food, beverage and other products, sponsorship income, revenue from club and restaurant operations and event organising (including entrance fees income, events rental income and cloakroom income) and loan interest income from Money Lending Business.

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

	Year ended 31 December 2017 *HK$'000*	Year ended 31 December 2016 *HK$'000*
Sales of food, beverage and other products	**108,852**	99,610
Sponsorship income	**6,734**	11,600
Entrance fees income	**20,326**	16,807
Loan interest income	**41**	–
Others *(Note)*	**1,431**	1,285
	137,384	129,302

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

6. OTHER INCOME AND GAIN

	Year ended 31 December 2017 *HK$'000*	Year ended 31 December 2016 *HK$'000*
Net foreign exchange gain	**1,162**	748
Others *(Note)*	**2,322**	1,911
	3,484	2,659

Note: Others mainly included the tips income and reversal of provision for impairment on account receivable of approximately nil (2016: HK$353,000).

7. TAXATION

	Year ended 31 December 2017 *HK$'000*	Year ended 31 December 2016 *HK$'000*
Income tax expense		
— Macau Complementary Tax	**217**	–

Macau Complementary Tax is calculated at 12% of the assessable profit for the years ended 31 December 2017 and 2016.

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 years ended 31 December 2017 and 2016.

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 years ended 31 December 2017 and 2016.

PRC subsidiary is subject to PRC Enterprise Income Tax at 25%. No provision the PRC Enterprise Income Tax has been made as the subsidiary incorporated in the PRC had no assessable profits arising in the PRC for the year ended 31 December 2017.

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

At the end of reporting period, the Group also had deductible temporary differences of approximately HK$560,000 (2016: HK$35,000). No deferred tax asset has been recognised in relation to these deductible temporary differences as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

At the end of reporting period, the Group has estimated unused tax losses of appropriately HK$15,496,000 (2016: HK$6,073,000) available for offset against future profits that may be carried forward indefinitely. No deferred tax asset has been recognized in respect of the tax losses due to the unpredictability of future profit streams.

In May 2017, the Macau Financial Services Bureau (the "Macau FSB"), after the review by its Complementary Income Tax Review Committee, demanded the Macau subsidiary to pay an additional income tax of approximately HK$0.9 million for the year of assessment ended 31 December 2013 as the tax authority revised its original assessment and disallowed the deductibility of the then contingent rentals paid to the owner of the club premises. In June 2017, the Macau FSB also issued revised assessment and demanded for an additional income tax of approximately HK$0.8 million for the year of assessment ended 31 December 2014 on the same ground.

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

At the same time, the owner of the club premises received a notice from the Macau FSB that its corresponding income was revised to be non-taxable. The owner has agreed to bear the relevant additional tax for the years of assessment ended 31 December 2013 and 2014 if the Group fails in its appeal. In case the Macau FSB also disallows the deductibility of the contingent rentals for the years of assessment ended 31 December 2015 and 2016 and the Group fails in its appeal, the owner will also bear the relevant additional tax. The additional tax is estimated to be approximately HK$3.4 million in aggregate for the years of assessment ended 31 December 2013, 2014, 2015 and 2016.

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

The income tax expense can be reconciled to the (loss)/profit before taxation per consolidated statement of profit or loss and other comprehensive income as follows:

	Year ended 31 December 2017 *HK$'000*	Year ended 31 December 2016 *HK$'000*
Loss before taxation	**(13,295)**	(6,184)
Tax at the applicable income tax rate	**(2,325)**	(995)
Tax effect of temporary difference not recognised	**(560)**	(35)
Tax effect of expenses not deductible for tax purpose	**118**	31
Tax losses not recognised	**3,135**	1,051
Tax effect of non-taxable income	**(5)**	(52)
Exemption for tax liabilities in Macau Complementary Tax *(Note)*	**(70)**	–
Utilisation of previously unrecognised tax losses	**(76)**	–
Taxation for the year	**217**	–

Note: Under the Macau Complementary Tax, for the years of assessment 2017 and 2016, the taxable profits up to MOP600,000 was exempted.

8. LOSS BEFORE TAXATION

	Year ended 31 December 2017 *HK$'000*	Year ended 31 December 2016 *HK$'000*
Loss before taxation has been arrived at after charging:		
Staff costs:		
Director's emoluments (included retirement scheme contributions)	**2,702**	1,696
Salaries and other benefits	**36,602**	27,873
Retirement benefits scheme contributions	**577**	399
	39,881	29,968
Auditors' remuneration		
— HLB Hodgson Impey Cheng Limited		
Audit Services	**700**	700
Non-audit Services	**650**	4,090
	1,350	4,790
— Other auditor	**102**	97
	1,452	4,887
Cost of inventories sold	**26,591**	23,707
Impairment of account receivables *(Note 11)*	**373**	–
Lease payments under operating leases		
— Minimum lease payments	**13,422**	7,294
— Profit sharing for lease payment *(Note (i))*	**4,056**	6,149
	17,478	13,443
Depreciation of plant and equipments	**2,734**	1,938
Amortisation of intangible assets	**114**	38
	2,848	1,976

Note:

(i) 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.

9. DIVIDENDS

No dividend has been paid or proposed by the Company since its date of incorporation. The Board does not recommend the payment of a final dividend for the year ended 31 December 2017 (2016: nil).

Prior to the listing of the Company and Group reorganisation disclosed in the Prospectus, Luk Hing Investment Limited had declared dividends in aggregate amounts of HK$5,807,000 to its former shareholder during the years ended 31 December 2016. 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 historical financial information.

10. LOSSES PER SHARE ATTRIBUTABLE TO THE OWNERS OF THE COMPANY

	Year ended 31 December 2017	Year ended 31 December 2016
	HK$'000	*HK$'000*
Loss for the year attributable to the owners of the Company	**(9,275)**	(6,184)
	'000	*'000*
Weighted average number of ordinary shares for the purpose of basic losses per share	1,800,000	1,412,877

The calculation of basic losses per share for the years ended 31 December 2017 and 2016 is based on the loss for the year attributable to the owners of the Company and the weighted average number of shares for the relevant period.

For the year ended 31 December 2016, the weighted average number of ordinary shares for the purpose of calculating basic losses per share have been adjusted for the effect of placing completed on 11 November 2016.

Diluted losses per share for the years ended 31 December 2017 and 2016 as there were no potential dilutive ordinary shares in issue during the years ended 31 December 2017 and 2016.

11. ACCOUNT AND OTHER RECEIVABLES

	As at 31 December 2017	As at 31 December 2016
	HK$'000	*HK$'000*
Account receivables	**9,834**	7,904
Less: allowance for doubtful debts	**(373)**	–
	9,461	7,904
Sponsorship receivables	**3,100**	5,150
Prepayments	**4,965**	6,099
Deposits	**11,799**	6,059
Other receivables	**283**	532
	29,608	25,744
Portion classified as non-current		
— Deposit	**(3,885)**	(103)
Current portion	**25,723**	25,641

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

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

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 the reporting period:

	As at 31 December 2017	As at 31 December 2016
	HK$'000	*HK$'000*
0 to 30 days	**5,935**	4,569
31 to 60 days	**388**	897
61 to 90 days	**390**	1,130
91 to 120 days	**973**	676
Over 120 days	**1,775**	632
	9,461	7,904

The Group's account receivables mainly represented VIP customer 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 2017 and 2016, account receivables of approximately HK$3,138,000 and HK$2,438,000 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:

	As at 31 December 2017	As at 31 December 2016
	HK$'000	*HK$'000*
Overdue by:		
0 to 30 days	**390**	1,130
Over 30 days	**2,748**	1,308
	3,138	2,438

Movement in the accumulated allowance for doubtful debts

	2017	2016
	HK$'000	*HK$'000*
As at 1 January	–	353
Reversal of provision for impairment of accounts receivables	–	(353)
Provision for impairment recognised during the year *(Note 6)*	373	–
As at 31 December	373	–

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

The reversal of provision for impairment on account receivables of approximately HK$353,000 recognised due to the recovery of debts during the year ended 31 December 2016.

Included in the above provision for impairment of account receivables is a provision for individually impaired account receivables of approximately HK$373,000 (2016: nil). The individually impaired receivables related to customers that were in financial difficulties and management assessed that the receivables are unlikely to be recovered.

As at 31 December 2017 and 2016, the Group's prepayments mainly represents prepayments for performance fee of featured events of approximately HK$2,476,000 and HK$3,981,000, respectively and prepayments for legal and professional fees of approximately HK$1,200,000 and HK$1,751,000, respectively. As at 31 December 2017 and 2016, the Group's deposits mainly represents deposits for acquisition of plant and equipments and decoration of approximately HK$6,997,000 and HK$4,655,000, respectively, rental deposits of approximately HK$4,119,000 and HK$280,000, respectively, and deposits for holding featured events of approximately HK$236,000 and HK$888,000, respectively. As at 31 December 2017 and 2016, the amounts of the Group's other receivables mainly represents refund for deposit for featured events of approximately nil and HK$231,000, respectively.

12. LOAN RECEIVABLES

Loan receivables arise from the Group's money lending business which grants loans to entities in the food and beverage and entertainment industry. The repayable according to repayment schedules, normally with contractual maturity within one year as at 31 December 2017 (2016: nil). The balance as at 31 December 2017 represented loan to a related party which was unsecured and carried interest 10% per annum (2016: nil). The following is an ageing analysis of loan receivables at the end of each reporting period, presented based on the remaining period to contractual maturity date:

Name	**Maximum amount outstanding during the year**	**As at 31 December 2017**	Maximum amount outstanding during the prior year	As at 31 December 2016	Security held
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*	
Xin Limited	**2,000**	**2,000**	–	–	None

	As at 31 December 2017	As at 31 December 2016
	HK$'000	*HK$'000*
Within one year	**2,000**	–

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

13. ACCOUNT AND OTHER PAYABLES

	As at 31 December 2017	As at 31 December 2016
	HK\$'000	*HK\$'000*
Account payables	**6,158**	2,232
Rental payables	**3,154**	3,582
Deferred rentals	**1,968**	75
Other payables	**11,988**	12,947
Accruals	**6,865**	4,807
	30,133	23,643
Portion classified as non-current		
— Deferred rentals	**(1,833)**	–
Current portion	**28,300**	23,643

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 the reporting period:

	As at 31 December 2017	As at 31 December 2016
	HK\$'000	*HK\$'000*
0 to 30 days	**4,288**	2,148
31 to 60 days	**1,858**	76
61 to 90 days	**12**	8
	6,158	2,232

As at 31 December 2017 and 2016, other payables mainly represented the amount due to COD of approximately HK\$4,793,000 and HK\$8,680,000 respectively. The amount is unsecured, interest free and repayable on demand.

MANAGEMENT DISCUSSION AND ANALYSIS

During the year ended 31 December 2017, the Group continued to engage in the operation of clubbing and organizing music-related featured events. Since the last quarter of 2017, the Group also engaged in the operation of restaurant following the opening of HEXA, and commenced its money lending operation targeting borrowers in the food, beverage and entertainment-related industry.

BUSINESS REVIEW

Sales of beverage and entrance fees from retail customers used to be the primary revenues generated from our clubbing business and event organizing. Same as 2016, our best-selling beverage was still Champagne, of which Perrier-Jouët Champagne remained as the most popular item in Club Cubic Macau. We also received sponsorship income from corporate customers and beverage suppliers, comprising fee for displaying their logos and products during the events and incentive based on our purchase amount from the beverage suppliers. We organized music-related featured events[1] to offer music entertainment to our customers. In 2017, we strategically held more numbers of featured events, but of smaller scale, in our Club Cubic Macau so as to preserve our financial resources during slack seasons. We accordingly organized 56 featured events in Club Cubic Macau in 2017, which is 4 more than 2016. Such strategy had a mixed outcome. On one hand we saved our performer fee and other marketing costs due to smaller scale of featured events. The higher numbers of featured events also led to more customer visits to Club Cubic Macau in 2017. The customer visit[2] increased from approximately 134,000 in 2016 to approximately 157,000 in 2017. On the other hand, the smaller scale of featured events drew less sponsorship and had a negative impact to the average customer spending[3], which dropped from approximately HK$800 in 2016 to approximately HK$700 in 2017. Nevertheless, we still managed to record a slight growth in total income of sales of food and beverage and other products, entrance fees income and cloakroom income from our retail customers in Club Cubic Macau.

1 Featured events refer to events which we specifically organize and not our regular events, and are usually held on Fridays, Saturdays, or during festivals and major functions.

2 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.

3 Average customer spending is calculated by dividing our total income from retail customers including (i) sales of beverage, food and other products; (ii) entrance fees income; and (iii) cloakroom income by our customer visit.

Leveraging on our success and network in organising music-related featured events in Club Cubic Macau, we started involving in organising outdoor events in Hong Kong since the third quarter of 2016. The outdoor event offered premium and high-end entertainment space of stylish and lighting coupled with music and live performances for the attendances. The outdoor event we involved in Hong Kong in 2017 was of a larger scale than that in 2016, with DJs and artists of high popularity and media interest. A broader range of types of tickets and table packages (inclusive of entrance tickets and beverages) were introduced in 2017 with more competitive pricing strategy than the event in 2016. The price of admission ticket for the 2017 event ranged from around HK$700 to HK$2,000 (2016 event: HK$700 to HK$2,600) per ticket and that of table packages ranged from around HK$30,000 to HK$90,000 (2016 event: HK$40,000 to HK$90,000) per table. Accordingly, the event in 2017 drew a greater attendance and recorded an increase of 50% in the number of tickets sold whereas the average customer spending remained stable at around HK$1,700 in both 2016 and 2017.

Offering contemporary Chinese cuisine with bar concept and clubbing element in the mix, our first restaurant, HEXA, was unveiled in Hong Kong in the last quarter of 2017. Unlike Club Cubic Macau which mainly served beverage and light food as side dishes and did not maintain a kitchen, the proportion of revenue from food relative to beverage was higher in HEXA. Despite relatively limited revenue contribution from HEXA in 2017 due to the short period of time since its opening, it still managed to record customer visit of approximately 14,000 in 2017, with average customer spending of approximately HK$400 to approximately HK$500.

To further diversify our sources of revenue, we also commenced our money lending operation and successfully obtained a Hong Kong money lender licence in the last quarter of 2017. Capitalizing on our connections in the field, we target borrowers in the food, beverage and entertainment-related industry, including operators and suppliers. The business aims to earn interest income from secured and unsecured loans with short-to-medium term of maturity. As the business is still in early stage, its revenue contribution was insignificant in 2017.

Since late 2016, the Group has been exploring opportunities to introduce Monkey Museum brand and our own Club Cubic brand to mainland China. We successfully identified a sub-franchisee for the opening and operation of Monkey Museum Changsha in early 2017 and in return we received a portion of the franchising fee, which included a start-up joining fee and monthly fees based on the night club's revenue. During the year, we also established a PRC company with other business partners for the operation of Club Cubic Zhuhai, which is expected to be opened in 2018. Pursuant to the relevant terms of investment agreement, we had contributed RMB4.5 million in aggregate, comprising loan contribution and capital contribution, to the PRC company, which was held as a strategic investment and not a subsidiary, nor an associated company. We licensed our Cubic trademarks to the PRC company and in return we will receive a monthly royalty fee, in addition to the dividend distribution to us. No revenue was generated from such investment in 2017. The above arrangement enables us to mitigate our risk exposure while we can accumulate experience in the PRC.

FINANCIAL REVIEW

Revenue and Other Income and Gain

Total revenue of the Group increased by about HK$8.1 million or 6.3% from approximately HK$129.3 million in 2016 to approximately HK$137.4 million in 2017. The growth was mainly driven by: (i) sales of food and beverages generated from HEXA, which was opened in the last quarter of 2017; and (ii) contribution by the larger scale of event held outside Club Cubic Macau in the third quarter of 2017, which recorded an increase of 50% in the number of tickets sold when compared to the event held in 2016. Accordingly, the Group's sales of food, beverage and other products and entrance fees income increased by about HK$9.2 million and HK$3.5 million respectively in 2017. However, such increases were partially offset by the drop of sponsorship income of approximately HK$4.9 million in 2017, which was mainly because (i) the suppliers provided less sponsorship but more favourable pricing to the event held outside Club Cubic Macau in 2017 when compared to 2016; and (ii) we strategically held more numbers of featured events, but of smaller scale, in our Club Cubic Macau in 2017 as aforementioned, attracting less sponsorship.

Other income and gain remained roughly stable at around HK$3 million for both 2016 and 2017.

Expenses

Cost of inventories sold mainly represented the costs of food, beverage and tobacco products sold. It increased by about HK$2.9 million or 12.2% from approximately HK$23.7 million in 2016 to approximately HK$26.6 million in 2017, which is mainly contributed by the costs of food sold of the newly operated HEXA in the last quarter of 2017. As the menu and pricing of HEXA were still under optimization and fine-tuning during the soft opening stage, this exerted a downward pressure to its gross profit margin. The effect was partially offset by the improvement in gross profit margin of the event held outside Club Cubic Macau in 2017 due to the abovementioned favourable pricing offered by the suppliers. Accordingly, the overall gross profit margin decreased by 0.6 percentage point from approximately 76.2% in 2016 to 75.6% in 2017.

Staff costs increased considerably by about HK$9.9 million or 33.0% from approximately HK$30.0 million in 2016 to approximately HK$39.9 million in 2017. The increase was mainly contributable to (i) staff recruited for post-listing compliance, business expansion and exploration of business opportunities, including project teams for event held outside Club Cubic Macau and the newly operated HEXA; (ii) increase in the emoluments paid to the directors following the listing of the Company in late 2016; and (iii) more helpers and temporary workers needed for the larger scale of event held outside Club Cubic Macau in 2017.

Depreciation and amortization increased from approximately HK$2.0 million in 2016 to approximately HK$2.8 million in 2017, mainly driven by the depreciation of plant and equipments of the newly opened HEXA.

Property rentals and related expenses increased by about HK$4.1 million or 30.6% from approximately HK$13.4 million in 2016 to approximately HK$17.5 million in 2017. The increase was mainly due to the combined effect of (i) additional rentals and related expenses for the newly operated HEXA; (ii) additional rentals for our Hong Kong office as we rented directly from the landlord since March 2016; and (iii) decrease in rentals paid to the owners of the club premises of Club Cubic Macau as a result of the drop in contingent rentals, partially offset by the increase in base rentals since April 2017.

Advertising and marketing expenses increased by about HK$1.1 million or 4.7% from approximately HK$23.4 million in 2016 to approximately HK$24.5 million in 2017. The increase was mainly due to the combined effect of (i) higher performer fees incurred for the aforesaid larger scale of event held outside Club Cubic Macau in 2017 as compared to 2016; (ii) promotion expenses for the newly opened HEXA; and (iii) partially offset by savings of performers and agency fees of our Club Cubic Macau due to the abovementioned strategy of holding more smaller scale of featured events in 2017.

Other operating expenses increased significantly by about HK$13.4 million or 45.4% from approximately HK$29.5 million in 2016 to approximately HK$42.9 million in 2017. The increase was mainly due to (i) increase in legal and professional fees largely relating to post-listing compliance and new operation of HEXA; (ii) increase in business travelling and entertainment expenses for business expansion and exploration of business opportunities in regions other than Macau; (iii) start-up and pre-opening costs for the new operation of HEXA; and (iv) higher production costs for the larger scale of event held outside Club Cubic Macau in 2017 as compared to 2016.

Loss Attributable to the Owners of the Company

Our loss for the year attributable to the owners of the Company increased by about HK$3.1 million or 50.0% from approximately HK$6.2 million in 2016 to approximately HK$9.3 million in 2017. We incurred listing expenses of approximately HK$16.2 million in 2016 whereas we did not incur such expenses in 2017 after our listing. Excluding such listing expenses and without taking into account the relevant impact of taxation, our adjusted net profit in 2016 would be approximately HK$10.0 million. The change from adjusted net profit in 2016 to net loss in 2017, amounted to approximately HK$19.3 million, was mainly attributable to the aforementioned increase in staff costs and other operating expenses for post-listing compliance and exploring business opportunities in regions other than Macau, as well as the pre-opening and startup costs of the newly operated HEXA, including its rentals, staff costs, professional fees and promotion expenses.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Below is a summary of the key financial ratio:

	Notes	**As at 31 December** **2017**	2016
Current ratio	*1*	**2.8**	4.4
Quick ratio	*2*	**2.7**	4.2
Gearing ratio	*3*	**31.2%**	21.4%

Notes:

1. Current ratio is calculated by dividing total current assets by total current liabilities as at the respective period end

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

3. Gearing ratio is calculated by dividing total liabilities by total assets as at the respective period end

The above key financial ratio demonstrated that the liquidity and gearing of the Group remained healthy in 2017. The shares were listed on GEM on 11 November 2016 and the capital structure of the Company comprised ordinary shares. Upon Listing, we obtained net proceeds of approximately HK$65.6 million from the issue of a total of 450,000,000 new ordinary shares of the Company at the placing price of HK$0.21 per share under the placing as set out in the Prospectus. The Group generally financed its daily operations from internally generated cash flows. The Group financed its business expansion and new business opportunities mainly from the net proceeds. The remaining unused net proceeds as at 31 December 2017 were placed as interest bearing deposits with licensed bank in Hong Kong and Macau. As at 31 December 2017, the Group had cash and cash equivalents of approximately HK$49.2 million (31 December 2016: HK$73.9 million) and did not have any outstanding amounts of short-term or long-term bank borrowings or any loan arrangement containing any covenant, except an unutilized overdraft facility of HK$3 million, for which the Company provided its corporate guarantee. The level of cash and cash equivalents and the recurring cash inflows from our core business can equip the Group to develop and expand its operation.

FOREIGN EXCHANGE EXPOSURE

During the year ended 31 December 2017, most of the Group's transactions are denominated and settled in its functional currency, MOP and reporting currency, HK$. As historically there has been very limited exchange fluctuation between MOP and HK$, the Company considered that the Group was not exposed to material foreign currency exchange risk. The Group currently has not implemented any foreign currency hedging policy but we normally specify a more favourable exchange rate in the respective contracts with overseas suppliers and customers. The management will consider hedging against significant foreign exchange exposure should the need arise.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2017.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

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

SCOPE OF WORK OF AUDITORS

The figures in respect of the preliminary announcement of the Group's result for the year ended 31 December 2017 have been agreed by the Group's auditors, HLB Hodgson Impey Cheng Limited ("HLB"), to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by HLB in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently, no assurance has been expressed by HLB on the preliminary announcement.

AUDIT COMMITTEE

The audit committee has reviewed the audited Consolidated financial statements of the Group for the year ended 31 December 2017 and recommended approval to the Board.

DEFINITIONS AND GLOSSARY

"Board"	the board of Directors
"City of Dreams"	an integrated resort located on two adjacent pieces of land in Cotai, Macau, which was opened in June 2009 and owned by Melco Crown (COD) Developments Limited (now known as COD Resorts Limited)
"Club Cubic Macau"	a clubbing venue operated by the Group under the name of Cubic which was opened in April 2011 and located at 2nd and 3rd floor, The Boulevard, City of Dreams, Cotai, Macau
"Club Cubic Zhuhai"	a proposed clubbing venue in Zhuhai to be operated by a joint venture company in which the Group shall hold less than 20% interest, details of which are disclosed in the Company's announcement dated 12 December 2016, 10 February 2017, 11 April 2017, 11 May 2017 and 2 June 2017
"COD"	COD Resorts Limited, which merged with Melco Resorts (COD) Retail Services Limited (formerly known as Melco Crown (COD) Retail Services Limited), owner of the club premises of Club Cubic Macau
"Company"	Luk Hing Entertainment Group Holdings Limited (stock code: 8052), a company incorporated in the Cayman Islands with limited liability, and the issued Shares of which are listed on the GEM
"Controlling Shareholders"	has the meaning ascribed thereto in the GEM Listing Rules and in the case of our Company, means Welmen Investment Co. Ltd, Yui Tak Investment Limited, Ocean Concept Holdings Limited, Toprich Investment (Group) Limited, Perfect Succeed Limited, Mr. Choi Yiu Ying, Mr. Choi Siu Kit, Mr. Au Wai Pong, Eric, Mr. Au Ka Wai, Mr. Yeung Bernard Sie Hong and Mr. Yeung Chi Shing. Mr. Choi Yiu Ying, Mr. Choi Siu Kit, Mr. Au Wai Pong Eric, Mr. Au Ka Wai, Mr. Yeung Bernard Sie Hong and Mr. Yeung Chi Shing are regarded as parties acting in concert and a group of concerted shareholders by virtue of an acting in concert confirmation dated 2 March 2016
"Directors"	the directors of the Company
"DJ"	disc jockey
"GEM"	GEM operated by the Stock Exchange

"GEM Listing Rules"	The Rules Governing the Listing of Securities on GEM
"Group"	the Company and/or any of its subsidiaries
"HEXA"	a modern Chinese restaurant operated by the Group under the name of HEXA which was opened in October 2017 and located at shop OTE 101, ground floor, Ocean Terminal, Harbour City, Tsim Sha Tsui, Hong Kong
"HK$" or "HKD"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	The Hong Kong Special Administrative Region of the PRC
"Independent Third Party(ies)"	any person(s) or company(ies) and their respective ultimate beneficial owner(s), to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, are not connected persons of the Company and are third parties independent of the Company and its connected persons in accordance with the GEM Listing Rules
"Listing"	the listing of the Shares on GEM on 11 November 2016
"Macau"	The Macau Special Administrative Region of the PRC
"Monkey Museum Changsha"	a night club under the name of Monkey Museum operated by an Independent Third Party sub-franchisee identified and recruited by the Group pursuant to an exclusive master franchising agreement and a sub-franchising agreement, details of which are disclosed in the Company's announcements dated 28 December 2016 and 24 January 2017
"MOP"	Macau Pataca(s), the lawful currency of Macau
"PRC"	the People's Republic of China (for the purpose of this announcement, exclude Hong Kong, Macau and Taiwan)
"Prospectus"	the prospectus of the Company dated 27 October 2016
"RMB"	Renminbi, the lawful currency of the PRC
"Shares"	the ordinary shares of HK$0.01 each in the issued share capital of the Company
"Shareholders"	the holders of the Shares

"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"United States" or "US"	the United States of America

BOARD OF DIRECTORS

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

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

Non-executive Directors:
Mr. Au Wai Pong Eric
Mr. Au Ion Weng
Ms. Poon Kam Yee Odilia

Independent non-executive Directors:
Mr. Lam Wai Chin Raymond
Mr. Chan Ting Bond Michael
Mr. Tse Kar Ho Simon

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

Hong Kong, 26 March 2018

This announcement will remain on the Stock Exchange's website at www.hkexnews.hk, in the case of the announcement, on the "Latest Company Announcements" page for at least 7 days from the day of its posting. This announcement will also be published on the Company's website at www.lukhing.com.