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LUK HING ENTERTAINMENT GROUP

ANNUAL REPORT 2017

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

Incorporated in the Cayman Islands with limited liability | Stock Code: 8052

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

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CORPORATE INFORMATION

BOARD OF DIRECTORS

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

BOARD COMMITTEES

Audit Committee

Mr. Chan Ting Bond Michael *(Chairman)*
Mr. Lam Wai Chin Raymond
Mr. Au Wai Pong Eric

Remuneration Committee

Mr. Lam Wai Chin Raymond *(Chairman)*
Mr. Tse Kar Ho Simon
Mr. Au Wai Pong Eric

Nomination Committee

Mr. Choi Yiu Ying *(Chairman)*
Mr. Lam Wai Chin Raymond
Mr. Tse Kar Ho Simon

COMPANY SECRETARY

Ms. Cheung Tin Shu

COMPLIANCE OFFICER

Mr. Choi Siu Kit

AUTHORISED REPRESENTATIVE

Mr. Choi Siu Kit
Ms. Cheung Tin Shu

COMPLIANCE ADVISER

Innovax Capital Limited
(appointed on 12 February 2017)
China Everbright Capital Limited
(up to 11 February 2017)

AUDITORS

HLB Hodgson Impey Cheng Limited

LEGAL ADVISORS

Hong Kong Law

Mayer Brown JSM

Macau Law

Leong Hon Man Law Office

PRC Law

Jingtian & Gongcheng

PRINCIPAL BANKERS

Bank of East Asia Limited
Bank of China Limited Macau Branch

REGISTERED OFFICE

P.O. Box 1350
Clifton House
75 Fort Street
Grand Cayman KY1-1108
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Room 1505, 15/F., Shun Tak Centre West Tower
168–200 Connaught Road Central
Sheung Wan
Hong Kong

CORPORATE INFORMATION

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Estera Trust (Cayman) Limited
Clifton House
75 Fort Street
P.O. Box 1350
Grand Cayman KY1-1108
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 22
Hopewell Centre
183 Queen's Road East
Hong Kong

STOCK CODE

8052

WEBSITE

www.lukhing.com

LETTER TO THE SHAREHOLDERS

Dear Shareholders,

On behalf of the board of directors, I am pleased to present the annual report 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

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.

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.

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

CHARGES ON ASSETS

As at 31 December 2017 and 2016, the Group did not have any charges on its assets.

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

The net proceeds from the issue of a total of 450,000,000 new ordinary shares of the Company at the placing price of HK$0.21 per share under the placing as set out in the Prospectus, after deducting underwriting commission and other expenses relating to the Listing, amounted to approximately HK$65.6 million. The net proceeds were intended to be applied in the same proportion and in the same manner as shown in the Prospectus with estimated net proceeds amounted to HK$76.0 million, which was made under the assumption that the placing price would be HK$0.23 per share, being the mid-point of the indicative placing price range. Accordingly, approximately 49.2% (HK$32.3 million), 21.0% (HK$13.8 million), 19.8% (HK$13.0 million) and 10.0% (HK$6.5 million) will be applied for (i) expansion of the scale of Club Cubic Macau, (ii) organizing events in venues other than Club Cubic Macau, (iii) expansion in regions other than Macau, and (iv) working capital and general corporate use respectively. An analysis of the utilization of the net proceeds up to 31 December 2017 is set out below:

Business objective and strategy		Amount of usage of net proceeds up to 31 December 2017[4] Planned HK$' million	Actual HK$' million
(i)	Expansion of the scale of Club Cubic Macau	32.3	5.3
(ii)	Organizing events in venues other than Club Cubic Macau	13.8	13.8
(iii)	Expansion in regions other than Macau	13.0	13.0
(iv)	Working capital and general corporate use	6.5	6.5
Total		65.6	38.6

[4] The planned amount of usage of net proceeds up to 31 December 2017 has been adjusted in the same proportion and the same manner as stated in the Prospectus due to the above-mentioned difference between the estimated net proceeds and the actual net proceeds received.

As at 31 December 2017, we had fully utilized our proceeds for organizing events in venues other than Club Cubic Macau, for expansion in regions other than Macau, as well as for working capital and general corporate use. However, in relation to expansion of the scale of Club Cubic Macau, as disclosed in our 2017 Third Quarterly Report, the owner of club premises, COD, had delayed to formally approve our expansion layout plan and it took longer processing time to get approval from the relevant Macau authorities when preparing statutory submission for the licences and construction permit. Accordingly, the expansion plan had not progressed as originally expected and the first phase expansion cannot be opened by January 2018, resulting in less actual spending. We currently anticipate that the opening of first phase expansion will be further delayed until a solid timetable in relation to the licence matter is obtained, which is agreed by the owner of the club premises. The remaining unused net proceeds as at 31 December 2017 were placed as interest bearing deposits with licensed bank in Hong Kong and Macau and they are expected to be applied according to the intended usage stated in the Prospectus.

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

Business objective and strategy	Business plan and activity	Actual business progress up to 31 December 2017
(i) Expansion of the scale of Club Cubic Macau	— both the first phase and second phase expansion area open for business (subject to approval of relevant licences) — commence advertising and promotion of the new opening of the expansion area and organize events to boost customer traffic — expand our operation team to support the expansion area — carry out renovation and decoration	As stated above, the opening of first phase expansion had been further delayed and we are unable to open both first phase and second phase expansion by 31 December 2017 as originally expected. We are currently coordinating with the owner of club premises and the Macau authorities to work out an updated and solid timetable.
(ii) Organizing events in venues other than Club Cubic Macau	— execute planned event(s) held outside Club Cubic Macau	An outdoor event was organized in Hong Kong in the third quarter of 2017.

Business objective and strategy	Business plan and activity	Actual business progress up to 31 December 2017
(iii) Expansion in regions other than Macau	— explore opportunities with cooperation partners and sign memorandum of understanding ("MOU") and agreement — perform site visits, commence due diligence and engage professionals — execute cooperative/ acquisition plan (if any) in accordance with GEM Listing Rules and recruit staff	(1) We have conducted market research and performed site visits to South Korea, Taiwan, the US and the PRC, including cities such as Seoul, Los Angeles, Singapore, Beijing, Shanghai, Guangzhou, Shenzhen, Zhuhai and Changsha. (2) We recruited new staff for business expansion and exploration of new business opportunities. (3) We identified a sub-franchisee for the opening and operation of Monkey Museum in Changsha in January 2017. The territory of the exclusive master franchising agreement was extended to include Singapore and Malaysia in June 2017. (4) We 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 financed by the net proceeds. (5) We formed a Hong Kong subsidiary with other investors for the operation of HEXA, our first restaurant, with total investment up to HK$25 million. Pursuant to the relevant agreement and announcement, we effectively hold around 60% interest and it was partially financed by the net proceeds. HEXA was opened in the last quarter of 2017.

PRINCIPAL RISKS AND UNCERTAINTIES

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

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

Principal risks and uncertainties	Measures
(ii) A significant portion of our revenue was derived from Club Cubic Macau. Any significant operational or other difficulties in the business at or from Club Cubic Macau, including those matters affecting the execution of Operating Agreement, may reduce, disrupt or halt our operation and business at the premises, which would materially and adversely affect our business, prospects, reputation, financial condition and results of operation. The competition in Macau clubbing industry is expected to intensify due to the increase in the number of the clubbing venues. The performance of Club Cubic Macau is also affected by the macro environment of Macau. (iii) We made our purchases mainly from our largest supplier and our five largest suppliers. The purchases from these suppliers either under annual contract or individual purchase order, and have not entered into any long-term contracts. We also recorded sponsorship income from our largest supplier, amounted to approximately HK$5.8 million in 2017. In the event that our business relationship with these suppliers is terminated, we may not be able to have sufficient supply of products of similar quality and brand name, at sufficient quantity and on similar terms. We may also not be able to find another supplier which could provide similar level of sponsorship.	(1) The Company will continue to review and fine-tune its strategy when organizing music-related featured events in Club Cubic Macau, including the number of events held, the scale of the events and resources required (such as DJ/artist fee and other marketing expenses), as well as the timing, such that our resources could be optimized to stimulate the sales of Club Cubic Macau at the appropriate time. (2) In addition to the expansion plan, we will also carry out renovation to maintain the competitiveness of Club Cubic Macau. (3) We have explored opportunities to diversify our operation such that we can reduce our reliance on Club Cubic Macau and our largest suppliers. We achieved remarkable progress in 2017, including the organizing of outdoor event in Hong Kong, the opening of HEXA, the set up of a PRC company for the operation of Club Cubic Zhuhai, the identification of a sub-franchisee for the opening and operation of Monkey Museum in Changsha and the commencement of money lending operation. We will continue to look for new opportunities and concluded a lease to operate a new outlet, which is known as Oh-My-Goose and is expected to be opened in 2018, in the food court in Langham Place, Mongkok.
(iv) We plan to diversify our sources of revenues and mitigate our risks of over-reliance on Club Cubic Macau. We have relatively limited experience in holding events outside Club Cubic Macau and our outdoor events may be seriously affected by weather conditions or incidents. In addition, when expanding to regions other than Macau, we are relatively not familiar with the local business environment. We may not be able to detect, deter and prevent all instances of infringement, illegal activities or other misconducts committed in such jurisdictions which may harm our reputation and affect our brand name. We may incur substantial start-up and pre-opening costs, such as additional staff costs, rentals, professional fees and promotion expenses, before the opening of new outlets.	(1) For outdoor events held outside Club Cubic Macau, appropriate insurance coverage , such as event cancellation insurance, is purchased at a reasonable cost. Emergency medical service, event security service, harm reduction outreach and support, as well as event, risk and crowd management advisory, were also engaged. (2) When holding events outside Club Cubic Macau and expanding to regions other than Macau, we may also continue to work with business partners or investors which are more familiar with local environment to mitigate our risk exposure and ease our financial burden.

A more detailed discussion of the Group's risks associated with our business and industry were disclosed in the Prospectus.

FOREIGN EXCHANGE EXPOSURE

During the 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.

CONTINGENT LIABILITIES AND CAPITAL COMMITMENT

Saved for those disclosed in this annual report, the Group did not have any other contingent liabilities or capital commitment as at 31 December 2017.

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

Saved for those disclosed in the 2016 Annual Report and this annual report, there were no other significant investments held by the Group as at 31 December 2017 and 2016, nor were there other material acquisitions and disposals of subsidiaries by the Group during the year. Apart from those disclosed in the 2016 Annual Report and this annual report, there were no other plan authorized by the Board for other material investments or additions of capital assets at the date of this annual report.

DIVIDEND

Prior to the corporate reorganization disclosed in the Prospectus, Luk Hing Investment Limited had declared dividend in aggregate amounts of HK$5,807,000 to its then shareholder during the year ended 31 December 2016.

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

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

BOARD OF DIRECTORS

Executive Directors

Mr. Choi Yiu Ying (蔡耀陞) (with former names Choi Siu Man (蔡紹文) and Choi Siu Ying (蔡兆鈃)) ("Mr. Simon Choi"), aged 41, was appointed as our Director on 19 January 2016. He 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. He 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. He has also been a director of certain subsidiaries of the Group.

Mr. Simon Choi has over 16 years of experience in the restaurant and bar and clubbing industry in Hong Kong and Macau. Since January 2001, he 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), and he 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. He is the elder brother of Mr. John Choi, one of the Controlling Shareholders and an indirect shareholder of our Company, and a director and a shareholder of Perfect Succeed Limited ("Perfect Succeed") and Welmen Investment Co. Ltd ("Welmen"), and a director and an indirect shareholder of Toprich Investment (Group) Limited ("Toprich"), Ocean Concept Holdings Limited ("Ocean Concept") and Yui Tak Investment Limited ("Yui Tak").

Mr. Choi Siu Kit (蔡紹傑) ("Mr. John Choi"), aged 40, was appointed as our Director on 30 November 2015. He was re-designated as our executive Director on 2 March 2016. He was also appointed as the compliance officer of our Company on 2 March 2016 and is currently the authorized representative of the Company. Mr. John Choi is primarily responsible for overall strategic planning and supervising marketing and entertainment aspects of our Group. He 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. He has also been a director of certain subsidiaries of the Group.

Mr. John Choi has over 16 years of experience in the restaurant and bar and clubbing industry in Hong Kong and Macau. Since January 2001, he 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), and he 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. He is the younger brother of Mr. Simon Choi, one of the Controlling Shareholders and an indirect shareholder of our Company, and a director and a shareholder of Perfect Succeed and Welmen, and a director and an indirect shareholder of Toprich, Ocean Concept and Yui Tak.

Mr. Yeung Chi Shing (楊志誠), aged 46, was appointed as our Director on 19 January 2016. He 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. 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. 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. Yeung attended secondary school education and graduated from Man Kiu College, Hong Kong, in July 1988. He is one of the Controlling Shareholders and an indirect shareholder of our Company, and a director and a shareholder of Welmen.

Non-executive Directors

Mr. Au Wai Pong Eric (區偉邦) ("Mr. Eric Au"), aged 49, 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. From July 2008 to June 2017, 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. He is one of the Controlling Shareholders and an indirect shareholder of our Company and a shareholder of Welmen.

Mr. Au Ion Weng (歐潤榮), aged 61, 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.

* For identification purpose only

Ms. Poon Kam Yee Odilia (潘錦儀), aged 57, 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. Poon Ching Tong Tommy, who is the sole shareholder of Kenbridge Limited, 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 positions of operations director of the recruitment managed services division and managing director in China. From January 2014 to June 2017, she served as a director in Motiva Consulting Limited where she oversees the overall management of the company. Since August 2015, she served as a director of the Chapman Consulting Group Limited and since June 2017, she was appointed as a non-executive Director of Vistar Holdings Limited, which is listed on GEM (stock code: 8535) on 12 February 2018, where she is primarily responsible for overseeing the management and strategic planning.

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 47, was appointed as an independent non-executive Director of our Company on 18 October 2016 taking effect on 11 November 2016, 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. Chan Ting Bond Michael (陳定邦), aged 37, was appointed as an independent non-executive Director of our Company on 18 October 2016 taking effect on 11 November 2016, and is primarily responsible for providing independent judgment to the Board.

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 61, was appointed as an independent non-executive Director of our Company on 18 October 2016 taking effect on 11 November 2016, 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 18 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.

CORPORATE GOVERNANCE PRACTICES

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.

BOARD OF DIRECTORS

The leadership, control and supervision of the Company is vested in the Board, which is primarily responsible for formulating the business strategy, reviewing and monitoring the business performance, approving the consolidated financial statements and directing and supervising the management of the Group. The Board delegates to the senior management the powers and responsibilities to conduct the Group's day-to-day management and operations and to organise the implementation of the resolutions of the Board. The Board has been regularly provided with management update report to give a balanced and understandable assessment of the performance, position, recent development and prospect of the Group. Where necessary, all Directors can have access to all relevant information and obtain the advice and services of the Company Secretary. The Directors may, where appropriate, seek independent professional advice to ensure compliance with the procedures of the Board and all applicable rules and regulations, at the Company's expense. The Company has arranged appropriate insurance cover in respect of its legal action against its Directors.

The Board is also responsible for the corporate governance functions under the paragraph D.3.1 of the CG Code and will review and monitor the corporate governance principles and practices to ensure compliance. The chairman of the Board takes primary responsibility for ensuring that good corporate governance practices and procedures are established.

The Board comprises 9 Directors, including 3 executive Directors, 3 non-executive Directors and 3 independent non-executive Directors, as set out below:

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

The profiles of the Directors, including relationship between Board members, are set out in the section "Profiles of Directors and Senior Management" of this annual report.

The Board has adopted the Board diversity policy since 10 November 2016 and reviewed its Board composition on a yearly basis. The Company recognizes and embraces the benefits of having a diverse Board to enhance the quality of its performance. With a view to achieving a sustainable and balanced development, the Company sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. All Board appointments will be based on meritocracy and candidates will be considered against appropriate criteria, having due regard for the benefits of diversity on the Board. The Company commits to selecting the best person for the role. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural background and ethnicity, in addition to educational background, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. The nomination committee will review and monitor the implementation of the Board diversity policy regularly.

Three of the Board members, representing one-third of the Board, are independent non-executive Directors and at least one of whom has appropriate professional qualifications or accounting or related financial management expertise, in accordance with Rule 5.05(1)(2) and 5.05A of the GEM Listing Rules. All of the independent non-executive Directors have been appointed for an initial term of one year and none of the independent non-executive Directors has served the Company for more than 9 years. The Company has received from each independent non-executive Director an annual confirmation of his independence pursuant to Rule 5.09 of the GEM Listing Rules and considers all the independent non-executive Directors to be independent. All independent non-executive Directors are identified as such in all corporate communications of the Company containing the names of the Directors.

The Company has entered into a service agreement with each of our executive Directors for an initial term of three years whereas all of the non-executive Directors have been appointed for an initial term of two years. All the Directors are subject to retirement by rotation and eligible for re-election in accordance with the Company's articles and association. At each annual general meeting, not less than one-third of the Directors then in office shall retire and every Director is subject to retirement by rotation at least once every three years. Directors who are appointed to fill casual vacancies shall hold office only until the next following general meeting after their appointment, and are subject to re-election by shareholders of the Company. At the forthcoming annual general meeting of the Company, each of Mr. Au Wai Pong Eric, Mr. Au Ion Weng and Ms. Poon Kam Yee Odilia will retire from office as Directors and will offer themselves for re-election. Separate ordinary resolutions will be put forward to the shareholders of the Company in relation to the proposed re-election of each of them.

TRAINING, INDUCTION AND CONTINUING PROFESSIONAL DEVELOPMENT OF DIRECTORS

Directors are continuously updated on the statutory and regulatory regime and the business environment to facilitate the discharge of their responsibilities by the Company. Directors are also encouraged to participate in continuous professional development to develop and refresh their knowledge and skills.

Up to the date of this report, all Directors have confirmed to the Company that they have participated trainings by attending seminars, conferences and reading material, webcast, newspapers, journals and updates related to the economy, the company's business or directors' duties and responsibilities.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by the Directors of the Company on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules (the "Model Code"). Having made specific enquiries in writing to the Directors, each of the Directors confirmed that he/she had complied with the Model Code in connection with the Company's securities for the year ended 31 December 2017. The Company has also established written guidelines on no less exacting terms than the Model Code regarding securities transactions by relevant employees (including the employees and Directors of the subsidiaries or holding company) who are likely to possess inside information of the Company and/or its securities.

BOARD MEETINGS

The Board meets regularly throughout the year to discuss the overall strategy as well as the operation and financial performance of the Group. For the year ended 31 December 2017, the Company has held four Board meetings in total. The attendance record of each Director at Board meetings, audit committee meetings, remuneration committee meeting, nomination committee meeting and general meeting during the year ended 31 December 2017 is set out in the following table:

Name of Directors	Board Meetings (attendance/ total no. of meeting held)	Audit Committee Meetings (attendance/ total no. of meeting held)	Remuneration Committee Meeting (attendance/ total no. of meeting held)	Nomination Committee Meeting (attendance/ total no. of meeting held)	General Meeting (attendance/ total no. of meeting held)
Executive Directors					
Mr. Choi Yiu Ying	4/4	N/A	N/A	1/1	1/1
Mr. Choi Siu Kit	4/4	N/A	N/A	N/A	1/1
Mr. Yeung Chi Shing	4/4	N/A	N/A	N/A	0/1
Non-executive Directors					
Mr. Au Wai Pong Eric	3/4	4/5	1/1	N/A	1/1
Mr. Au Ion Weng	3/4	N/A	N/A	N/A	0/1
Ms. Poon Kam Yee Odilia	4/4	N/A	N/A	N/A	1/1
Independent non-executive Directors					
Mr. Lam Wai Chin Raymond	4/4	5/5	1/1	1/1	1/1
Mr. Chan Ting Bond Michael	4/4	5/5	N/A	N/A	1/1
Mr. Tse Kar Ho Simon	3/4	N/A	1/1	1/1	0/1

BOARD COMMITTEES

As an important part of sound corporate governance practices and for supervision of the overall affairs of the Company in various areas, the Board has established three Board committees, namely, the audit committee, the remuneration committee and the nomination committee. All Board committees have respective specific terms of reference clearly defining their powers and responsibilities, which are posted on the websites of the Company and the Stock Exchange. All the Board committees should report to the Board on their decisions or recommendations made, and where appropriate, can seek independent professional advice to perform their duties at the Company's expense.

Nomination Committee

The Company established a nomination committee with written terms of reference in compliance with paragraph A.5.2 of the CG Code. The nomination committee is chaired by the chairman of the Board, Mr. Simon Choi, and consists of Mr. Lam Wai Chin Raymond and Mr. Tse Kar Ho Simon, both of whom are independent non-executive Directors. The primary functions of the nomination committee include but not limited to: (i) making recommendations to the Board on matters relating to appointment of Directors; (ii) assessing the independence of independent non-executive Directors; and (iii) reviewing the structure, size and composition of the Board, and monitoring the implementation of the abovementioned Board diversity policy regularly.

One meeting was held during the year ended 31 December 2017. All members attended the meetings. The members of the Nomination Committee reviewed the composition of the Board, the retirement and re-election of Directors and made recommendation to the Board.

Remuneration Committee

The Company established a remuneration committee with written terms of reference in compliance with paragraph B.1.2 of the CG Code. The remuneration committee is chaired by our independent non-executive Director, Mr. Lam Wai Chin Raymond, and consists of another independent non-executive Director, Mr. Tse Kar Ho Simon and a non-executive Director, Mr. Au Wai Pong Eric. The primary functions of the remuneration committee include but not limited to: (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. No Director shall be involved in deciding his or her own remuneration.

One meeting was held during the year ended 31 December 2017. All members attended the meetings. They made recommendation to the Board regarding the Company's remuneration policy and the remuneration package of all directors (excluding his own remunerations) of the Company. No Director was involved in deciding his own remuneration during the year under review.

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 CG Code. The audit committee is chaired by our independent non-executive Director, 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, and consists of another independent non-executive Director Mr. Lam Wai Chin Raymond and a non-executive Director, Mr. Au Wai Pong Eric. The primary functions of the audit committee include but not limited to: (i) assisting the Board in providing an independent view of the effectiveness of the 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.

Five meetings were held by the Audit Committee during the year ended 31 December 2017. Please refer to the attendance sheet table under Board Meeting for the individual attendance of each member. The Group's quarterly reports, interim report for the six months ended 30 June 2017 and the annual report for the year ended 31 December 2017 had all been reviewed by the Audit Committee and recommendation was provided to the Board for approval.

RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENT AND REMUNERATION OF AUDITORS

The Directors acknowledge their responsibility for the preparation of the Group's consolidated financial statements, which are prepared on a going concern basis. Such responsibility of the Directors, and the responsibilities of the auditors in respect of the consolidated financial statements are set out in the report of the auditors of this annual report.

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.

The consolidated financial statements of the Group for the year ended 31 December 2017 were audited by HLB Hodgson Impey Cheng Limited ("HLB") whose term of office will expire upon the forthcoming annual general meeting of the Company. The audit committee has recommended the Board the reappointment of HLB as the auditors of the Company at the forthcoming annual general meeting.

A breakdown of the remuneration (including disbursement) paid/payable to the external auditors (including its affiliates) of the Company in respect of audit and non-audit services provided to the Company during the year is set out below:

Items	Fees (HK$'000)
Audit services	700
Non-audit services and disbursements	650
Total	1,350

COMPANY SECRETARY

Ms. Li Oi Lai was appointed as the external service provider of the company secretary of the Company on 4 March 2016 and she resigned on 7 July 2017.

Following the resignation of Ms. Li Oi Lai, Ms. Ho Ka Yan was appointed as the company secretary of the Company on the same day and reported to the Chairman of the Company. Ms. Ho Ka Yan has taken not less than 15 hours of relevant professional training during the year ended 31 December 2017.

On 2 March 2018, Ms. Ho Ka Yan resigned and Ms. Cheung Tin Shu was appointed as company secretary of the Company. Ms. Cheung is a member of the Hong Kong Institute of Chartered Secretaries.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is ultimately responsible for the risk management of the Group and has full authority to maintain the soundness and effectiveness of the internal control system and risk management procedures of the Group to ensure efficient and effective use of the Group's resources to assist the Group in achieving its operation objectives, safeguarding the Group's assets against any unauthorized use or disposal, ensuring an appropriate maintenance of accounting records and the availability of reliable financial information and ensuring compliance of the operating activities with laws and regulations. The control system is to be reasonably safeguards, if not absolute assurances, against material misstatement or loss, and is designed to manage, rather than eliminate the risk of failing to achieve objective. In meeting its responsibility, the Board has put in place policies and procedures which provide a framework for the identification and management of risks. During the year, the Group has complied with Principle C.2 of the Corporate Governance Code by establishing appropriate and effective risk management and internal control systems.

A risk management team consists of, among others, our executive Directors and management who in general have experiences in club or restaurant management over eight years, was formed at operational level. The risk management team oversees the implementation and monitoring our internal control, which includes but not limited to (i) 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) quarterly review of the implementation of the risk management plans and fine tune when necessary. The management also pays particular attention to potential risk exposure in conducting its monthly and quarterly operation analysis and takes corresponding countermeasures and issues pre-warnings against certain material risks. The Company endeavours to integrate its internal control and risk management with its day-to-day operations, and proactively adopts Information Technology ("IT") to assimilate the internal control and risk management processes into the IT system.

Internal Control System

The Company has in place an internal control system which enables the Company to achieve objectives regarding effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable laws and regulations. The components of the internal control system are shown as follow:

- Control Environment: a set of standards, processes and structures that provide the basis for carrying out internal control across the Group;
- Risk Assessment: a dynamic and iterative process for identifying and analyzing risks to achieve the Group's objectives, forming a basis for determining how risks should be managed;
- Control Activities: action established by policies and procedures to help ensure that management directives to mitigate risks to the achievement of objectives are carried out;
- Information and Communication: internal and external communication to provide the Group with the information needed to carry out day-to-day controls;
- Monitoring: ongoing and separate evaluations to ascertain whether each components of internal control is present and functioning.

During the year, the audit committee appointed external professional adviser to conduct an internal control review on the effectiveness of the Group's risk management and internal control systems. The external professional adviser is assigned with the task to perform reviews on operational, financial and compliance aspects and will alert the management on the review findings or irregularities, if any, advise on the implementation of necessary steps and actions to enhance the internal control systems of the Group. The result of internal control review and agreed action plans are reported to the Audit Committee and the Board.

The executive Directors closely monitored the Group's business and corporate developments and events so that potential inside information would be identified promptly. The Company regulates the handling and dissemination of inside information by restricting access to inside information to a limited number of employees and parties on a need-to-know basis. Employees who are in possession of inside information are conversant with their obligations to preserve confidentiality. External parties, such as financial printer, are required to sign confidentiality agreement or non-disclosure agreement. Inside information remains confidential until the disclosure of such information is appropriately approved and the dissemination of such information is efficiently and consistently made. Inside information shall be disseminated via the electronic publication system operated by the Stock Exchange before the information is released via other channels, such as the press or posting on the Company's website.

Based on the above, the Board has conducted a review of the effectiveness of the risk management and internal control system of the Group pursuant to C.2.1 of the CG Code and considers them effective and adequate. With a view of further enhancing the Group's internal control system on an ongoing basis, the Group will continue to engage external professional advisers to conduct review and consider to establish a formal in-house internal audit department where necessary from time to time, taking into account the development of the business and the scale and complexity of our operation in future.

INVESTOR RELATIONS

The Company has established a range of communication channels between itself and its shareholders, investors and other stakeholders, including the holding of forthcoming general meetings and corporate communications published on the Stock Exchange and information disclosed in the Company's website at www.lukhing.com.

Constitutional Documents

The Company has not made any change to its constitutional documents during the year. A consolidated version of the Company's constitutional documents is available on the Company's website and the website of the Stock Exchange.

Shareholders' Rights

There are no provisions governing shareholders' rights to put forward proposals or move resolutions at a general meeting under the M&A or the laws of the Cayman Islands. Shareholders who wish to put forward proposals or move a resolution may however, convene an extraordinary general meeting (the "EGM") to be called by the Board by following the procedures below.

Procedures for Shareholders to convene an EGM (including making proposals/moving a resolution at the EGM) to be called by the Board:

- Any one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company (the "Eligible Shareholder(s)") shall at all times have the right, by written requisition to the Board or the Company Secretary, to require an EGM to be called by the Board for the transaction of any business specified in such requisition, including putting forward proposals or moving a resolution at the EGM.

- Eligible Shareholder(s) who wish to require an EGM to be called by the Board for the purpose of making proposals or moving a resolution at the EGM must deposit a written requisition (the "Requisition") signed by the Eligible Shareholder(s) concerned to the principal place of business of the Company in Hong Kong at Room 1505, 15/F, Shun Tak Centre West Tower, 168–200 Connaught Road Central, Sheung Wan, Hong Kong, for the attention of the Company Secretary.

- The Requisition must state clearly the name of the Eligible Shareholder(s) concerned, his/her/their shareholding in the Company, the reason(s) to convene an EGM, the agenda of the EGM including the details of the business(es) proposed to be transacted at the EGM, signed by the Eligible Shareholder(s) concerned.

- The Company will check the Requisition and the identity and the shareholding of the Eligible Shareholder(s) will be verified with the Company's branch share registrar. If the Requisition is found to be proper and in order, the Company Secretary will ask the Board to convene an EGM within 2 months and/or include the proposal or the resolution proposed by the Eligible Shareholder(s) at the EGM after the deposit of the Requisition. On the contrary, if the Requisition has been verified as not in order, the Eligible Shareholder(s) concerned will be advised of this outcome and accordingly, the Board will not convene an EGM and/or include the proposal or the resolution proposed by the Eligible Shareholder(s) at the EGM.

- If within 21 days of the deposit of the Requisition, the Board has not advised the Eligible Shareholder(s) of any outcome to the contrary and fails to proceed to convene such EGM, the Eligible Shareholder(s) himself/herself/themselves may do so in accordance with the M&A, and all reasonable expenses incurred by the Eligible Shareholder(s) concerned as a result of the failure of the Board shall be reimbursed to the Eligible Shareholder(s) concerned by the Company.

When necessary, Shareholders can send their enquiries and concerns to the Board by addressing them to the Group's principal 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, by post or by fax to (852) 2402 1244, for the attention of the Company Secretary.

Shareholders are also encouraged to participate in general meetings. Board members, in particular, either the chairmen of Board committees or their delegates, appropriate management and external auditors will attend annual general meetings to answer Shareholders' questions.

REPORT OF THE DIRECTORS

The Directors submit herewith their report, together with the audited consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2017.

PRINCIPAL ACTIVITIES

The Company is an investment holding company incorporated in Cayman Islands. The Company and its subsidiaries is principally engaged in the food and beverage and entertainment industry. Their 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.

BUSINESS REVIEW

A review of the business of the Group as required under Schedule 5 to the Companies Ordinance, including an indication of likely future development in the Group's business, is set out in the section of "Letter to the Shareholders" and"Management Discussion and Analysis" in this annual report. Those discussion forms part of this report of the Directors.

Principal Risks and Uncertainties

The Group's financial condition, results of operations, businesses and prospects would be affected by a number of risks and uncertainties including business risks, operational risks and financial management risks.

Details of principal risks faced by the Group during the year ended 31 December 2017 are set out in"Principal risks and uncertainties"under "Management Discussion and Analysis" Section of this annual report. The details of financial risk management policies and practices of the Group are set out in Note 5(b) to the Consolidated Financial Statements.

There may be other risks and uncertainties in addition to those mentioned above which are not known to the Group or which may not be material now but could turn out to be material in the future.

Key Performance Indicators

The key performance indicators are detailed in the Financial Review set out in the "Management Discussion and Analysis" Section on pages 8 to 9 of this annual report, which constitutes a part of this report of the Directors.

Compliance with Laws and Regulations

To the best of the knowledge of the Board and the management, the Group complied with the relevant laws and regulations which constitutes material impact on the business and operation of the Company and its subsidiaries in all material respects during the year ended 31 December 2017.

Key Relationships with Employees, Customers and Suppliers

The Group recognizes that employees are one of the significant assets of the Group. The Group aims to continue establishing a caring environment to employees and emphasis the personal development of its employees.

The Group maintains a good relationship with our customers and suppliers. The Group aims to continuously providing quality services and consumption experiences to our customers and establishing long-term cooperation relationships with our suppliers.

Environmental Policies

The Group is committed to building an environmentally-friendly corporate environment that pays close attention to conserving natural resources. The Group strives to minimise its impact on the environment by reducing its electricity consumption and encouraging recycle of office supplies and other materials. For further details, please refer to the Environmental, Social and Governance Report to be published by our Group in the June 2018.

SEGMENT INFORMATION

The analysis of geographical locations of the Company and its subsidiaries for the year are set out in note 6 to the consolidated financial statements. Details of the segment information of the Group for the year are set out in note 6 to the consolidated financial statements.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2017 and the state of the affairs of the Company and the Group as at that date are set out in the consolidated financial statements on pages 46 to 101 of this annual report.

The Directors do not recommend the payment of any dividend for the year ended 31 December 2017.

SUMMARY OF FINANCIAL INFORMATION

A summary of the published results and assets and liabilities of the Group for the last four financial years, as extracted from the audited consolidated financial statements, is set out on page 102 of this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year are set out in note 15 to the consolidated financial statements.

SHARE CAPITAL

Details of the movements in the share capital of the Company during the year are set out in note 25 to the consolidated financial statements.

RESERVES AND DISTRIBUTABLE RESERVES

Details of the movements in reserves of the Group and the Company during the year are set out in the Consolidated Statements of Changes in Equity and note 26 to the consolidated financial statements, respectively.

At 31 December 2017, the Company's reserves available for distribution, calculated in accordance with the Companies Law of the Cayman Islands, amounted to approximately HK$59,263,000. This included the Company's share premium account in the amount of approximately HK$66,235,000 which is distributable to the shareholders provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

DIRECTORS

The Directors during the year and up to the date of this report were as follows:

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

The Company has entered into a service agreement with each of our executive Directors for an initial term of three years whereas all of the non-executive Directors have been appointed for an initial term of two years. All of the independent non-executive Directors have been appointed for an initial term of one year.

In accordance with article 108 of the Company's articles of association, Mr. Au Wai Pong Eric, Mr. Au Ion Weng and Ms. Poon Kam Yee Odilia shall retire from office as Directors by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election at the forthcoming annual general meeting. None of the Directors proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

REMUNERATION OF DIRECTORS AND FIVE INDIVIDUALS WITH HIGHEST EMOLUMENTS

Details of the emoluments of the Directors and five individuals with highest emoluments of the Group are set out in note 12 to the consolidated financial statements.

RETIREMENT BENEFIT SCHEME

Details of the retirement benefit scheme of the Group are set out in note 27 to the consolidated financial statements.

PERMITTED INDEMNITY PROVISION FOR THE BENEFIT OF DIRECTORS

The Company has arranged appropriate insurance cover in respect of its legal action against its Directors, effective from the date of Listing and remained in force as of the date of this report.

EMPLOYEES AND REMUNERATION POLICY

The Group had a total of 181 employees as at 31 December 2017 (2016:143 employees). Remuneration is determined with reference to market terms and the performance, qualifications and experience of the individual employee. We actively refine our staff structure by adopting the human resources philosophy of "making the best use of ability" and offer reasonable yet competitive compensation packages. The Group has developed a number of rules and regulations to provide provisions on remuneration, dismissal, recruitment and promotion, working hours, holidays, equal opportunities, diversity and other benefits as well as welfare for employees. Other benefits include contributions to statutory mandatory provident fund schemes to its qualified Hong Kong employees and social security fund schemes operated and managed by the Macau Government to its qualified Macau employees.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A separate environmental, social and governance report is expected to be published on the Stock Exchange's website and the Company's website no later than three months after the annual report had been published.

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

As at 31 December 2017, the interests and short position of the Directors and the Company's chief executives in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), which were required to be notified to the Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including any interests or short positions which they are taken or deemed to have under such provisions of the SFO), or as recorded in the register maintained by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of listed issuers as referred to in Rule 5.46 to 5.67 of the GEM Listing Rules were as follows:

Name of Director/Chief Executive	Name of Group member/associated corporation	Nature of interest	Number and class of securities[1]	Approximate percentage of shareholding interest immediately after the Listing
Mr. Choi Yiu Ying (Notes 2 and 3)	The Company	Interest of a controlled corporation, interest held jointly with another person	1,093,500,000 ordinary shares of the Company (L)	60.75%
	Welmen Investment Co. Ltd ("Welmen")	Interest of a controlled corporation	3,031.11 ordinary shares of Welmen (L)	30.3111%
		Beneficial owner	706.67 ordinary shares of Welmen (L)	7.0667%
Mr. Choi Siu Kit (Notes 2 and 3)	The Company	Interest of a controlled corporation, interest held jointly with another person	1,093,500,000 ordinary shares of the Company (L)	60.75%
	Welmen	Interest of a controlled corporation	3,031.11 ordinary shares of Welmen (L)	30.3111%
		Beneficial owner	706.67 ordinary shares of Welmen (L)	7.0667%
Mr. Yeung Chi Shing (Note 2)	The Company	Interest held jointly with another person	1,093,500,000 ordinary shares of the Company (L)	60.75%
	Welmen	Beneficial owner	1,233.44 ordinary shares of Welmen (L)	12.3444%
Mr. Au Wai Pong Eric (Note 2)	The Company	Interest held jointly with another person	1,093,500,000 ordinary shares of the Company (L)	60.75%
	Welmen	Beneficial owner	1,605.56 ordinary shares of Welmen (L)	16.0556%

Notes:

(1) The letter "L" denotes the person's long position in the shares of the Company or the relevant associated corporation.

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

(3) Welmen is owned as to 30.3111% by Yui Tak Investment Limited ("Yui Tak") and Yui Tak is wholly owned by Ocean Concept Holdings Limited ("Ocean Concept"). Ocean Concept is owned as to 88.29% by Toprich Investment (Group) Limited ("Toprich") and Toprich is wholly owned by Perfect Succeed Limited ("Perfect Succeed"), which is in turn owned as to 50% by Mr. Choi Yiu Ying and as to 50% by Mr. Choi Siu Kit. By virtue of the SFO, each of Mr. Choi Yiu Ying and Mr. Choi Siu Kit is deemed to be interested in 30.3111% of the issued share capital of Welmen held by Yui Tak and 60.75% of the issued share capital of the Company held by Welmen.

Save as disclosed above and so far as is known to the Directors, as at 31 December 2017, none of the Directors and the Company's chief executive had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including any interests or short positions which they are taken or deemed to have under such provisions of the SFO), or as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of listed issuers as referred to in Rule 5.46 to 5.67 of the GEM Listing Rules.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2017, the person (other than the Directors or the Company's chief executives) or company who or which had an interest and short position in the shares and underlying shares of the Company which were required to be notified to the Company under Divisions 2 and 3 of Part XV of the SFO or as recorded in the register of the Company required to be kept under Section 336 of the SFO were as follows:

Name of shareholder	Nature of interest	Number and class of securities[1]	Approximate percentage of shareholding interest immediately after the Listing
Welmen	Beneficial owner	1,093,500,000 ordinary shares (L)	60.75%
Yui Tak (Note 3)	Interest of a controlled corporation	1,093,500,000 ordinary shares (L)	60.75%
Ocean Concept (Note 3)	Interest of a controlled corporation	1,093,500,000 ordinary shares (L)	60.75%
Toprich (Note 4)	Interest of a controlled corporation	1,093,500,000 ordinary shares (L)	60.75%
Perfect Succeed (Note 4)	Interest of a controlled corporation	1,093,500,000 ordinary shares (L)	60.75%
Mr. Au Ka Wai (Note 2)	Interest held jointly with another person	1,093,500,000 ordinary shares (L)	60.75%
Mr. Yeung Bernard Sie Hong (Note 2)	Interest held jointly with another person	1,093,500,000 ordinary shares (L)	60.75%
Kenbridge Limited ("Kenbridge")	Beneficial owner	121,500,000 ordinary shares (L)	6.75%
Mr. Poon Ching Tong Tommy (Note 5)	Interest of a controlled corporation	121,500,000 ordinary shares (L)	6.75%
Ms. Chan Ting Fai (Note 6)	Interest of spouse	1,093,500,000 ordinary shares (L)	60.75%
Ms. Lee Wan (Note 7)	Interest of spouse	1,093,500,000 ordinary shares (L)	60.75%
Ms. Mak Kai Fai (Note 8)	Interest of spouse	1,093,500,000 ordinary shares (L)	60.75%
Ms. Lau Sze Mun Charmaine (Note 9)	Interest of spouse	121,500,000 ordinary shares (L)	6.75%

Notes:

(1) The letter "L" denotes the person's long position in the shares of the Company.

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

(3) Welmen is owned as to 30.3111% by Yui Tak and Yui Tak is wholly owned by Ocean Concept. By virtue of the SFO, each of Yui Tak and Ocean Concept is deemed to be interested in 60.75% of the issued share capital of the Company held by Welmen.

(4) Ocean Concept is owned as to 88.29% by Toprich and Toprich is wholly owned by Perfect Succeed, which is in turn owned as to 50% by Mr. Choi Yiu Ying and as to 50% by Mr. Choi Siu Kit. By virtue of the SFO, each of Toprich, Perfect Succeed, Mr. Choi Yiu Ying and Mr. Choi Siu Kit is deemed to be interested in 60.75% of the issued share capital of the Company held by Welmen.

(5) Kenbridge is wholly owned by Mr. Poon Ching Tong Tommy. By virtue of the SFO, Mr. Poon Ching Tong Tommy is deemed to be interested in 6.75% of the issued share capital of the Company held by Kenbridge.

(6) Ms. Chan Ting Fai is the spouse of Mr. Choi Siu Kit. By virtue of the SFO, Ms. Chan Ting Fai is deemed to be interested in 60.75% of the issued share capital of the Company in which Mr. John Choi is interested.

(7) Ms. Lee Wan is the spouse of Mr. Au Wai Pong Eric. By virtue of the SFO, Ms. Lee Wan is deemed to be interested in 60.75% of the issued share capital of the Company in which Mr. Au Wai Pong Eric is interested.

(8) Ms. Mak Kai Fai is the spouse of Mr. Yeung Bernard Sie Hong. By virtue of the SFO, Ms. Mak Kai Fai is deemed to be interested in 60.75% of the issued share capital of the Company in which Mr. Yeung Bernard Sie Hong is interested.

(9) Ms. Lau Sze Mun Charmaine is the spouse of Mr. Poon Ching Tong Tommy. By virtue of the SFO, Ms. Lau Sze Mun Charmaine is deemed to be interested in 6.75% of the issued share capital of the Company in which Mr. Poon Ching Tong Tommy is interested.

Save as disclosed above and so far as is known to the Directors, as at 31 December 2017, no other interests or short positions in the shares or underlying shares of the Company which were required to be notified to the Company under Divisions 2 and 3 of Part XV of the SFO or were recorded in the register required to be kept by the Company under Section 336 of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Saved as disclosed under the paragraph headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company or any associated company", at no time during the year was the Company or any of its subsidiaries or fellow subsidiaries, a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTEREST IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Saved as the related party transactions disclosed in note 31 to the consolidated financial statements, no other transactions, arrangements or contracts of significance in relation to the Group's business to which the Company, its controlling shareholders or any of its subsidiaries or fellow subsidiaries was a party and in which a Director of the Company and the director's connected party had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year ended 31 December 2017.

INTEREST IN A COMPETING BUSINESS

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

As also disclosed in the Prospectus, Mr. Choi Yiu Ying and Mr. Choi Siu Kit, our executive Directors and also controlling shareholders of the Company, are engaged in certain restaurant and bar business in Hong Kong (the"Retained HK Restaurant and Bar Business"). Set out below are the details of their interests in the Retained HK Restaurant and Bar Business during the twelve-month period ended 31 December 2017:

Name of entity	Nature of interests
Global Profit Development Limited (Note 1)	Director and approximately 40% of its issued share capital was held by Mr. Choi Yiu Ying and Mr. Choi Siu Kit
Mighty Force Catering Group Limited (Note 2)	Approximately 50% of issued share capital was held by Mr. Choi Siu Kit's spouse, who was also a director
Sham Tseng Chan Kee Roasted Goose Company Limited (Note 2)	Approximately 7.5% of issued share capital was held by Mr. Choi Siu Kit's spouse, who was also a director
Eastern Full Limited (Note 2)	Approximately 7.5% of issued share capital was held by Mr. Choi Siu Kit's spouse, who was also a director

Notes

1. Operates a bar and restaurant with trading name of Shelter in Hong Kong
2. Operate/franchise restaurants with trading name of Sham Tseng Chan Kee in Hong Kong

As Mr. Choi Yiu Ying and Mr. Choi Siu Kit had engaged the Retained HK Restaurant before the Group's Listing and its entrance into the restaurant and bar business in Hong Kong, such business are not covered by the Deed of Non-competition entered between the Controlling Shareholders and the Company.

As disclosed in the Prospectus, our independent non-executive Director, Mr. Tse Kar Ho Simon ("Mr. Tse"), is engaged in the business of musical events and performances organization and other promotional and/or marketing events in Hong Kong, the PRC and other countries. Below are the details of his interests in companies involved in such business during the year end 31 December 2017:

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

The events organized by Mr. Tse are not limited to music-related events, and even as to music-related events and performances, the music genre is broad and not limited to clubbing music such as electronic music which is the focus of our Group. In addition, Mr. Tse expects that Macau will not be a material market for his event or performance organization business in the foreseeable future. Hence, our Directors are of the view that the potential competition is relatively low and limited.

Saved as disclosed, during the twelve-month period ended 31 December 2017, none of the Directors or the controlling shareholders of the Company, neither themselves nor their respective close associates (as defined in the GEM Listing Rules) engaged in any business that competes or may compete, directly or indirectly, with the business of the Group or had any other conflicts of interest with the Group nor are they aware of any other conflicts of interest which any such person has or may have with the Group. Our independent non-executive directors have reviewed and concluded their compliance with the Deed of Non-competition signed between controlling shareholders and the Company.

INTERESTS OF THE COMPLIANCE ADVISER

As disclosed in the Company's announcement dated 9 February 2017. Innovax Capital Limited ("Innovax") was appointed as our new compliance adviser with effect from 12 February 2017.

As notified by China Everbright Capital Limited ("China Everbright"), the then compliance adviser of the Company, during 1 January to 12 February 2017, except for (i) China Everbright's participation as the sole sponsor in relation to the Listing; and (ii) the compliance adviser agreement entered into between the Company and China Everbright dated 11 March 2016, neither China Everbright nor its directors, employees or close associates (as defined under the GEM Listing Rules) had any interest in the Group or in the share capital of any member of the Group which is required to be notified to the Company pursuant to Rule 6.A.32 of the GEM Listing Rules.

As notified by Innovax, during 12 February 2017 to 31 December 2017, except for the compliance adviser agreement entered into between the Company and Innovax dated 9 February 2017, neither Innovax nor its directors, employees involved in providing advice to the Group or their close associates (as defined under the GEM Listing Rules) had any interest in the Group (including options or rights to subscribe for the securities of the Group) which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

SHARE OPTION SCHEME

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

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

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

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

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

EQUITY-LINKED AGREEMENTS

Save for the arrangement of corporate reorganisation in preparation for the Listing, details of which are disclosed in the Prospectus, and the share option scheme of the Group, no other equity-linked agreements were entered into by the Group or existed during the year ended 31 December 2017.

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.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association, or the applicable laws of the Cayman Islands, that would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

SUFFICIENCY OF PUBLIC FLOAT

As at the date of this report, based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company maintained a sufficient public float as required under the GEM Listing Rules.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

CORPORATE GOVERNANCE

Details of the Company's corporate governance practices are set out in the Corporate Governance Report on page 21 to 29 of this annual report.

MAJOR CUSTOMERS AND SUPPLIERS

For the reporting period, the revenue from sales of goods or rendering of services to the five largest customers of the Group represented less than 30% of the total revenue of the Group. The purchases from the five largest suppliers of the Group accounted for 77.4% of the total purchase of the Group and the purchase from the largest supplier accounted for 57.1% of the total purchase of the Group. To the best knowledge of the Board, none of the Directors, their close associates or any shareholder holding more than 5% of the issued share capital of the Company, had any beneficial interests in the Group's five largest customers or suppliers.

CONNECTED TRANSACTIONS

Related party transactions entered into by the Group during the year ended 31 December 2017 are disclosed in note 31 to the consolidated financial statements. These related party transactions are also connected transactions which are exempted from the reporting, annual review, announcement, circular and shareholders approval under Chapter 20 of the GEM Listing Rules.

EVENTS AFTER THE REPORTING PERIOD

Up to the date of this report, there was no event relevant to the business or financial performance of the Group that came to the attention of the Directors after the year ended 31 December 2017.

AUDITORS

The consolidated financial statements of the Group for the year ended 31 December 2017 were audited by HLB Hodgson Impey Cheng Limited ("HLB"). A resolution will be proposed at the forthcoming annual general meeting to reappoint HLB as the auditors of the Group.

On behalf of the Board

Choi Yiu Ying
Chairman and Chief Executive Officer

Hong Kong, 26 March 2018

INDEPENDENT AUDITORS' REPORT

國衛會計師事務所有限公司
Hodgson Impey Cheng Limited

31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

TO THE SHAREHOLDERS OF
LUK HING ENTERTAINMENT GROUP HOLDINGS LIMITED
(Incorporated in Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Luk Hing Entertainment Group Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 46 to 101, which comprise the consolidated statements of financial position as at 31 December 2017, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Revenue recognition of sales of beverage and other products Refer to Note 7 to the consolidated financial statements and the accounting policies in Note 3 to the consolidated financial statements.	
We identified revenue recognised from sales of beverage and other products as a key audit matter as revenue recognised is quantitatively significant to the consolidated statement of profit or loss and other comprehensive income and material revenue transactions may occur close to the end of the reporting period which require management's effort in verifying appropriate cut-off for goods despatched.	We selected samples of sales of beverage and other products transactions. Our procedures in relation to these transactions included: • Obtaining an understanding of the revenue recognition process regarding sales of beverage and other products; • Performing test of details, on a sample basis, by comparing the details and amounts of the transactions selected with the details and amounts shown on the underlying documentation, including the journal vouchers and sales invoices; • Testing the recognition of material sales transactions close to the end of the reporting period to assess whether those sales transactions were recorded in appropriate accounting period in accordance with the Group's revenue recognition policy. We found that the amount and timing of the revenue recorded were supported by the available evidence.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditors' report thereon ("Other Information").

Our opinion on the consolidated financial statements does not cover the Other Information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this Other Information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement director on the audit resulting in this independent auditors' report is Shek Lui.

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Shek Lui
Practising Certificate Number: P05895

Hong Kong, 26 March 2018

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	7	**137,384**	129,302
Other income and gain	8	**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	11	**(13,295)**	(6,184)
Taxation	10	**(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)	14	**(0.52)**	(0.44)

The accompanying notes form an integral part of these consolidated financial statements.

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	15	**21,119**	5,485
Intangible assets	16	**820**	934
Available-for-sale investments	17	**6,160**	–
Deposits	19	**3,885**	103
		31,984	6,522
Current assets			
Inventories	18	**3,923**	4,677
Account and other receivables	19	**25,723**	25,641
Loan receivables	20	**2,000**	–
Cash and cash equivalents	21	**49,167**	73,850
		80,813	104,168
Liabilities			
Current liabilities			
Account and other payables	22	**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	22	**1,833**	–
Amounts due to non-controlling interests	23	**4,112**	–
Provision for reinstatement costs	24	**715**	–
		6,660	–
Net assets		**77,611**	87,039

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 31 December 2017 HK$'000	As at 31 December 2016 HK$'000
Equity			
Share capital	25	**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

The accompanying notes form an integral part of these consolidated financial statements.

The consolidated financial statements on pages 46 to 101 were approved and authorised for issue by the Board of Directors on 26 March 2018 and signed on its behalf by:

Choi Yiu Ying
Director

Choi Siu Kit
Director

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 (Note 25(b))	13,500	(13,500)	–	–	–	–	–	–
Issue of shares upon placing (Note 25(c))	4,500	90,000	–	–	–	94,500	–	94,500
Expenses in connection with the issue of shares	–	(10,265)	–	–	–	(10,265)	–	(10,265)
Dividends (Note 13)	–	–	–	–	(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.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Year ended 31 December 2017 HK$'000	Year ended 31 December 2016 HK$'000
Operating activities		
Loss before taxation	(13,295)	(6,184)
Adjustments for:		
Provision for/(Reversal of provision for) impairment on account receivable	372	(353)
Depreciation of property, plant and equipment	2,734	1,938
Amortisation of intangible assets	114	38
Bank interest income	(28)	–
Operating cash flows before movements in working capital	(10,103)	(4,561)
Decrease/(increase) in inventories	754	(903)
Increase in account and other receivables	(4,812)	(14,296)
Increase in loan receivables	(2,000)	–
Decrease in amounts due from related parties	–	423
Increase/(decrease) in account and other payables	5,328	(3,877)
Decrease in amounts due to related parties	–	(555)
Cash used in operations	(10,833)	(23,769)
Income tax paid	–	(1,930)
Net cash used in operating activities	(10,833)	(25,699)
Investing activities		
Purchase of plant and equipments	(15,914)	(1,539)
Acquisition of available-for-sale investments	(6,160)	–
Purchase of intangible assets	–	(972)
Bank interest received	28	–
Net cash used in investing activities	(22,046)	(2,511)
Financing activities		
Proceeds from issue of shares upon placing	–	84,235
Dividends paid (Note 13)	–	(3,137)
Capital contribution from non-controlling interests	4,002	–
Loans from non-controlling shareholders (Note 23)	4,112	–
Net cash generated from financing activity	8,114	81,098
Net (decrease)/increase in cash and cash equivalents	(24,765)	52,888
Cash and cash equivalents at the beginning of the year	73,850	20,962
Effect of foreign exchange rate	82	–
Cash and cash equivalents at the end of the year	49,167	73,850

The accompanying notes form an integral part of these consolidated financial statements.

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.

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

3.1 Application of new and revised HKFRSs *(Continued)*

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.

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

3.1 Application of new and revised HKFRSs *(Continued)*

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

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 Note 3.2 to the consolidated financial statements. 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.

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

3.1 Application of new and revised HKFRSs *(Continued)*

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. As 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.

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

3.2 Significant accounting policies *(Continued)*

Basis of preparation *(Continued)*

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 consolidated financial statements incorporates the financial statements of the Company and entities controlled by the Company (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.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous patterns at previous shareholders' meetings.

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 are included in the consolidated statement 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.

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

3.2 Significant accounting policies *(Continued)*

Basis of consolidation *(Continued)*

Profit or loss and each component of other comprehensive income are attributed to owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to owners of the Company and to the non-controlling interest even if this results in the non-controlling interests having a deficit balance.

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 consolidation.

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.

Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the steering committee that makes strategic decisions.

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

3.2 Significant accounting policies *(Continued)*

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.

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

3.2 Significant accounting policies *(Continued)*

Merger accounting for business combination involving entities under common control

The consolidated financial statements 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 statement 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 food, beverage and other products*

Revenue from the sale of food, beverage and other products 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 and restaurant operations*

Revenue from club and restaurant operations (including entrance fees income, events rental income and cloakroom income) is recognised when the services have been provided to the customers.

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

3.2 Significant accounting policies *(Continued)*

Revenue recognition *(Continued)*

(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.

(v) Royalty and franchising income

Royalty and franchising income is recognized on an accrual basis in accordance with the related agreements.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the leasee. 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 year in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

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

3.2 Significant accounting policies *(Continued)*

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;

- exchange differences on transactions entered into in order to hedge certain foreign currency risks (see the accounting policies below); and

- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

For the purpose of presenting the consolidated financial statements, 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, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of foreign currency translation reserve (attributable to non-controlling interests as appropriate).

Borrowing costs

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

Employee benefits

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

The Group's contributions to the defined contribution retirement benefit plans are charged to profit or loss in the year incurred and are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions. The Group has no further payment obligations once the contributions have been paid.

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

3.2 Significant accounting policies *(Continued)*

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before taxation as reported in the consolidated statement 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

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements 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 deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or 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.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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 the 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.

For the purposes of measuring deferred tax liabilities or deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

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

3.2 Significant accounting policies *(Continued)*

Taxation *(Continued)*

Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

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	3–10 years
Tableware	3–5 years
Leasehold improvement	2–10 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.

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

3.2 Significant accounting policies *(Continued)*

Intangible assets

Licenses

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses. Licenses have a finite useful life and are carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight-line method to allocate the cost of licenses over its estimated useful lives. Licenses are amortised over its estimated useful lives of 8.5 years. Both the period and method of amortisation are reviewed annually.

Impairment on tangible assets and intangible 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.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

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 statement 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.

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

3.2 Significant accounting policies *(Continued)*

Financial instruments *(Continued)*

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.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial assets is (i) held for trading, or (ii) it is designated as FVTPL. A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

(i) such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

(ii) the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

(iii) it forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excluded any dividend or interest earned on the financial assets.

Available-for-sale ("AFS") financial assets

AFS financial assets are non-derivatives that are either designated as available-for-sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at FVTPL.

Debt securities held by the Group that are classified as AFS financial assets and are traded in an active market are measured at fair value at the end of each reporting period. Changes in the carrying amount of AFS monetary financial assets relating to interest income calculated using the effective interest method and changes in foreign exchange rates are recognised in profit or loss. Other changes in the carrying amount of AFS financial assets are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

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

3.2 Significant accounting policies *(Continued)*

Financial instruments *(Continued)*

Effective interest method

The effective interest method is a method of calculating the amortised cost of 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.

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

3.2 Significant accounting policies *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Impairment of financial assets (Continued)

For certain categories of financial asset, such as account receivables which are assessed individually for impairment. Objective evidence of impairment for 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 liability 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.

Equity

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.

Financial liabilities

Financial liabilities (including account and other payables and amounts due to related parties) are subsequently measured at amortised costs, using the effective interest method.

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.

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

3.2 Significant accounting policies *(Continued)*

Financial instruments *(Continued)*

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 Group'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 either the Group or an entity related to the Group;
- (f) the entity is controlled or jointly controlled by a person identified in (i);
- (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); or
- (h) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

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

3.2 Significant accounting policies *(Continued)*

Related parties *(Continued)*

Close family members of an individual are those family members who may be expected to influence, or be influence by, that person in their dealings with the entity and include:

- that person's children and spouse or domestic partner;
- children of that person's spouse or domestic partner; and
- dependants of the person or that person's spouse or domestic partner.

A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between the Group and a related party, regardless of whether a price is charged.

Provision for reinstatement cost

Provision for reinstatement cost represents the estimated cost for the renovation work of the Group's leased outlets agreed to be carried out upon the expiry of the relevant leases using a risk-free pre-tax interest rate. The provision has been determined by the directors based on their best estimates.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3.2, 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 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) Useful lives and residual values of property, plant and equipment

In determining the useful life and residual value of an item of property, plant and equipment, the Group has to consider various factors, such as technical or commercial obsolescence arising from changes or improvement in production, or from a change in market demand for the products or service output of the asset, expected usage of the asset, expected physical wear and tear, the care and maintenance of the asset, and legal or similar limits on the use of the asset. The estimation of the useful life of the asset is based on the experience of the Group with similar assets that are used in similar way. The Group will revise the depreciation charge where useful lives are different to those previously estimated, or it will write-off or write-down technically obsolete or nonstrategic assets that have been abandoned or sold.

(b) Impairment of leasehold improvement

Leasehold improvement are stated at costs less depreciation and impairment, as appropriate. The directors review their impairment whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable at the end of each reporting period. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

(b) Impairment of leasehold improvement *(Continued)*

In determining whether an asset is impaired, the Group have to exercise judgement and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the value in use, i.e. the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimate the recoverable amount of the cash-generating unit to which the assets belongs. Changing the assumptions selected by management to determine the level of impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test.

(c) Impairment loss for non-financial assets

The Group assesses at the end of the reporting period whether non-financial assets suffered any impairment in accordance with accounting policy stated in Note 3.2. The non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets exceeds its recoverable amount. The determination of recoverable amount requires an estimation of future cash flows and the selection of appropriate discount rates. Changes in these estimates could have a significant impact on the carrying value of the assets and could result in additional impairment charge or reversal of impairment in future periods, where applicable.

(d) Provision for reinstatement costs

Provision for reinstatement cost is estimated at the inception of leasing property with reinstatement clause and reassessed at the end of each reporting period with reference to the latest available quotation from independent contractors. Estimation based on current market information may vary over time and could differ from the actual reinstatement cost upon closures or relocation of existing premises occupied by the Group.

(e) 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 2017 and 2016, carrying values of account and other receivables were approximately HK$29,608,000 and HK$25,744,000 respectively (net of allowance for doubtful debt of approximately HK$373,000 and Nil respectively).

(f) 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 2017 and 2016, the carrying values of inventories were approximately HK$3,923,000 and HK$4,677,000 respectively.

5. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	As at 31 December 2017 HK$'000	As at 31 December 2016 HK$'000
Financial assets		
Loans and receivables:		
— Account receivables	**9,461**	7,904
— Sponsorship receivables	**3,100**	5,150
— Other receivables	**283**	532
— Loan receivables	**2,000**	–
— Cash and cash equivalents	**49,167**	73,850
Available-for-sales investments	**6,160**	–
Financial liabilities		
At amortised cost		
— Account and other payables	**28,165**	23,568
— Deferred rentals	**1,968**	75
— Amounts due to non-controlling interests	**4,112**	–
— Provision for reinstatement costs	**715**	–

(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 available-for-sales investments, account and other receivables, loan receivables, cash and cash equivalents, account and other payables, deferred rentals, amounts due to non-controlling interest and provision for reinstatement costs. 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.

5. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

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 19.

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.

5. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Liquidity risk *(Continued)*

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 principle 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
As at 31 December 2017						
Non-derivative financial liabilities						
Account and other payables	**–**	**28,165**	**–**	**–**	**28,165**	**28,165**
Deferred rentals	**–**	**135**	**304**	**1,529**	**1,968**	**1,968**
Amounts due to non-controlling interests	**–**	**–**	**–**	**4,112**	**4,112**	**4,112**
Provision for reinstatement costs	**–**	**–**	**–**	**715**	**715**	**715**
As at 31 December 2016						
Non-derivative financial liabilities						
Account and other payables	–	23,643	–	–	23,643	23,643

5. FINANCIAL INSTRUMENTS *(Continued)*

(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 year.

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 statement of financial position approximate of their fair values.

5. FINANCIAL INSTRUMENTS *(Continued)*

(c) Fair value of financial instruments *(Continued)*

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 year.

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 year.

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 2017 HK$'000	As at 31 December 2016 HK$'000
Total liabilities	**35,186**	23,651
Total assets	**112,797**	110,690
Gearing ratio	**31.2%**	21.4%

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 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).

7. 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.

8. 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).

9. PRINCIPAL SUBSIDIARIES

The following is a list of principal subsidiaries as at 31 December 2017 and 2016:

Name of subsidiaries	Place of incorporation	Place of Operations	Issued and paid up capital/ Contributed capital	Proportion of effective equity interests held by the Company				Principal Activities
				Directly 2017	Directly 2016	Indirectly 2017	Indirectly 2016	
Luk Hing Investment Limited	Macau	Macau	MOP 25,000	–	–	100%	100%	Operation of clubbing business
Luk Hing Investment (Hong Kong) Limited	Hong Kong	Hong Kong	HK$1	–	–	100%	100%	Organising music-related events
Luk Hing Group Development (China) Limited	Hong Kong	The People's Republic of China the ("PRC")	HK$100	–	–	100%	100%	Operating of clubbing business
Luk Hing Capital Limited	Hong Kong	Hong Kong	HK$100	–	–	100%	–	Money lending business
Betula Profit Holdings Limited	Hong Kong	Hong Kong	HK$20,000,000	–	–	59%	–	Catering business
Unicorn Century Limited	Hong Kong	Hong Kong	HK$100	100%	–	–	–	Catering business
珠海陸慶文化發展有限公司*	PRC	PRC	HK$4,700,000	–	–	100%	–	Investment holding
Luk Hing International Limited	The British Virgin Island ("BVI")	Macau	USD1	100%	100%	–	–	Investment holding
L&B Betula Limited	BVI	Hong Kong	USD1,000	–	–	74%	–	Investment holding

* Registered as a wholly-foreign owned enterprises under the PRC Law.

The above table lists the subsidiaries of the Company, which, in the opinion of the directors of the Company, principally affected the results of the year or constituted a substantial portion of the assets of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company result in particulars of excessive length.

9. PRINCIPAL SUBSIDIARIES *(Continued)*

At the end of the reporting period, the Company has other subsidiaries that are not material to the Group. The principal activities of these subsidiaries are summarised as follows:

Principal activities	Principal place of business	Number of subsidiaries	
		2017	2016
Investment holding	BVI	9	3
Inactive	Hong Kong	1	–

10. 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.

10. TAXATION *(Continued)*

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.

11. 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) (Note 12)	**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 19)	**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

Notes:

(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.

12. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

The aggregate amounts of emoluments paid by the companies now comprising the Group to the directors of the Company during the reporting period are as follows:

	Year ended 31 December 2017 HK$'000	Year ended 31 December 2016 HK$'000
Directors' fees	560	78
Salaries and other benefits	2,090	1,567
Retirement schemes contributions	52	51
	2,702	1,696

(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 years ended 31 December 2017 and 2016 are as follows:

For the year ended 31 December 2017

	Fees HK$'000	Salaries, allowances, bonuses and benefit in kind HK$'000	Retirement scheme contributions HK$'000	Total remuneration HK$'000
Executive directors				
Mr. Choi Yiu Ying (Note i)	–	935	18	953
Mr. Choi Siu Kit	–	840	18	858
Mr. Yeung Chi Shing	–	315	16	331
Non-executive directors				
Mr. Au Wai Pong, Eric (Note ii)	–	–	–	–
Mr. Au Ion Weng (Note ii)	–	–	–	–
Ms. Poon Kam Yee, Odilia (Note ii)	–	–	–	–
Independent non-executive directors				
Mr. Lam Wai Chin, Raymond (Note iii)	180	–	–	180
Mr. Chan Ting Bond, Michael (Note iii)	180	–	–	180
Mr. Tse Kar Ho, Simon (Note iii)	200	–	–	200
	560	2,090	52	2,702

12. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS *(Continued)*

(a) Directors' and chief executive's emoluments *(Continued)*

For the year ended 31 December 2016

	Fees HK$'000	Salaries, allowances, bonuses and benefit in kind HK$'000	Retirement scheme contributions HK$'000	Total remuneration HK$'000
Executive directors				
Mr. Choi Yiu Ying (Note i)	–	677	18	695
Mr. Choi Siu Kit	–	588	18	606
Mr. Yeung Chi Shing	–	302	15	317
Non-executive directors				
Mr. Au Wai Pong, Eric (Note ii)	–	–	–	–
Mr. Au Ion Weng (Note ii)	–	–	–	–
Ms. Poon Kam Yee, Odilia (Note ii)	–	–	–	–
Independent non-executive directors				
Mr. Lam Wai Chin, Raymond (Note iii)	25	–	–	25
Mr. Chan Ting Bond, Michael (Note iii)	25	–	–	25
Mr. Tse Kar Ho, Simon (Note iii)	28	–	–	28
	78	1,567	51	1,696

Notes:

i. 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.

ii. Mr. Au Wai Pong, Eric, Mr. Au Ion Weng and Ms. Poon Kam Yee, Odilia are appointed to be the non-executive directors of the Group on 2 March 2016.

iii. Mr. Lam Wai Chin, Raymond, Mr. Chan Ting Bond, Michael and Mr. Tse Kar Ho, Simon are appointed to be the independent non-executive directors of the Group on 18 October 2016 and effective on 11 November 2016.

12. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS *(Continued)*

(b) Employees' emoluments

The five highest paid individuals during the year included 2 directors (2016: 1 director) whose emoluments are disclosed in above. The aggregate of the emoluments in respect of the other 3 individuals (2016: 4 individuals) with the highest emoluments are as follows:

	Year ended 31 December 2017 HK$'000	Year ended 31 December 2016 HK$'000
Salaries, allowances and benefit in kind	**2,406**	2,902
Retirement scheme contributions	**38**	25
	2,444	2,927

The emoluments of the other 3 individuals (2016: 4 individuals) with the highest emoluments are within the following bands:

	Year ended 31 December 2017	Year ended 31 December 2016
Nil to HK$1,000,000	**2**	4
HK$1,000,001 to HK$1,500,000	**1**	–

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 2017	Year ended 31 December 2016
Nil to HK$1,000,000	**–**	1

During the years ended 31 December 2017 and 2016, 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 years ended 31 December 2017 and 2016. There was no arrangement under which a director waived or agreed to waive any remuneration during the years ended 31 December 2017 and 2016.

13. 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.

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

	Year ended 31 December 2017 HK$'000	Year ended 31 December 2016 HK$'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.

15. 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
Cost						
As at 1 January 2016	413	526	10,923	762	408	13,032
Additions	574	–	975	–	–	1,549
As at 31 December 2016 and 1 January 2017	987	526	11,898	762	408	14,581
Additions	–	74	5,372	666	12,256	18,368
As at 31 December 2017	**987**	**600**	**17,270**	**1,428**	**12,664**	**32,949**
Accumulated depreciation						
As at 1 January 2016	179	357	5,502	762	358	7,158
Charge for the year	93	70	1,745	–	30	1,938
As at 31 December 2016 and 1 January 2017	272	427	7,247	762	388	9,096
Charge for the year	197	42	1,971	24	500	2,734
As at 31 December 2017	**469**	**469**	**9,218**	**786**	**888**	**11,830**
Net book values						
As at 31 December 2017	**518**	**131**	**8,052**	**642**	**11,776**	**21,119**
As at 31 December 2016	715	99	4,651	–	20	5,485

16. INTANGIBLE ASSETS

	Licenses HK$'000
Cost	
As at 1 January 2016	–
Additions	972
As at 31 December 2016 and 1 January 2017	972
Additions	–
As at 31 December 2017	**972**
Accumulated amortisation	
As at 1 January 2016	–
Charge for the year	38
As at 31 December 2016 and 1 January 2017	38
Charge for the year	114
As at 31 December 2017	**152**
Net book values	
As at 31 December 2017	**820**
As at 31 December 2016	934

The licenses include the dance hall license and karaoke license of the club premises. The dance hall license permits the club to operate as a dance hall. The karaoke license permits the club to operate karaoke activity. The dance hall license and karaoke license are typically granted for a period of one year. The directors of the Company are not aware of any expected impediment with respect to the renewal of the licenses and consider that the possibility of failing in license renewal is remote. Therefore, the directors of the Company estimated the useful lives in 8.5 years of the intangible assets are same expiry date of the operating agreement of the club premises.

17. AVAILABLE-FOR-SALE INVESTMENTS

	As at 31 December 2017 HK$'000	As at 31 December 2016 HK$'000
Unlisted equity investments, at cost	5,449	–
Unlisted debt investments, at cost	711	–
	6,160	–

Included in the balances as at 31 December 2017 is a cash capital contribution of RMB3,894,000 and a loan contribution of RMB606,000 to invest around 19% of a company in the PRC, which is principally engaged in the operation and management of clubbing venue in Zhuhai and is known as Club Cubic Zhuhai. The remaining balance represents an investment in convertible preferred stock of an oversea equity which does not have a quote market price in an active market. Both investments are held for long term strategic purpose. As there are no sufficient market comparables as input to measure the fair value reliably, the investments are measured at cost less impairment. The Group does not intend to dispose of them in the near future. During the year ended 31 December 2017, the Group identified no impairment loss related to these investments.

18. INVENTORIES

	As at 31 December 2017 HK$'000	As at 31 December 2016 HK$'000
Food and beverages	3,845	4,582
Other operating items for club and restaurant operations	78	95
	3,923	4,677

19. ACCOUNT AND OTHER RECEIVABLES

	As at 31 December 2017 HK$'000	As at 31 December 2016 HK$'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.

19. ACCOUNT AND OTHER RECEIVABLES *(Continued)*

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

19. ACCOUNT AND OTHER RECEIVABLES *(Continued)*

Movement in the accumulated allowance for doubtful debts

	2017 HK$'000	2016 HK$'000
As at 1 January	–	353
Reversal of provision for impairment on account receivables	–	(353)
Provision for impairment recognised during the year (Note 11)	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.

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

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

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

21. CASH AND CASH EQUIVALENTS

	As at 31 December 2017 HK$'000	As at 31 December 2016 HK$'000
MOP	**13,451**	9,406
HK$	**35,257**	64,426
RMB	**459**	18
	49,167	73,850

Cash and cash equivalents carry interest at 0.01% to 0.30% market rates per annum for the year ended 31 December 2017 (2016: 0.01%).

22. ACCOUNT AND OTHER PAYABLES

	As at 31 December 2017 HK$'000	As at 31 December 2016 HK$'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 HK$'000	As at 31 December 2016 HK$'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.

23. AMOUNTS DUE TO NON-CONTROLLING INTERESTS

The amounts due to non-controlling interests are unsecured, interest-free and not repayable on demand within one year.

24. PROVISION FOR REINSTATEMENT COSTS

	As at 31 December 2017 HK$'000	As at 31 December 2016 HK$'000
As at 1 January	**–**	–
Provision	**715**	–
As at 31 December	**715**	–
Less: Non-current portion	**(715)**	–
Current portion	**–**	–

Provision for reinstatement costs is recognized for the costs to be incurred for the reinstatement of the properties used by the Group for its operations upon expiration of the relevant leases. As at 31 December 2017, the Group expected that the total undiscounted costs required in the future would amount to approximately HK$715,000 (2016: nil).

25. SHARE CAPITAL

The share capital of the Group as at 31 December 2016 represented the aggregate of share capital of Luk Hing Investment Limited and the Company in issue as at that date. The share capital of the Group as at 31 December 2017 represented the share capital of the Company. Movements of the share capital of the Company are as follows:

	2017		2016	
	Number of Shares '000	Nominal value HK$'000	Number of shares '000	Nominal value HK$'000
Authorised				
Ordinary share of HK$0.01 each				
At 31 December	**10,000,000**	**100,000**	10,000,000	100,000
Issued and fully paid				
At 1 January	**1,800,000**	**18,000**	–	–
Issue of shares upon reorganisation (note (a))	**–**	**–**	10	–
Capitalisation issue (note (b))	**–**	**–**	1,349,990	13,500
Issue of shares upon placing (note (c))	**–**	**–**	450,000	4,500
At 31 December	**1,800,000**	**18,000**	1,800,000	18,000

Notes:

(a) On 19 January 2016, Mr. Choi Siu Kit transferred 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 Corporate Structure" to the Prospectus.

(b) Pursuant to a shareholder resolution passed on 18 October 2016, conditional on the share premium account of the Company being credited by HK$13,499,900 as a result of the placing as mentioned and defined in (c) below, an aggregate of 1,349,990,000 Shares, by way by capitalisation of the sum of HK$13,499,900 standing to the credit of the share premium account of the Company, would be issued, allotted and credited as fully paid at par to the Shareholders as appearing on the register of members of the Company as of 10 November 2016. Upon the Capitalisation, the issued share capital of the Company would become HK$18,000,000 divided into 1,800,000,000 shares of HK$0.01 each.

(c) On 11 November 2016, 450,000,000 ordinary shares of HK$0.01 each were issued by way of placing at a price of HK$0.21 per share (the "Placing Price") for cash consideration of HK$94,500,000. The excess of the Placing Price over the par value of the shares issued was credited to the share premium account.

26. STATEMENT OF FINANCIAL POSITION AND RESERVE OF THE COMPANY

(a) Statement of Financial Position

	Note	As at 31 December 2017 HK$'000	As at 31 December 2016 HK$'000
Assets			
Non-current asset			
Investments in subsidiaries	9	–	–
Current assets			
Account and other receivables		1,296	1,871
Amounts due from subsidiaries		62,442	25,035
Cash and cash equivalents		14,369	53,663
		78,107	80,569
Liabilities			
Current liabilities			
Account and other payables		844	579
Net current assets		77,263	79,990
Total assets less current liabilities		77,263	79,990
Net assets		77,263	79,990
Equity			
Share capital	25	18,000	18,000
Reserve	26(b)	59,263	61,990
Total equity		77,263	79,990

The financial statements were approved and authorised for issue by the Board of Directors on 26 March 2018 and signed on its behalf by:

Choi Yiu Ying
Director

Choi Siu Kit
Director

26. STATEMENT OF FINANCIAL POSITION AND RESERVE OF THE COMPANY *(Continued)*

(b) Reserve

	Share premium HK$'000	Accumulated losses HK$'000	Total HK$'000
As at 31 December 2015 and 1 January 2016	–	(34)	(34)
Loss and total comprehensive loss for the year	–	(4,211)	(4,211)
Capitalisation issue (note 25(b))	(13,500)	–	(13,500)
Issue of shares upon placing (note 25(c))	90,000	–	90,000
Expenses in connection with the issue of shares	(10,265)	–	(10,265)
As at 31 December 2016 and 1 January 2017	66,235	(4,245)	61,990
Loss and total comprehensive loss for the year	–	(2,727)	(2,727)
As at 31 December 2017	66,235	(6,972)	59,263

At 31 December 2017, the Company had reserves of approximately HK$59,263,000 available for distribution in accordance with the Company law of Cayman Islands (2016: HK$61,990,000).

27. RETIREMENT BENEFIT PLANS

The Group provides defined contribution plans for its employees in Macau and Hong Kong.

Employees

Macau

Qualified employees of the Group in Macau are members of Social Security Fund Scheme (the "SSF Scheme") operated and managed by the Macau Government and the Group is required to pay a monthly fixed contribution to the SSF Scheme to fund the benefits. The obligation of the Group with respect to the SSF Scheme operated by the Macau Government is to make the required contributions under the scheme. The SSF Scheme was established under trust with the fund assets being held separately from those of the Group by independent trustees in Macau.

Hong Kong

Qualified employees of the Group in Hong Kong are members of Mandatory Provident Fund Schemes (the "MPF Schemes") administered by independent trustees. Under the MPF Scheme, the Group and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000. Contributions to the MPF scheme vest immediately. The assets of the MPF Scheme are held separately from those of the Group, in funds under the control of trustees.

The amounts charged to the Consolidated Statement of Profit or Loss which amounted to HK$629,000 (2016: HK$450,000) represents contributions payable to the plans by the Group at rates specified in the rules of the plans less forfeitures of no (2016: no) arising from employees leaving the Group prior to completion of qualifying service period.

As at 31 December 2017, forfeited contributions which arose upon employees leaving the retirement plans and which are available to reduce the contributions payable in the future years amounted to nil (2016: nil).

28. SHARE OPTION SCHEME

A summary of the share option schemes of the Company are set out in the section headed "Share Option Schemes" in the Report of the Directors of the annual report.

The Company adopted a share option scheme on 18 October 2016 (the "Share Option Scheme"). The Share Option Scheme became effective on the date of the Company's listing (11 November 2016) and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

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

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

At the end of the reporting period, no option has been granted by the Company under the Share Option Scheme.

29. 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 2017 HK$'000	As at 31 December 2016 HK$'000
Within one year	**15,005**	5,807
In the second to fifth year inclusive	**33,642**	11,337
	48,647	17,144

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.

30. CAPITAL COMMITMENTS

The Group served a renewal notice with effect on 11 November 2016 to the owner of the club premise in Macau to extend the right to operate the club to March 2025. Pursuant to the relevant terms, the Group shall open and fund all fit-out and related works in respect of the first phase expansion ("Expansion") of not less than MOP15.0 million (equivalent to approximately HK$14.6 million) by 1 October 2017, which was agreed to be extended. As at 31 December 2017, the amount authorized but not contracted for was approximately HK$7.9 million (2016: HK$8.0 million). Capital commitments outstanding at the end of the reporting period contracted but not provided for in the consolidated financial statements in respect of the Expansion were as follows:

	As at 31 December 2017 HK$'000	As at 31 December 2016 HK$'000
Plant and equipment	**697**	2,451

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

	As at 31 December 2017 HK$'000	As at 31 December 2016 HK$'000
Unpaid balance of capital contribution to a subsidiary in the PRC	**7,300**	–
Plant and equipments	**1,196**	–

31. MATERIAL RELATED PARTY TRANSACTIONS

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

(a) Compensation paid to key management personnel of the Group represented are disclosed in Note 12.

(b) During the years ended 31 December 2017 and 2016, the Group had the following transactions with related parties:

Related parties	Nature of transactions	**Year ended 31 December 2017 HK$'000**	Year ended 31 December 2016 HK$'000
Zone One (CS) Limited (Note i)	Rental expenses	**1,200**	1,000
Bo Xing Group Company Limited (Note ii)	Service expenses	**13**	3
Xin Limited (Note iii)	Loan interest income	**41**	–

(c) The following table discloses the loan advanced to a related party for the year ended 31 December 2017 and 31 December 2016 (Note 20):

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

Notes:

i. Zone One (CS) Limited is held by Mr. Choi Kuen Kwan and Ms. Lo Mong Yee, who are the father and the mother of Mr. Choi Yiu Ying and Mr. Choi Siu Kit, who are the executive directors of the Group.

ii. The major shareholder of Bo Xing Group Company Limited is Star Century Investments Limited. Star Century Investments Limited is the former shareholder of Luk Hing Investment Limited. The executive directors of the Group are the ultimate shareholders of Star Century Investments Limited.

iii. 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.

32. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year ended 31 December 2016, dividend of approximately HK$2,670,000 respectively was settled with the amounts due from related parties.

(b) Changes in liabilities arising from financing activities

	Liabilities from financing activities Amounts due to non-controlling interests borrow due after 1 year HK$'000
As at 1 January 2017	–
Loan from non-controlling interests	(4,112)
As at 31 December 2017	(4,112)

33. CONTINGENT LIABILITIES

As at 31 December 2017, the Group did not have any significant contingent liabilities.

34. COMPARATIVE FIGURES

Certain comparative amounts have been reclassified to conform to the current year's presentation.

35. AUTHORISATION FOR ISSUE OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on 26 March 2018.

SUMMARY OF FINANCIAL INFORMATION

A summary of the published results and of the assets and liabilities of the Group pursuant to Rule 18.33 of the GEM Listing Rules, as extracted from the published audited consolidated financial statements or published prospectus of the Company, is set out below:

	Year ended 31 December			
	2017	2016	2015	2014
	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**137,384**	129,302	125,521	120,349
Listing expenses	**–**	(16,165)	(2,469)	–
(Loss)/profit before taxation	**(13,295)**	(6,184)	10,220	9,826
Total comprehensive (loss)/profit for the year	**(13,430)**	(6,184)	9,420	8,792

	As at 31 December			
	2017	2016	2015	2014
	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**112,797**	110,690	44,832	35,153
Total liabilities	**35,186**	23,651	30,013	21,922
Net current assets	**52,287**	80,517	8,825	9,119
Net assets	**77,611**	87,039	14,819	13,231

"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

DEFINITIONS AND GLOSSARY

"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
"M&A"	memorandum of association and articles of association
"Operating Agreement"	an operating agreement dated 28 April 2010 entered into between COD (as the owner) and Star Century Investments Limited (as the operator), novated by a novation agreement dated 14 January 2011 entered into between COD (as the owner), Star Century Investments Limited (as the old operator) and Luk Hing Investment Limited (as the new operator), and supplemented by a supplemental agreement dated 28 November 2012 and further supplemented by a second supplemental agreement dated 5 August 2016, concerning the operation of Club Cubic Macau
"PRC"	the People's Republic of China (for the purpose of this annual report, 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$0.01 each in the issued share capital of the Company
"Shareholders"	the holders of the Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"United States" or "US"	the United States of America
"US$" or "USD"	United States dollar, the lawful currency of the United States