LUK HING ENTERTAINMENT GROUP

INTERIM REPORT 2019

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

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

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

INTERIM RESULTS

The board of Directors (the "Board") is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the three-month and six-month periods ended 30 June 2019, together with the unaudited comparative figures for the respective corresponding period in 2018, as follows:

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

		Three-month period ended 30 June		Six-month period ended 30 June	
	Notes	**2019 HK$'000 (Unaudited)**	2018 HK$'000 (Unaudited)	**2019 HK$'000 (Unaudited)**	2018 HK$'000 (Unaudited)
Revenue	3	**55,552**	59,451	**101,445**	99,972
Other income and gain		**1,279**	2,837	**2,394**	3,240
Cost of inventories sold		**(11,884)**	(11,270)	**(22,882)**	(20,064)
Staff costs		**(15,467)**	(14,374)	**(30,688)**	(27,263)
Property rentals and related expenses		**(4,418)**	(6,183)	**(5,628)**	(10,730)
Advertising and marketing expenses		**(5,988)**	(12,060)	**(9,834)**	(16,323)
Other operating expenses		**(12,189)**	(17,520)	**(22,595)**	(25,680)
Depreciation and amortisation		**(4,818)**	(1,764)	**(9,705)**	(3,240)
Finance costs		**(34)**	–	**(34)**	–
Profit/(Loss) before taxation		**2,033**	(883)	**2,473**	(88)
Taxation	4	**(567)**	(293)	**(585)**	(420)
Profit/(Loss) for the period		**1,466**	(1,176)	**1,888**	(508)
Other comprehensive income/(loss):					
Exchange difference on translating of financial statements of overseas subsidiaries		**121**	(99)	**237**	93
Total comprehensive income/(loss) for the period		**1,587**	(1,275)	**2,125**	(415)
Profit/(Loss) for the period attributable to:					
Owners of the Company		**1,213**	(1,852)	**962**	(1,837)
Non-controlling interests		**253**	676	**926**	1,329
		1,466	(1,176)	**1,888**	(508)
Total comprehensive income/(loss) for the period attributable to:					
Owners of the Company		**1,334**	(1,951)	**1,199**	(1,744)
Non-controlling interests		**253**	676	**926**	1,329
		1,587	(1,275)	**2,125**	415
Earnings/(Loss) per share (HK cents)					
— Basic	5	**0.07**	(0.10)	**0.05**	(0.10)
— Diluted	5	**0.07**	(0.10)	**0.05**	(0.10)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 30 June 2019 HK$'000 (Unaudited)	As at 31 December 2018 HK$'000 (Audited)
Assets			
Non-current assets			
Plant and equipments	7	**37,619**	20,200
Goodwill	8	**6,023**	–
Intangible assets		**779**	836
Financial assets at fair value through other comprehensive income	9	**777**	5,932
Deposits	11	**7,557**	4,389
Right of use assets	10	**43,578**	–
		96,333	31,357
Current assets			
Inventories		**6,097**	5,006
Account and other receivables	11	**52,302**	32,363
Loan receivables	12	**5,186**	8,612
Amount due from non-controlling interests		**3,410**	–
Income tax recoverable		**1,314**	–
Cash and cash equivalents		**29,608**	41,032
		97,917	87,013
Liabilities			
Current liabilities			
Account and other payables	13	**37,783**	30,042
Lease liability	14	**12,575**	–
Amount due to non-controlling interests		**3,424**	–
Bank overdrafts		**1,652**	574
Income tax payables		**975**	391
		56,409	31,007
Net current assets		**41,508**	56,006
Total assets less current liabilities		**137,841**	87,363

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

	Notes	As at 30 June 2019 HK$'000 (Unaudited)	As at 31 December 2018 HK$'000 (Audited)
Non-current liabilities			
Deferred rentals		–	1,600
Lease liability	14	40,445	–
Loan from investors		9,080	–
Amounts due to non-controlling interests		4,112	4,112
Provision for reinstatement costs		715	715
		54,352	6,427
Net assets		83,489	80,936
Equity			
Share capital		18,000	18,000
Reserves		63,611	62,191
Equity attributable to owners of the Company		81,611	80,191
Non-controlling interests		1,878	745
Total equity		83,489	80,936

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six-month period ended 30 June 2019

	Attributable to owners of the Company								
	Share capital HK$'000	Share premium HK$'000	Share-based compensation losses HK$'000	Legal reserve HK$'000	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 2018	18,000	66,235	–	12	82	(6,483)	77,846	(235)	77,611
(Loss)/profit for the period	–	–	–	–	–	(1,837)	(1,837)	1,329	(508)
Other comprehensive income for the year	–	–	–	–	93	–	93	–	93
Capital contribution from non-controlling interests	–	–	–	–	–	–	–	–	–
As at 30 June 2018	18,000	66,235	–	12	175	(8,320)	76,102	1,094	77,196
As at 1 January 2019	**18,000**	**66,235**	**378**	**12**	**(152)**	**(4,282)**	**80,191**	**745**	**80,936**
Profit/(loss) for the period	**–**	**–**	**–**	**–**	**–**	**962**	**962**	**926**	**1,888**
Other comprehensive loss for the year	**–**	**–**	**–**	**–**	**237**	**–**	**237**	**–**	**237**
Capital contribution from non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**207**	**207**
Equity-settled share option arrangement	**–**	**–**	**221**	**–**	**–**	**–**	**221**	**–**	**221**
As at 30 June 2019	**18,000**	**66,235**	**599**	**12**	**85**	**(3,320)**	**81,611**	**1,878**	**83,489**

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six-month period ended 30 June 2019 HK$'000 (Unaudited)	Six-month period ended 30 June 2018 HK$'000 (Unaudited)
Net cash generated from/(used in) operating activities	**669**	(6,853)
Net cash used in investing activities	**(21,888)**	(2,670)
Net cash generated from financing activity	**9,558**	–
Net decrease in cash and cash equivalents	**(11,661)**	(9,523)
Cash and cash equivalents at the beginning of the period	**41,032**	49,167
Effect of foreign exchange rate	**237**	93
Cash and cash equivalents at the end of the period	**29,608**	39,737
Analysis of cash and cash equivalents at the end of the period		
Cash and bank balances	**29,608**	39,737

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES

1.1 Basis of preparation

The condensed consolidated interim financial information of the Group has not been audited. The unaudited condensed consolidated interim financial statements of the Group for the six-month period ended 30 June 2019 have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the applicable disclosure requirements of the GEM Listing Rules. The unaudited condensed consolidated interim financial information should be read in conjunction with the audited annual financial statements included in the annual report of the Company dated 22 March 2019 (the "2018 Annual Report").

The functional currency of the Company is Macau Pataca ("MOP"). The unaudited condensed consolidated interim financial statements are presented in Hong Kong dollar ("HK$") for the convenience of the investors as the Company listed its shares on the GEM. All values are rounded to the nearest thousand ("HK$'000") except when otherwise indicated.

1.2 New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2018, except the adoption of new standards effective as of 1 January 2019. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The Group applies, for the first time, HKFRS 16 Leases that requires restatement of previous financial statements. As required by IAS34, the nature and effect of these changes are disclosed below.

Several other amendments and interpretations apply for the first time in 2019, but do not have an impact on the interim condensed consolidated financial statements of the Group.

1. BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES *(Continued)*

1.2 New standards, interpretations and amendments adopted by the Group *(Continued)*

HKFRS 16 Leases — Impact of adoption

The adoption of HKFRS 16 requires the Company to bring most leases on-balance sheet, recognising new assets and liabilities. HKFRS 16 eliminates the classification of leases as either operating or finance for lessees and, instead, introduces a single lessee accounting model. This model reflects that leases result in a company obtaining the right to use an asset (the "right-of-use asset") at the start of the lease and, because most lease payments are made over time, also obtaining financing. As a result, the new standard requires lessees to account for all of their leases in a manner similar to how finance leases were treated applying HKAS 17. HKFRS 16 includes two exemptions from recognising assets and liabilities for (a) short-term leases (i.e. leases of 12 months or less) and (b) leases of low-value items.

The Company has adopted HKFRS 16 with a date of transition of 1 January 2019, and did not early adopt any of HKFRS 16 in previous periods.

The Company has applied HKFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. Accordingly, the historical financial information presented has not been restated — i.e. it is presented, as previously reported, under HKAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below.

Definition of a lease

Previously, the Company determined at contract inception whether an arrangement was or contained a lease under HK(IFRIC) Interpretation 4 Determining Whether an Arrangement contains a Lease. The Company now assesses whether a contract is or contains a lease based on the new definition of a lease. Under HKFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for the period of time in exchange for consideration.

1. BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES *(Continued)*

1.2 New standards, interpretations and amendments adopted by the Group *(Continued)*

As a lessee

As a lessee, the Company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under HKFRS 16, the Company recognises right-of-use assets and lease liabilities for most leases — i.e. these leases are on-balance sheet.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability.

The carrying amounts of right-of-use assets are set out in note 10.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate. The weighted average rates applied were 3.74% to 5.15% per annum for the period ended 30 June 2019.

The carrying amounts of lease liabilities are set out in note 14.

The effect of adoption HKFRS 16 is as follows:

	As at 1 January 2019 HK$'000
Operating lease commitment at 31 December 2018 as disclosed in the Historical Financial Information of the Company	77,337
Discounted using the incremental borrowing rate at 1 January 2019	16,906
Finance lease liabilities recognised as at 31 December 2018	60,431
Recognition exemption for leases of low-value assets	2,210
Lease liabilities recognised at 1 January 2019	58,221

1. BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES *(Continued)*

1.2 New standards, interpretations and amendments adopted by the Group *(Continued)*

As a lessee *(Continued)*
As a result of applying HKFRS 16, in relation to the leases that were previously classified as operating leases, the Company recognised right-of-use assets of HK$43,578,000 and the lease liabilities of HK$53,020,000 as at 30 June 2019.

Also, in relation to those leases under HKFRS 16, the Company has recognised depreciation and finance costs, instead of operating lease expense. During the six months ended 30 June 2019, the Company recognised depreciation charges and finance costs from these leases of HK$7,242,000 and HK$1,447,000.

2. 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. 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, the PRC, the U.S. and Macau. The Group's revenue from external customers based on the location of the customers is detailed as below:

	For the six-month period ended 30 June	
	2019	2018
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Macau	**59,382**	56,882
Hong Kong	**41,896**	42,913
The PRC	**167**	177
	101,445	99,972

2. OPERATING SEGMENT *(Continued)*

Information about geographical areas *(Continued)*

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

	As at 30 June 2019 HK$'000 (Unaudited)	As at 31 December 2018 HK$'000 (Audited)
Macau	**8,864**	4,897
Hong Kong	**41,857**	20,528
The PRC	**44,835**	5,155
The US	**777**	777
	96,333	31,357

Information about major customers

During the period, no revenue from transactions with a single external customer amounted to 10% or more of the Group's total revenue (2018: Nil).

3. REVENUE

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

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

	For the three-month period ended 30 June		For the six-month period ended 30 June	
	2019	2018	**2019**	2018
	HK$'000	HK$'000	**HK$'000**	HK$'000
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Revenue from contracts with customers:				
Recognised at a point in time				
Sales of food, and other products	**19,479**	14,388	**38,069**	27,227
Sales of beverage	**31,257**	32,275	**54,879**	56,045
Sponsorship income	**2,587**	2,956	**4,809**	5,202
Entrance fees income	**1,924**	9,482	**3,027**	10,834
Others (Note)	**169**	300	**390**	564
	55,416	59,401	**101,174**	99,872
Revenue from other sources:				
Loan interest income	**136**	50	**271**	100
	55,552	59,451	**101,445**	99,972

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

4. INCOME TAX EXPENSES

	For the three-month period ended 30 June		For the six-month period ended 30 June	
	2019	2018	**2019**	2018
	HK$'000	HK$'000	**HK$'000**	HK$'000
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Current tax	**567**	293	**585**	420

(i) Macau Complementary Tax is calculated at 12% of the assessable profit for the six-month period ended 30 June 2019 after deducting the exempted amount of MOP600,000. Under the Macau Complementary Tax, for the years of assessment 2019 and 2018, the taxable profits up to MOP600,000 were exempted.

No provision for Hong Kong profits tax is made since the Hong Kong subsidiary has no estimated assessable profit for the three-month and six-month periods ended 30 June 2019 and 2018, respectively.

(ii) 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 of the Group 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.

4. INCOME TAX EXPENSES *(Continued)*

(ii) (Continued)

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

In January and April 2018, the Macau subsidiary received replies for the appeal filed to the Macau FSB. The Macau FSB ruled out our objection and disallowed the deductibility of the contingent rentals paid to the owner of the club premises for the year of assessment ended 31 December 2013 and 2014 respectively.

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 to 2018 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$4.6 million in aggregate for the years of assessment ended 31 December 2013 and 2014 to 2018.

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

On 25 July 2019, the Macau subsidiary received the ruling from the Administrative Court.

According to the court's decision, the court considers that the Macau FSB apparently did not analysis on our explanation of the profit sharing to Melco, and did not explain the reason why they consider the amount we paid to Melco is just an profit distribution agreement only for the effectiveness of the profit tax declaration purpose. In addition, the Macau FSB did not mention the reason why the Net Profit we paid to Melco does not have the nature of operating expenses.

Therefore, the court considers that the decision of the Macau FSB is violating to the laws of Macau and the court rules in our favour and order to cancel the assessment of the profitable income for year 2013 and the decision of collecting the additional tax.

4. INCOME TAX EXPENSES *(Continued)*

(ii) (Continued)

The court ruling will be confirmed if there is no appeal raised by the Macau FSB on or before 12 September 2019. We shall submit a written application to the Macau FSB for requesting the refund of the tax paid afterwards.

5. EARNINGS/(LOSSES) PER SHARE

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

	For the three-month period ended 30 June		For the six-month period ended 30 June	
	2019	2018	**2019**	2018
	HK$'000	HK$'000	**HK$'000**	HK$'000
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Earnings/(losses) for the purpose of basic and diluted earnings per share	**1,213**	(1,852)	**962**	(1,837)
	'000	'000	**'000**	'000
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,800,000**	1,800,000	**1,800,000**	1,800,000
Effect of dilutive potential ordinary shares: — Share option (Note)	**238**	–	**238**	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,800,238**	1,800,000	**1,800,238**	1,800,000

Note: The diluted earnings/(losses) per share for the period ended 30 June 2019 and 2018 was calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. For the period ended 30 June 2019, the outstanding share options were assumed to have been converted into ordinary shares. For the period ended 30 June 2018, diluted losses per share is the same as basic losses per share as there were no potential dilutive ordinary shares in issue.

6. DIVIDEND

The Board does not recommend the payment of an interim dividend by the Company for the six-month period ended 30 June 2019.

7. PLANT AND EQUIPMENTS

The Group acquired items of plant and equipment with cost amounting to HK$20,950,000 and HK$4,864,000 during the six-month period ended 30 June 2019 and 2018, respectively. No items of plant and equipment were disposed during the six-month period ended 30 June 2019 and 2018, respectively.

8. GOODWILL

Acquisition of Oasis Capital International Limited ("Oasis Capital")

On 10 June 2019, the Group subscribed for 9,080,000 shares of Oasis Capital, represented 72.73% of the total issued shares of Oasis Capital as at 30 June 2019. On the way, three other subscribers also agreed to subscribe for shares in Oasis Capital. Upon completion of all the subscription agreements, the Group will hold 60.38% of Oasis Capital. Oasis Capital which holds 48.33% of Zhuhai Ruiye Bar Management Company Limited (珠海鋭燁酒吧管理有限公司) ("Zhuhai JV"). Zhuhai JV is the direct subsidiary of Oasis Capital. The Group also directly holds 19.47% of Zhuhai JV. In effect, Zhuhai JV is the indirect non-wholly owned subsidiary of the Group. Zhuhai JV principally engages in the operation and management of Club Cubic Zhuhai in the PRC. Official opening of Club Cubic Zhuhai is expected in third quarter of 2019. The Group has acquired Oasis Capital because it expands the Group's clubbing business development portfolio.

The acquisition has been accounted for using the acquisition method. The interim condensed consolidated financial statements include the results of Oasis Capital for the period from the acquisition date.

8. GOODWILL *(Continued)*

Acquisition of Oasis Capital International Limited ("Oasis Capital") *(Continued)*

The fair values of the identifiable assets and liabilities of Oasis Capital as at the date of acquisition were:

	Fair value recognised on acquisition HK$'000
Assets	
Plant and equipment (provisional)*	12,701
Right-of-use assets	20,721
Account and other receivables	4,229
Due from non-controlling shareholders	3,414
Income tax recoverables	1,166
Cash and cash equivalents	9,140
	51,371
Liabilities and Shareholders' Equity	
Lease liability	(28,203)
Account and other payables	(11,830)
Due to non-controlling shareholders	(3,427)
Minority Interest	(4,854)
	(48,314)
Total identifiable net assets at fair value	**3,057**
Goodwill arising on acquisition	6,023
Purchase consideration transferred	9,080

* valuation of Plant and equipment acquired had not been completed by the date of the interim financial statements were approved for issue by the Board of Directors. Thus, property, plant and equipment may need to be subsequently adjusted with a corresponding adjustment to goodwill prior to 10 June 2020 (one year after the transaction).

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	As at 30 June 2019 HK$'000 (Unaudited)	As at 31 December 2018 HK$'000 (Audited)
Unlisted equity investment	**777**	5,221
Unlisted Share investment	**–**	711
	777	5,932

Included in the balances as at 30 June 2018 is a cash capital contribution of RMB3,894,000 and a loan contribution of RMB606,000 to invest around 19% in Zhuhai JV, 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 overseas entity. The capital and loan contribution of total sum RMB 4,500,000 to Zhuhai JV was eliminated in the period ended 30 June 2019 upon the completion of acquisition of Oasis Capital. Zhuhai JV became the indirect non-wholly owned subsidiary of the group.

The investment in convertible preferred stock of our overseas entity is not held for trading, instead, they are held for long-term strategic purposes. The directors of the Company have elected to designate these investments in financial assets at FVTOCI as they believe that recognising short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes and realizing their performance potential in the long run.

With the adoption of HKFRS 9 "Financial Instruments" on 1 January 2018, the above investments were reclassified from available-for-sale investments to financial asset at fair value through other comprehensive income.

10. RIGHT-OF-USE ASSETS

The Company does not have the option to purchase the right-of-use assets for a nominal amount at the end of the lease terms.

	Buildings HK$'000
Cost	
As at 1 January 2019 upon initial application of HKFRS 16	28,987
Additions	
Zhuhai Cubic through Acquisition of Oasis Capital	21,919
As at 30 June 2019	50,906
Accumulated depreciation	
Change for the period	7,242
Exchange realignment	86
As at 30 June 2019	7,328
Carrying amounts	
As at 30 June 2019	43,578

11. ACCOUNT AND OTHER RECEIVABLES

	As at 30 June 2019 HK$'000 (Unaudited)	As at 31 December 2018 HK$'000 (Audited)
Account receivables	**4,980**	9,784
Less: allowance for credit losses/doubtful debts	**(582)**	(794)
	4,398	8,990
Sponsorship receivables	**1,840**	1,400
Less: allowance for credit losses/doubtful debts	**(43)**	(43)
	1,797	1,357
Other receivables	**6,099**	974
Less: allowance for credit losses/doubtful debts	**(21)**	(21)
	6,078	953
Prepayments	**8,312**	7,143
Deposits	**39,274**	18,309
	59,859	36,752
Portion classified as non-current		
— Deposits	**(7,557)**	(4,389)
Current portion	**52,302**	32,363

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.

11. ACCOUNT AND OTHER RECEIVABLES *(Continued)*

The following is an aged analysis of account receivables, net of allowance for credit losses/doubtful debts, presented based on the invoice date at the end of the reporting period:

	As at 30 June 2019 HK$'000 (Unaudited)	As at 31 December 2018 HK$'000 (Audited)
0 to 30 days	**2,562**	5,694
31 to 60 days	**161**	1,018
61 to 90 days	**585**	1,092
91 to 120 days	**263**	398
Over 120 days	**827**	788
	4,398	8,990

The Group's account receivables mainly represented VIP customer receivables and the credit card sales receivables.

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 2018, account receivables of approximately HK$2,278,000 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 2018 HK$'000
Overdue by:	
0 to 30 days	1,092
Over 30 days	1,186
	2,278

11. ACCOUNT AND OTHER RECEIVABLES *(Continued)*

Movement in the accumulated allowance for credit losses/doubtful debts of account receivables

	As at 30 June 2019 HK$'000 (Unaudited)	As at 31 December 2018 HK$'000 (Audited)
As at 1 January	**794**	373
Amounts written off as uncollectible	**(212)**	(373)
Allowance for credit losses/doubtful debts recognised during the period	**–**	794
	582	794

Movement in the accumulated allowance for credit losses/doubtful debts of sponsorship receivables

	As at 30 June 2019 HK$'000 (Unaudited)	As at 31 December 2018 HK$'000 (Audited)
As at 1 January	**43**	–
Allowance for credit losses/doubtful debts recognised during the period	**–**	43
	43	43

11. ACCOUNT AND OTHER RECEIVABLES *(Continued)*

Movement in the accumulated allowance for credit losses/ doubtful debts of other receivables

	As at 30 June 2019 HK$'000 (Unaudited)	As at 31 December 2018 HK$'000 (Audited)
As at 1 January	**21**	–
Allowance for credit losses/doubtful debts recognised during the period	**–**	21
	21	21

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

Included in the above provision for impairment of account and other receivables is a provision for individually impaired account and other receivables of approximately HK$646,000 (As at 31 December 2018: HK$858,000). 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 30 June 2019 and 31 December 2018, the Group's prepayments mainly represents prepayments for performance fee of featured events of approximately HK$3,229,000 and HK$2,633,000, respectively and prepayments for legal and professional fees of approximately HK$1,673,000 and HK$2,125,000, respectively. As at 30 June 2019 and 31 December 2018, the Group's deposits mainly represents deposits for acquisition of plant and equipment and decoration of approximately HK$29,060,000 and HK$12,372,000, respectively, rental deposits of approximately HK$9,002,000 and HK$4,869,000, respectively, and deposits for holding featured events of approximately HK$228,000 and HK$228,000, respectively. As at 30 June 2019 and 31 December 2018, the amounts of the Group's other receivables mainly represents a loan of approximately HK$4,956,000 in transit to a subsidiary which has been received after the reporting period and nil, respectively.

12. LOAN RECEIVABLES

Loan receivables arise from the Group's money lending business which grants loans to entities in the food and beverage and entertainment industry. The loan receivables of approximately HK$5,450,000 were carrying interest at 10% per annum. The loan receivables were repayable according to repayment schedules, normally with contractual maturity within one year as at 30 June 2019 and 31 December 2018. Included in loan receivables, there was approximately HK$1,000,000 as at 30 June 2019 (As at 31 December 2018: HK$1,000,000) represented a loan to a related party which was unsecured, carried interest 10% per annum and repayable within one year.

	As at 30 June 2019 HK$'000 (Unaudited)	As at 31 December 2018 HK$'000 (Audited)
Loan receivables, gross	**5,450**	8,876
Less: allowance for credit losses	**(264)**	(264)
Loan receivables, net	**5,186**	8,612

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:

	As at 30 June 2019 HK$'000 (Unaudited)	As at 31 December 2018 HK$'000 (Audited)
Within one year	**5,186**	8,612

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

13. ACCOUNT AND OTHER PAYABLES

	As at 30 June 2019 HK$'000 (Unaudited)	As at 31 December 2018 HK$'000 (Audited)
Account payables	**4,530**	4,344
Rental payables	**7,981**	6,343
Deferred rentals	**–**	1,964
Other payables	**16,541**	11,118
Accruals	**8,731**	7,873
	37,783	31,642
Portion classified as non-current		
— Deferred rentals	**–**	(1,600)
Current portion	**37,783**	30,042

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 dates, as of the end of the reporting period:

	As at 30 June 2019 HK$'000 (Unaudited)	As at 31 December 2018 HK$'000 (Audited)
0 to 30 days	**2,466**	4,052
31 to 60 days	**2,008**	216
61 to 90 days	**–**	20
91 to 120 days	**–**	–
Over 120 days	**56**	56
	4,530	4,344

As at 30 June 2019 and 31 December 2018, other payables mainly represented the remaining balance of the renovation fee for SIXA and HEXA of approximately HK$9,002,000 and HK$1,960,000 respectively.

14. LEASE LIABILITIES

	As at 30 June 2019 HK$'000
Analysed as:	
Current	12,575
Non-current	40,445
	53,020
Minimum lease payments due:	
With one year	15,436
More than one year but not later than two years	11,668
More than two years but not later than five years	32,356
More than five years	9,470
	68,930
Less: Future finance charges	(15,910)
Present value of lease liabilities	53,020
Maturity analysis:	
With one year	12,382
More than one year but not later than two years	8,541
More than two years but not later than five years	12,350
More than five years	19,747
	53,020

At 30 June 2019, the Group leases various premises as its offices and lease liabilities are measured at the present value of the lease payments that are not yet paid. The lease terms range from two to five years. These leases have no terms of renewal clauses.

The total cash outflows for leases amounted to HK$6,632,000 for the period ended 30 June 2019.

The Group does not face a significant liquidity risk with regard to its lease liabilities. Lease liabilities are monitored within the Company's treasury function.

15. 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 30 June 2019, the amount authorized but not contracted for was approximately HK$7.7 million (2018: HK$7.7 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 30 June 2019 HK$'000 (Unaudited)	As at 31 December 2018 HK$'000 (Audited)
Plant and equipments	**642**	697

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

	As at 30 June 2019 HK$'000 (Unaudited)	As at 31 December 2018 HK$'000 (Audited)
Unpaid balance of capital contribution to two subsidiaries in the PRC	**20,942**	7,300
Plant and equipments for SIXA	**2,302**	26

16. MATERIAL RELATED PARTY TRANSACTIONS

In addition to the information disclosed elsewhere in the unaudited condensed consolidated interim 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:

	For the six-month period ended 30 June	
	2019	2018
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Salaries and other short term employee benefits	**1,325**	1,325
Retirement scheme contributions	**18**	26
	1,343	1,351

(b) Other related party transactions:

		For the six-month period ended 30 June	
		2019	2018
		HK$'000	HK$'000
Related parties	**Nature of transactions**	**(Unaudited)**	(Unaudited)
Zone One (CS) Limited (Note i)	Rental expenses	**720**	600
Xin Limited (Note ii)	Loan interest income	**50**	100
	Marketing expenses	**65**	–

16. MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(c) The following table discloses the loan advanced to a related party for the period ended 30 June 2019 and 30 June 2018:

Name	Maximum amount outstanding during the period HK$'000 (Unaudited)	As at 30 June 2019 HK'000 (Unaudited)	Maximum amount outstanding during the prior period HK$'000	As at 30 June 2018 HK'000	Security held
Xin Limited (Note iii)	1,000	1,000	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.

ii. Xin Limited is the subsidiary of Star Century Investments Limited. The executive Director, Mr. Choi Siu Kit, is also the director of Xin Limited.

17. CONTINGENT LIABILITIES

Saved as disclosed elsewhere in the unaudited condensed consolidated interim financial statements, the Group did not have any other significant contingent liabilities as at 30 June 2019 and 31 December 2018.

18. EVENTS AFTER THE REPORTING PERIOD

Subsequent to the end of the reporting period, the Group entered into the Note Purchase Agreements, pursuant to which the Company agreed to issue and the Investors have agreed on a best efforts basis to purchase Convertible Promissory Note in aggregate principal amount of approximately RMB40 million, of which RMB16 million will be used by the Company to increase effective shareholdings to 44.44% in Zhuhai JV Company which operates Club Cubic Zhuhai, and RMB24 million will be used by Company to acquire 60% shareholding in Guangdong Haotian Culture Development Company Limited (廣東麒天文化發展有限責任公司) ("Guangzhou JV") Company which operates Club Cubic Guangzhou. For further details, please refer to the Company's announcement dated 3 July 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

During the first half of 2019, the Group continued to engage in the operation of clubbing business and organizing music-related feature events, as well as the operation of our restaurants, HEXA and our roast-goosed outlet, Oh-My-Goose. The Group also engaged in money lending operation targeting borrowers in the food, beverage and entertainment-related industries.

BUSINESS REVIEW

During the period under review, sales of beverage from retail customers of our clubbing business remained as the Group's primary stream of revenue while sales of food from HEXA played an important role in the contribution to the Group's total sales revenue. We also received sponsorship income from our corporate customers and beverage suppliers for displaying their logos and products during the events and incentive based on our purchase amount from beverage suppliers.

Operation of Clubbing Business

Our clubbing business includes the operation of Club Cubic Macau which is the wholly-owned subsidiary of the Group and the increase in equity holdings of clubbing business in Zhuhai through the acquisition of Oasis Capital International Limited ("Oasis Capital") in June 2019. As at 30 June 2019, the Group holds 72.73% of the equity interests of Oasis Capital which holds 48.33% of the equity interests of Zhuhai Ruiye Bar Management Company Limited (珠海鋭燁酒吧管理有限公司) ("Zhuhai JV"). The Group also directly holds 19.47% of the equity interests of Zhuhai JV. In effect, Zhuhai JV is the indirect subsidiary of the Company. Zhuhai JV principally engages in the operation and management of Club Cubic Zhuhai in the PRC. Grand opening of Club Cubic Zhuhai is expected in third quarter of 2019.

Investment in Zhuhai JV extends the Group's clubbing business development portfolio to regions other than Macau which is in line with the Company's business strategy to mitigate risk exposure through working with local business partners. On the basis of rapid economic growth of Pearl River Delta, the Group is confident that investment in Club Cubic Zhuhai will generate positive revenue with significant development potential.

Club Cubic Macau maintained stable in sales performance over the reporting period. As always, it strives to strengthen its competitiveness by brand building focusing on organizing featured and regular events entertainment to customers. In the first half of 2019, Club Cubic Macau has organized a total of 25 events including our internal themed party and international live acts, among which our themed party held in April 2019 for celebration of Club Cubic Macau's 8th anniversary brought the most attention. Tiësto, the Dutch godfather of electronic dance music, was invited to rock the night, together with Australian muti-platinum recording artist, singer and producer, Vassy, as special guest to perform in the party.

Operation of Restaurant Business

Our restaurant HEXA maintained strong performance in the growth of sales revenue under the review period as compared to that of last year. Its impressing stylish interior design and fresh ingredients sourced from around the world integrated with innovative ideas, endeavors to serve the best quality of dishes offering authentic Cantonese cuisine with a contemporary twist. On top of the recognition of its loyal customers, HEXA has received awards and accolates from the media and industry bodies, including the "100 Top Table 2019" by South China Morning Post, and listed as one of the Masterchef Recommendation restaurants by Asia Art of Cuisine Society. Besides, its outdoor areas surrounded by Victoria Harbour and the spacious garden with installations in a fabulous venue for hosting events. HEXA has continued to host events including wedding parties, press conference, product launch parties and movie shooting.

More excitedly, our new restaurant, namely "SIXA" which is a sub-brand of HEXA, located at Citygate Outlets of Tung Chung town center, was in the final stage of renovation during the reporting period and officially opening expected in third quarter of 2019. The restaurant is designed by Hong Kong's own renowned designer, Steve Leung and his team. Inspired by the gracefulness and gentility of Chinese celadon, the team took its pine and harvest gold hues as the colour scheme to create a tranquil environment with Chinese aesthetics. The caledon-coloured outer walls and window lattice with pattern derived by its logo subtly freshen up the space with a modern vibe while retaining a sense of orientalism, presenting the simple and unadorned beauty of old Hong Kong. An open kitchen allows diners to appreciate chefs' culinary skills and emphasis the affinity that the restaurant aims to bring to its guests, bringing diners a unique experience amid the hustle and bustle of the city.

The Group has made vast progress in business development in the first half of 2019. Apart from the opening of "SIXA" in our restaurant business, Zhuhai JV has become the indirect subsidiary of the Group through the acquisition of Oasis Capital and we are in the final stage of discussion with the Guangzhou partner to form a joint-venture company for the establishment of our Club Cubic Guangzhou located in the Four Seas Plaza at Panyu District, Guangzhou.

FINANCIAL REVIEW

Revenue

Total revenue of the Group slightly increased from HK$100.0 million in the first half of 2018 to HK$101.4 million for the same period of 2019 though we have the negative impact from the drop of HK$12.2 million of sales revenue for not hosting the annual music festival event in 2019 as compared to that of 2018. In fact, the Group achieved a 29% growth in sales revenue of HEXA from HK$30.0 million in first half of 2018 to HK$38.7 million in first half of 2019. Club Cubic Macau maintained stable with 4% growth in sales revenue from HK$56.8 million in the first half of 2018 to HK$59.3 million for the same period of 2019.

Expenses

Cost of inventories sold mainly represented the cost of beverage, food and tobacco products sold. It was increased by 14% from HK$20.1 million in the first half of 2018 to HK$22.9 million in the first half of 2019. This was mainly attributed to the increase in costs of food from HEXA along with the increase in sales revenue, partially offset by the decrease of beverage costs in Club Cubic Macau and our annual music festival event as it was not held in 2019.

Staff costs represented one of the major components of the Group's operating expenses, which mainly consisted of Directors' emoluments, salaries, retirement benefit scheme contribution and other benefits. Staff cost increased by 12% from HK$27.3 million in the first half of 2018 to HK$30.7 million in the same period of 2019. This was mainly due to the additional staff recruited in HEXA to cope with the increase in sales and increase in staff cost in Club Cubic Macau caused by staff salary adjustment.

Property rentals and related expenses decreased by 48% from HK$10.7 million in the first half of 2018 to HK$5.6 million in the same period of 2019. This is mainly due to the adoption of HKFRS 16 Leases which has become effective from 1 January 2019. Under the application of HKFRS 16, the Group's operating leases were removed and replaced by the model where a right-of-use asset and a corresponding liability were recognised for all leases, except for short-term leases and leases of low value assets. The right-of-use asset was initially measured at cost and subsequently measured at cost less accumulated depreciation. The lease liability is initially measured at the present value of the lease payments that are not paid and subsequently adjusted for interest and lease payments. The application of new requirements resulted in the changes in measurement and presentation from under property rentals to depreciation and interest for lease payments. Excluding the accounting effect of adopting HKFRS16 Leases, the Group's actual rentals and related expenses increased by 13% to HK$12.2 million in the first half of 2019. This was primarily caused by the increase in percentage rental charged along with the increase in sales revenue as compared to that of 2018 for HEXA and the rental accrual for Club Cubic Zhuhai.

For the same reason explained above, the application of HKFRS 16 Leases has resulted in the increase in depreciation and amortization by 203% from HK$3.2 million in the first half of 2018 to HK$9.7 million in the first half of 2019. Excluding the accounting effect of adopting HKFRS 16 Leases, the actual depreciation expense increased by 13% to HK$3.6 million in the first half of 2019. This was mainly caused by the depreciation expense incurred by Oh-My-Goose opened in May 2018.

Advertising and marketing expenses decreased by 40% from HK$16.3 million in the first half of 2018 to HK$9.8 million in the same period of 2019. This was attributed to the decrease in performer fees incurred for Club Cubic Macau and reduction in promotion and marketing expenses as we did not host our annual music festival event in 2019 as compared to that of last year.

Other operating expenses decreased by 12% from HK$25.7 million in the first half of 2018 to HK$22.6 million in the same period of 2019. The decrease was mainly attributed to the reduce in HK$6.7 million expenses for not hosting our annual music festival event in the first half of 2019 partially offset by the increase of sales coupon expense, notional interest expense arising from the adoption of HKFRS 16 Leases and miscellaneous expenses such as utilities, uniform, repair and maintenance.

Profit Attributable to Owners of the Company

The Group achieved positive result of approximately HK$2.0 million in the first half of 2019 while we recorded a loss of HK$0.5 million in the first half of 2018. Profit attributable to owners of the Company was approximately HK$1 million for the first half of 2019 compared to loss of HK$1.8 million for the same period of 2018.

The turnaround from loss to profit was mainly contributed by: (i) the increase in customer visit and average customer spending of HEXA leading to positive impact on profit contribution from HEXA; (ii) the positive impact from the decrease of expenses for not hosting our annual music festival event in the first half of 2019 while the event was hosted in the first half of 2018; and (iii) partially offset by the loss absorbed from consolidating the accounts of Zhuhai JV after the acquisition of Oasis Capital. The loss was mainly caused by the pre-operating expenses of Club Cubic Zhuhai, which was expected to be officially opened in the third quarter of 2019.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Below is a summary of the key financial ratio:

	Notes	As at 30 June 2019	As at 31 December 2018
Current ratio	1	1.7	2.8
Quick ratio	2	1.6	2.6
Gearing ratio	3	57.0%	31.6%

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

As at 30 June 2019, the Group has cash and cash equivalents of HK$29.6 million (31 December 2018: HK$41.0 million). The decrease of cash balance as compared to that of 31 December 2018 was mainly due to the cash locked up in the deposits for the renovation of our new restaurant "SIXA" and the loan to Zhuhai JV. The Company did not have any outstanding amounts of long-term bank borrowings, except (i) convertible loans with aggregate principal amount of approximately HK$9.0 million at an interest rate of 9% per annum with a term commencing from the date of the loan agreement until 36 months from opening of Club Cubic Zhuhai. The convertible loans were guaranteed by the Group's wholly owned subsidiary, Luk Hing Capital. Lenders of the convertible loans have the right to convert the principal amount to shares in a subsidiary company of Luk Hing Capital. Please refer to the Company's announcement on 10 June 2019 for further details. (ii) an outstanding amount of HK$1.7 million from the overdraft facility and unutilized overdraft facility of HK$4.3 million, for which the Company provided its corporate guarantee.

The Group financed its expansion of Club Cubic Macau and business development from the net proceeds of approximately HK$65.6 million through the listing on GEM on 11 November 2016. The acquisition of Oasis Capital which holds 48.33% of Zhuhai JV which operates Club Cubic Zhuhai, was financed from the convertible loans of approximately HK$9.0 million. The Group financed the operation of restaurant business and its daily operations from internal resources.

The decrease of the Group's current ratio and increased in gearing ratio as at 30 June 2019 were mainly due to the adoption of HKFRS 16 for the period and the convertible loans entered in June 2019.

CHARGES ON ASSETS

As at 30 June 2019 and 31 December 2018, 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. An analysis of the utilization of the net proceeds up to 30 June 2019 is set out below:

Business objective and strategy		Amount of usage of net proceeds up to 30 June 2019	
		Planned HK$' million	Actual HK$' million
(i)	Expansion of the scale of Club Cubic Macau	32.3	6.1
(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	39.4

As at 30 June 2019, 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 2018 Annual Report, the owner of club premises, City of Dreams ("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 have been coordinating with COD to review the expansion issue in regard of the current situation. The remaining unused net proceeds as at 30 June 2019 were placed as interest bearing deposits with licensed bank in Hong Kong and Macau.

FOREIGN EXCHANGE EXPOSURE

During the first half of 2019, a significant portion 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 the Company will closely monitor its foreign currency exposure and consider hedging against significant foreign currency exposure should the currency exposure against Renminbi arise after acquisition of Oasis Capital.

CONTINGENT LIABILITIES AND CAPITAL COMMITMENT

Saved for those disclosed in the 2018 Annual Report and this interim report, the Group did not have any other contingent liabilities or capital commitment as at 30 June 2019 and 31 December 2018.

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

Save for leasehold improvements for Club Cubic Macau, the establishment of SIXA and the acquisition of Oasis Capital, there were no other significant investments held by the Group for the period ended 30 June 2019. For future plan for material investments, the Group has entered into the Note Purchase Agreements subsequent to the end of the reporting period, pursuant to which the Company agreed to issue and the Investors have agreed on a best efforts basis to purchase Convertible Promissory Notes in aggregate principal amount of approximately RMB40 million, of which RMB16 million will be used by the Company to increase the Group's effective shareholdings to 44.44% in Zhuhai JV Company which operates Club Cubic Zhuhai, and RMB24 million will be used by Company to acquire 60% shareholding in Guangzhou JV which operates Club Cubic Guangzhou. For further details, please refer to the Company's announcement dated 3 July 2019.

EMPLOYEES AND REMUNERATION POLICY

The Group had a total of 323 employees as at 30 June 2019 (2018: 231 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.

OUTLOOK

Looking ahead, the Group will continue to focus on its core strength in clubbing and restaurant operating business. With the purpose to expand the scale of the Group's operation and deepen its market penetration, the Group has continued its expansion in respect of its clubbing and restaurant network.

Perched on the second and third floors of the hot spot in Cotai, Macau, the leading position of Club Cubic Macau is well recognized in the keen and competitive clubbing industry in Macau. With premium service and top-notch clubbing ambience, for which Club Cubic Macau is known, the Group is of the view that the popularity and sales performance of Club Cubic Macau will continue to grow steadily.

To achieve the Group's vision to expand into regions other than Macau, the Group has strongly stepped up efforts in the first six months to increase its market share and promote its club branding of "Cubic" in the PRC by working to establish Club Cubic Zhuhai in HI City, Xiang Zhou District, Zhuhai in the third quarter of 2019 and the Group's planned establishment Club Cubic Guangzhou in Four Seas Plaza at Panyu District, Guangzhou on or before the first quarter of 2020. In line with the core value of the "Cubic" brand to pursue premium service and our ambition to bring supreme sophistication to the clubbing industry in the Greater Bay Area, the Group endeavors to shape Club Cubic Zhuhai and Club Cubic Guangzhou as a haven of exclusive luxury. These two new additions are set to emerge as coveted nightspots in the Greater Bay Area frequented by trendsetters from the region.

In order to keep abreast of the keen competition in the food and beverage market in Hong Kong, HEXA, the Group's first restaurant, has been delivering high quality service with innovative and mouthwatering dishes that exceed customers' expectations since its opening in late 2017. With the purpose to enlarge the Group's market share in restaurant business. "SIXA", the sub-brand of "HEXA" will be opened in the third quarter of 2019, which aims to offer mid-ranged Cantonese dining experience to capture valuable business opportunities brought by the Hong Kong-Zhuhai-Macau Bridge.

The Group will continue to diversify its income base and broaden its portfolio by pursuing new business opportunities while maintaining prudent risk management control.

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

As at 30 June 2019, the interests and short positions of the Directors and the Company's chief executives in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required to be notified to the Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including any interests or short positions which they are taken or deemed to have under such provisions of the SFO), or as recorded in the register maintained by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of listed issuers as referred to in Rule 5.46 to 5.67 of the GEM Listing Rules were as follows:

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

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

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 30 June 2019, none of the Directors and the Company's chief executives had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including any interests or short positions which they are taken or deemed to have under such provisions of the SFO), or as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of listed issuers as referred to in Rule 5.46 to 5.67 of the GEM Listing Rules.

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

As at 30 June 2019, the person (other than the Directors or the Company's chief executives) or company who or which had an interest and short position in the shares and underlying shares of the Company which were required to be notified to the Company under Divisions 2 and 3 of Part XV of the SFO or as recorded in the register of the Company required to be kept under Section 336 of the SFO were as follows:

Name of shareholder	Nature of interest	Number and class of securities[1]	Approximate percentage of shareholding interest
Welmen	Beneficial owner	1,093,500,000 ordinary shares (L)	60.75%
Yui Tak (Note 3)	Interest of a controlled corporation	1,093,500,000 ordinary shares (L)	60.75%
Ocean Concept (Note 3)	Interest of a controlled corporation	1,093,500,000 ordinary shares (L)	60.75%
Toprich (Note 4)	Interest of a controlled corporation	1,093,500,000 ordinary shares (L)	60.75%
Perfect Succeed (Note 4)	Interest of a controlled corporation	1,093,500,000 ordinary shares (L)	60.75%
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%

Name of shareholder	Nature of interest	Number and class of securities[1]	Approximate percentage of shareholding interest
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 30 June 2019, no other interests or short positions in the shares or underlying shares of the Company which were required to be notified to the Company under Divisions 2 and 3 of Part XV of the SFO or were recorded in the register required to be kept by the Company under section 336 of the SFO.

PURCHASES, SALES OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six-month period ended 30 June 2019.

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. Compared to the Group's proposed restaurant and bar business in Hong Kong, the Retained Macau Restaurant Business has different geographical operation. 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, our executive Directors, Mr. Choi Yiu Ying and Mr. Choi Sui Kit, are engaged in certain restaurant and bar business in Hong Kong (the "Retained HK Restaurant and Bar Business"). Below are the details of their interests in companies involved in such business during the six-month period ended 30 June 2019:

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

Note 1: Operates a bar and restaurant with trading name of Shelter in Hong Kong

Note 2: Operate/franchise restaurants with trading name of Sham Tseng Chan Kee in Hong Kong

As 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. Mr. Tse also engages in the business of food and beverage since 17 May 2019. Below are the details of his interests in companies involved in such business during the six-month period ended 30 June 2019:

Name of entity	Nature of interests
Best Shine Entertainment Limited	Director and interest in approximately 92.5% of its issued share capital
Best Shine (China) Entertainment Limited	Director and interest in approximately 99.9% of its issued share capital
Sky Treasure Entertainment Limited	Director and interest in approximately 83.3% of its issued share capital
J-Pot Limited	Interest in approximately 18.5% 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. With regard to his engagement in the business of food and beverage, it is a restaurant set up in Hong Kong which serves mainly hot-pot to customers. In addition, Mr. Tse expects that Macau will not be a material market for his event or performance organization business in the foreseeable future and the hot-pot restaurant is different from those restaurants operated by the Group. Hence, our Directors are of the view that the potential competition is relatively low and limited.

Saved as disclosed, during the six-month period ended 30 June 2019, none of the Directors or the controlling shareholders of the Company, neither themselves nor their respective close associates (as defined in the GEM Listing Rules) engaged in any business that competes or may compete, directly or indirectly, with the business of the Group or had any other conflicts of interest with the Group nor are they aware of any other conflicts of interest which any such person has or may have with the Group.

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

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

SHARE OPTIONS

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

Pursuant to Rules 23.07 of the GEM Listing Rules, particulars and movements of shares options under the Share Option Scheme during the six-month period ended 30 June 2019 are set out as follows:

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

Notes:

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

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

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

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

CORPORATE GOVERNANCE PRACTICES

The Group recognises 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 and chief executive officer 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.

Other information on the corporate governance practices of the Company has been disclosed in the corporate governance report contained in the 2018 Annual Report.

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 during the six months ended 30 June 2019.

DIVIDEND

The Board has resolved not to declare the payment of a dividend for the six months ended 30 June 2019 (30 June 2018: Nil).

AUDIT COMMITTEE

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

The audit committee has reviewed the unaudited condensed consolidated financial statements of the Group for the six-month period ended 30 June 2019.

BOARD OF DIRECTORS

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

Executive Directors:

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

Non-executive Directors:

Mr. Au Wai Pong Eric
Mr. Au Ka Wai
Ms. Poon Kam Yee Odilia

Independent non-executive Directors:

Mr. Lam Wai Chin Raymond
Mr. Chan Ting Bond Michael
Mr. Tse Kar Ho Simon

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

Hong Kong, 14 August 2019