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LUK HING ENTERTAINMENT GROUP

FIRST QUARTERLY REPORT 2020

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.

FIRST QUARTERLY 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 period ended 31 March 2020, together with the unaudited comparative figures for the corresponding period in 2019, as follows:

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

	Notes	Three-month period ended 31 March	
		2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Revenue	2	25,064	45,893
Other income and gain		1,433	1,114
Cost of inventories sold		(7,248)	(10,998)
Staff costs		(14,404)	(15,222)
Property rentals and related expenses		(2,950)	(1,210)
Advertising and marketing expenses		(1,563)	(3,846)
Other operating expenses		(12,716)	(10,405)
Gain on disposal of subsidiary	5	9,714	–
Depreciation and amortisation		(11,343)	(4,887)
Finance costs		(2,600)	–
(Loss)/profit before taxation		(16,613)	439
Taxation	3	(–)	(17)
(Loss)/profit for the period		(16,613)	422
Other comprehensive (loss)/income:			
Exchange difference on translating of financial statements of overseas subsidiaries		(41)	116
Total comprehensive (loss)/income for the period		(16,654)	538
(Loss)/profit for the period attributable to:			
Owners of the Company		(12,709)	(251)
Non-controlling interests		(3,904)	673
		(16,613)	422
Total comprehensive (loss)/income for the period attributable to:			
Owners of the Company		(12,750)	(135)
Non-controlling interests		(3,904)	673
		(16,654)	538
(Loss)/earnings per share (HK cents)			
— Basic and diluted	4	(0.71)	(0.01)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three-month period ended 31 March 2020

	Attributable to owners of the Company								Attributable to non-controlling interests	Total
	Share capital	Share premium	Share-based compensation losses	Legal reserve	Exchange reserve	Accumulated losses	Other reserve	Sub-total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
As at 31 December 2018										
as originally presented	18,000	66,235	378	12	(152)	(4,282)	-	80,191	745	80,936
Changes in accounting policies	-	-	-	-	-	(1,689)	-	(1,689)	(1,013)	(2,702)
Restated balance as at 1 January 2019	18,000	66,235	378	12	(152)	(5,971)	-	78,502	(268)	78,234
Profit/(loss) for the period	-	-	-	-	-	(251)	-	(251)	673	422
Other comprehensive income/(loss) for the period	-	-	-	-	116	-	-	116	-	116
Equity-settled share option arrangement	-	-	110	-	-	-	-	110	-	110
Restated balance as at 31 March 2019	18,000	66,235	488	12	(36)	(6,222)	-	78,477	405	78,882
As at 1 January 2020	18,000	66,235	756	12	(25)	(36,604)	92	48,466	(7,990)	40,476
Profit/(loss) for the period	-	-	-	-	-	(12,709)	-	(12,709)	(3,904)	(16,613)
Other comprehensive loss for the Period	-	-	-	-	(41)	-	-	(41)	-	(41)
Equity-settled share option arrangement	-	-	44	-	-	-	-	44	-	44
As at 31 March 2020	18,000	66,235	800	12	(66)	(49,313)	92	35,760	(11,894)	23,866

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

Basis of Preparation

The condensed consolidated quarterly financial information of the Group has not been audited. The unaudited condensed consolidated quarterly financial statements of the Group for the three-month period ended 31 March 2020 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and in accordance with the applicable disclosure requirements of the GEM Listing Rules.

The unaudited condensed consolidated quarterly financial statements of the Group for the three-month period ended 31 March 2020 do not include all the information and disclosure required in the annual financial statements and should be read in conjunction with the audited annual financial statements included in the annual report of the Company dated 8 May 2020. The accounting policies adopted are consistent with those applied in the Group's audited annual financial statements for the year ended 31 December 2019, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), except the new and revised HKFRSs, which are effective for the financial year beginning from 1 January 2020.

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

2. REVENUE

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

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

	For the three-month period ended 31 March	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Revenue from contracts		
with customers:		
<i>Recognised at a point in time</i>		
Sales of food, and other products	13,341	18,589
Sales of beverage	11,025	23,622
Sponsorship income	299	2,222
Entrance fees income	233	1,104
Others (Note)	30	221
	24,928	45,758
Revenue from other sources:		
Loan interest income	136	135
	25,064	45,893

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

3. TAXATION

	For the three-month period ended 31 March	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Income tax expense		
— Macau Complementary Tax	—	17

Macau Complementary Tax is calculated at 12% of the assessable profit for the three-month period ended 31 March 2020 after deducting the exempted amount of MOP600,000. Under the Macau Complementary Tax, for the years of assessment 2020 and 2019, 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 period ended 31 March 2020 and 2019, respectively.

4. (LOSSES)/EARNINGS PER SHARE

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

	For the three-month period ended 31 March	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
(Losses)/earnings for the purpose of basic and diluted (losses)/earnings per share	(12,709)	(251)
	'000	'000
Weighted average number of ordinary shares for the purpose of basic (losses)/earnings per share	1,800,000	1,800,000
Effect of dilutive potential ordinary shares:		
— Share option (Note)	—	1,296
Weighted average number of ordinary shares for the purpose of diluted (losses)/earnings per share	1,800,000	1,801,296

Note: The diluted loss per share for the three-month period ended 31 March 2019 and 2020 was calculated by adjusting the loss for the period attributable to the owners of the Company to assume the conversion of all convertible loans and convertible promissory notes. For the share option, the computation of diluted earnings per share does not assume the exercise of the Company's share options because the exercise price of those share options was higher than the average market price of shares for the three-month period ended 31 March 2020. The amount of diluted loss per share is same as the basic loss per share as the effect is antidilutive.

5. DISPOSAL OF SUBSIDIARY

During the period ended 31 March 2020, the Company disposed a wholly-owned subsidiary, Luk Hing Mandarin Limited which is principally engaged in operating the Company's new restaurant, namely "GaGiNang" in Harbour City, Hong Kong. The Company maintains 23.33% effective equity interest in Luk Hing Mandarin Limited which became an associate of the Company after the disposal.

Net liabilities of the subsidiary being disposed of at the date of disposal were as follows:

	HK\$'000
Property, plant and equipment	13,054
Right-of-use assets	25,828
Inventories	29
Account and other receivables	2,912
Cash and cash equivalents	928
Account and other payables	(23,917)
Lease liability	(28,548)
<hr/>	
Net liabilities discharged	(9,714)
Total consideration	–
Gain on disposal of subsidiary	9,714
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Net cash flow arising from disposal	
Cash and cash equivalent disposed of	(928)

6. DIVIDEND

The Board does not recommend the payment of an interim dividend by the Company for the three-month period ended 31 March 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

During the first quarter of 2020, the Group continued to engage in the operation of clubbing business including “Club Cubic Macau” and “CUBIC SPACE+” and the operation of restaurants namely “HEXA” and “SIXA”. On top of these, we have a newly operated restaurant in Harbour City, GagiNang, which has commenced business operation in February 2020 which the Group holds effective equity interest of 23.33%.

BUSINESS REVIEW

Never before had there been such an adverse effect on the Group’s business as caused by the outbreak of Coronavirus disease (“COVID-19”) pandemic in the first quarter of 2020. Severe travel restrictions, temporary business suspension and other prohibitions imposed by the PRC, Macau, Hong Kong and other countries, have significantly disrupted the Group’s operations.

Operation of Clubbing Business

Our clubbing business includes the operation of Club Cubic Macau in Macau which is wholly-owned by the Group and the operation of CUBIC SPACE+ in Zhuhai City of the PRC which the Group holds effective equity interests of 62.22%.

The Company had temporarily suspended the operation of Club Cubic Macau from 5 February 2020, following all the casinos in Macau closed for two weeks to help control the spread of COVID-19. Club Cubic Macau resumed operation on 5 March 2020, However, in March 2020, the governments of Macau, Hong Kong and several provinces in PRC including Guangdong imposed entry bans, restriction and quarantine orders on nearly all visitors traveling to and from Macau, which had severely affected the operation of Club Cubic Macau. Apart from that, our CUBIC SPACE+ was required to suspend its operation since 25 January 2020 to cooperate with the emergency public health policy according to the PRC government policy.

Operation of Restaurant Business

Retail sales in Hong Kong plummeted a record 44% year-on-year in February 2020 as coronavirus-stricken retailers according to the figures revealed by the Census and Statistics Department. Consumer spending has been more than halved, free falling from HK\$48.1 billion in January 2019 to HK\$22.7 billion in February 2020. February's figure marked the steepest single-month fall on record due to the COVID-19's impact on tourism and spending according to Hong Kong Government releases.

Operation of our restaurants HEXA and SIXA were inevitably hit by the COVID-19 crisis. The situation is even worse during the prohibition of group gatherings of more than four people in public places and the order requiring restaurants to limit the number of diners at each table to four with table placed at least 1.5 meters apart from each other starting from 0:00 am on 28 March 2020, with then restaurants can only be allowed to operate at half capacity.

Despite the inherent encumbrance in the period, our third restaurant namely "GaGiNang" located in Harbour City, was unveiled in February 2020 after half year's preparation work. GaGiNang is a premium Chiu Chow style restaurant twisted with contemporary cuisine elements. As the Group's strategy to prioritize sustainability and preserve capital in times like these, the Group's wholly-owned subsidiary, Luk Hing Mandarin Limited which is principally engaged in operating GaGiNang has allotted and issued new shares to subscribers, resulting in a deemed disposal of the Company. The Company maintains 23.33% effective equity interest in Luk Hing Mandarin which has become an associate of the Company after the deemed disposal. Please refer to the announcement of the Company dated 30 March 2020 for details of the deemed disposal.

The Group's revenue income from the clubbing and restaurant business had been significantly impacted by the outbreak of COVID-19. As an immediate measure to cope with the negative impact, the Company had implemented home office arrangement to the greatest extent to preserve health of the staff and sustainability of business. Cost control measures such as salary saving scheme and temporary cut off of marketing and traveling expenses were adopted to minimize operating costs. Adoption of cost cutting measures and deferral of capital expenditures investment will position us in the best of financial and operational health to counter the challenges posed by COVID-19.

FINANCIAL REVIEW

Revenue

Total revenue of the Group decreased by 45% from HK\$45.9 million in the first quarter of 2019 to HK\$25.1 million in the same period of 2020. The negative impact from the outbreak of COVID-19 caused: (i) 75% drop in revenue of Club Cubic Macau from HK\$25.2 million in the first quarter of 2019 to HK\$6.2 million in the same period of 2020; (ii) 46% drop in revenue of HEXA from HK\$19.1 million in the first quarter of 2019 to HK\$10.2 million in the same period of 2020; and (iii) partially offset by the total revenue of HK\$8.0 million contributed by the newly operated CUBIC SPACE+, SIXA and GaGiNang in the first quarter of 2020.

Expenses

Cost of inventories sold mainly represented the costs of beverage, food and tobacco products sold. It decreased by 34% from HK\$11.0 million in the first quarter of 2019 to HK\$7.2 million in the same period of 2020. Cost of inventories of Club Cubic Macau and HEXA decreased in line with the drop in sales revenue; partially offset by the cost of inventories from our newly operated CUBIC SPACE+, SIXA and GaGiNang in the first quarter of 2020.

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 decreased by 5% from HK\$15.2 million in the first quarter of 2019 to HK\$14.4 million in the first quarter of 2020. Additional staff costs incurred for the newly operated CUBIC SPACE+, SIXA and GaGiNang in the first quarter of 2020 which were nil in the same period of 2019, offset the effect of the 30% cost cutting in salary costs of Club Cubic Macau and HEXA in the first quarter of 2020.

Property rentals and related expenses increased by 144% from HK\$1.2 million in the first quarter of 2019 to HK\$3.0 million in the first quarter of 2020. This was mainly attributed to the additional property rentals and related expenses incurred by our newly operated CUBIC SPACE+, SIXA and GaGiNang in the first quarter of 2020 which were nil in the same period of 2019.

Depreciation and Amortization increased by 132% from HK\$4.9 million in the first quarter of 2019 to HK\$11.3 million in the first quarter of 2020. This was mainly attributed to the depreciation of capital expenditure and amortization of right-of-use assets from our newly operated CUBIC SPACE+, SIXA and GaGiNang in the first quarter of 2020 which were nil in the same period of 2019.

Advertising and marketing expenses decreased substantially by 59% from HK\$3.8 million in the first quarter of 2019 to HK\$1.6 million in the first quarter of 2020 due to the adoption of cost control measure on temporary suspension of marketing expense from February 2020 to cope with the impact of COVID-19.

Other operating expenses increased by 22% from HK\$10.4 million in the first quarter of 2019 to HK\$12.7 million in the first quarter of 2020. The increase was mainly attributed by the additional other operating expenses incurred by the newly operated CUBIC SPACE+, SIXA and GaGiNang in the first quarter of 2020 which were nil in the same period of 2019, offsetting the effect of the 60% cost cutting in other operating expenses of Club Cubic Macau and HEXA in the first quarter of 2020.

Loss Attributed to Owners of the Company

Loss attributed to owners of the Company was HK\$12.7 million in the first quarter of 2020 compared to that of HK\$0.3 million in the first quarter of 2019. In connection with the outbreak of COVID-19, the temporary suspension of operation of Club Cubic Macau and CUBIC SPACE+, and the government mandatory policy such as social distancing had significantly disrupted the operations of our clubbing and restaurant business. The dramatic drop of revenue incomes from the operations led to the substantial loss of the operating units despite the positive impact of an one-off net gain of HK\$9.7 million from the deemed disposal transaction of GaGiNang.

OUTLOOK

After the outbreak of the coronavirus disease (“COVID-19”) pandemic in January 2020, a series of precautionary and control measures have been and continued to be implemented across the country/region. It brought temporary interruption to the Group’s business and affected its operation and performance in varying degrees. During the reporting period, the Group’s results was materially affected and recorded a loss.

In the clubbing business, our Club Cubic Macau was temporarily suspended of operation following the local government’s guideline. After considered the health and safety of our guests and colleagues, Club Cubic Macau was also temporarily closed on voluntary basis for some time. According to the PRC government policy in relation to emergency public health, our CUBIC SPACE+ (which locate in Zhuhai) was required to temporarily suspend its operation.

The restaurant business was affected after the outbreak of COVID-19. The sales was seriously dropped in the first two months of 2020, due to Hong Kong people avoid going to crowded places and avoid dining outside. In March, the Hong Kong Government implemented mandatory regulations in relation to social distancing to control the spread of COVID-19. Our restaurant business HEXA and SIXA has been facing an even more difficult time. The Company hoped that the social distancing policy can help to reduce the transmission of the virus and see a rebound following an end of the COVID-19.

To cope with the challenges, the Company continuously reviews and adjusts its existing strategies to maintain a healthy financial position. In March 2020, the Company reduced its effective interest in Luk Hing Mandarin Limited (a wholly-owned subsidiary and is principally engaged in operating the Company’s new restaurant, namely “GaGiNang” in Harbour City, Hong Kong) and Luk Hing Mandarin Limited has become an associate of the Company. It allows the Company to expand its business with less capital injection and reduce the financial pressure of the Company and thus increase the Company’s financial flexibility.

The global economic outlook remains bleak due to the spread of the COVID-19. The Company will stay alert to the economic impact, applying stringent risk management principles to its business operations and development. The Company will continue to focus on its core business and manage to stabilize its business through adopting a prudent finance management approach with proactive implementation of cost control initiatives improving the operating performances.

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

As at 31 March 2020, 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	1,234.44 ordinary shares of Welmen (L)	12.3444%
Mr. Au Wai Pong Eric (Note 2)	The Company	Interest held jointly with another person	1,093,500,000 ordinary shares of the Company (L)	60.75%
	Welmen	Beneficial owner	1,605.56 ordinary shares of Welmen (L)	16.0556%
Mr. Au Kai Wai (Note 2)	The Company	Interest held jointly with another person	1,093,500,000 ordinary shares of the Company (L)	60.75%
	Welmen	Beneficial owner	1,604.44 ordinary shares of Welmen (L)	16.0444%

Notes:

- (1) The letter "L" denotes the person's long position in the shares of the Company or the relevant associated corporation.
- (2) On 2 March 2016, Mr. Choi Yiu Ying, Mr. Choi Siu Kit, Mr. Au Wai Pong Eric, Mr. Au Ka Wai, Mr. Yeung Bernard Sie Hong and Mr. Yeung Chi Shing entered into an acting in concert confirmation whereby each of them confirmed that since 31 January 2011, they acted in concert with each other when dealing with matters concerning operation management, accounts, finance and treasury and human resources management of the Group, details of which are set out in the Prospectus. On 20 August 2019, Mr. Yeung Bernard Sie Hong sold all his shares in Welmen to Mr. Choi Kuen Kwan (father of Mr. Choi Yiu Ying and Mr. Choi Siu Kit). 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. Choi Kuen Kwan and Mr. Yeung Chi Shing is deemed to be interested in 60.75% of the issued share capital of the Company held by Welmen.
- (3) Welmen is owned as to 30.3111% by Yui Tak Investment Limited ("Yui Tak") and Yui Tak is wholly owned by Ocean Concept Holdings Limited ("Ocean Concept"). Ocean Concept is owned as to 88.29% by Toprich Investment (Group) Limited ("Toprich") and Toprich is wholly owned by Perfect Succeed Limited ("Perfect Succeed"), which is in turn owned as to 50% by Mr. Choi Yiu Ying and as to 50% by Mr. Choi Siu Kit. By virtue of the SFO, each of Mr. Choi Yiu Ying and Mr. Choi Siu Kit is deemed to be interested in 30.3111% of the issued share capital of Welmen held by Yui Tak and 60.75% of the issued share capital of the Company held by Welmen.

Save as disclosed above and so far as is known to the Directors, as at 31 March 2020, none of the Directors and the Company's chief executives had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including any interests or short positions which they are taken or deemed to have under such provisions of the SFO), or as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of listed issuers as referred to in Rule 5.46 to 5.67 of the GEM Listing Rules.

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

As at 31 March 2020, 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. Choi Kuen Kwan (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. Lau Sze Mun Charmaine (Note 8)	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. On 20 August 2019, Mr. Yeung Bernard Sie Hong sold all his shares in Welmen to Mr. Choi Kuen Kwan (father of Mr. Choi Yiu Ying and Mr. Choi Siu Kit). 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. Choi Kuen Kwan 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. Choi Siu Kit 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. Lau Sze Mun Charmaine is the spouse of Mr. Poon Ching Tong Tommy. By virtue of the SFO, Ms. Lau Sze Mun Charmaine is deemed to be interested in 6.75% of the issued share capital of the Company in which Mr. Poon Ching Tong Tommy is interested.

Save as disclosed above and so far as is known to the Directors, as at 31 March 2020, no other interests or short positions in the shares or underlying shares of the Company which were required to be notified to the Company under Divisions 2 and 3 of Part XV of the SFO or were recorded in the register required to be kept by the Company under section 336 of the SFO.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the three-month period ended 31 March 2020.

INTEREST IN A COMPETING BUSINESS

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.

Mr. Choi Siu Kit, our executive Director and also controlling shareholder of the Company, is engaged in certain restaurant and bar business in Hong Kong before the Listing (the "Retained HK Restaurant and Bar Business"). Below are the details of his interests in companies involved in such business as at 31 March 2020:

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

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

As Mr. Choi Siu Kit had engaged the Retained HK Restaurant and Bar Business 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.

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 as at 31 March 2020:

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	Director and interest in approximately 20% 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, as at 31 March 2020, 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.

AUDIT COMMITTEE

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

The audit committee has reviewed the unaudited condensed consolidated financial statements of the Group for the three-month ended 31 March 2020.

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, 8 May 2020