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LUK HING ENTERTAINMENT GROUP

THIRD 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.

THIRD 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 and nine-month periods ended 30 September 2020, together with the unaudited comparative figures for the respective corresponding period in 2019, as follows:

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

	Notes	Three-month period ended 30 September		Nine-month period ended 30 September	
		2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Revenue	2	46,537	57,269	101,374	158,714
Other income and gain	3	6,141	973	13,508	3,366
Cost of inventories sold		(12,987)	(15,567)	(29,379)	(38,449)
Staff costs		(12,053)	(24,301)	(36,993)	(54,990)
Property rentals and related expenses		(1,811)	(2,750)	(6,900)	(8,378)
Advertising and marketing expenses		(451)	(7,170)	(2,388)	(17,003)
Other operating expenses		(22,363)	(20,932)	(47,542)	(43,527)
Gain on disposal of subsidiary	6	-	-	9,714	-
Share of losses of associate company		-	-	(167)	-
Depreciation and amortisation		(8,759)	(8,315)	(29,468)	(18,020)
Finance costs	7	(2,269)	(30)	(7,127)	(64)
Loss before taxation		(8,015)	(20,823)	(35,368)	(18,351)
Taxation	4	-	(91)	-	(675)
Loss for the period		(8,015)	(20,914)	(35,368)	(19,026)
Other comprehensive income/(loss):					
Exchange difference on translating of financial statements of overseas subsidiaries		188	(233)	174	4
Total comprehensive loss for the period		(7,827)	(21,147)	(35,194)	(19,022)
Loss for the period attributable to:					
Owners of the Company		(6,117)	(14,678)	(28,253)	(13,716)
Non-controlling interests		(1,898)	(6,236)	(7,115)	(5,310)
		(8,015)	(20,914)	(35,368)	(19,026)
Total comprehensive loss for the period attributable to:					
Owners of the Company		(5,929)	(14,911)	(28,079)	(13,712)
Non-controlling interests		(1,898)	(6,236)	(7,115)	(5,310)
		(7,827)	(21,147)	(35,194)	(19,022)
Loss per share (HK cents)					
— Basic and diluted	5	(0.34)	(0.82)	(1.57)	(0.76)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine-month period ended 30 September 2020

	Attributable to owners of the Company										
	Share capital HK\$'000 (Unaudited)	Share premium HK\$'000 (Unaudited)	Share-based compensation losses HK\$'000 (Unaudited)	Option Component of Convertible P-Note HK\$'000 (Unaudited)	Legal reserve HK\$'000 (Unaudited) (Note)	Exchange reserve HK\$'000 (Unaudited)	Accumulated losses HK\$'000 (Unaudited)	Other reserve HK\$'000 (Unaudited)	Sub-total HK\$'000 (Unaudited)	Attributable to non-controlling interests HK\$'000 (Unaudited)	Total HK\$'000 (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
Loss for the period	-	-	-	-	-	-	(13,716)	-	(13,716)	(5,310)	(19,026)
Other comprehensive income for the period	-	-	-	-	-	4	-	-	4	-	4
Capital contribution from non-controlling interests	-	-	-	-	-	-	-	-	-	1,186	1,186
Equity-settled share option Arrangement	-	-	334	-	-	-	-	-	334	-	334
Option Component of Convertible P-Note	-	-	-	965	-	-	-	-	965	-	965
Restated balance as at 30 September 2019	18,000	66,235	712	965	12	(148)	(19,688)	-	66,089	(4,392)	61,697
As at 1 January 2020	18,000	66,235	756	-	12	(25)	(36,604)	92	48,466	(7,990)	40,476
Loss for the period	-	-	-	-	-	-	(28,253)	-	(28,253)	(7,115)	(35,368)
Other comprehensive income for the Period	-	-	-	-	-	174	-	-	174	-	174
Equity-settled share option arrangement	-	-	131	-	-	-	-	-	131	-	131
As at 30 September 2020	18,000	66,235	887	-	12	149	(64,857)	92	20,518	(15,105)	5,413

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

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 nine-month period ended 30 September 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 nine-month period ended 30 September 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 adoption of these new and revised HKFRSs has not had material impact on the unaudited condensed consolidated quarterly financial statements of the Group for the nine-month period ended 30 September 2020. The Group has not early applied the new and revised HKFRSs that have been issued by the HKICPA but are not yet effective.

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 30 September		For the nine-month period ended 30 September	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Revenue from contracts with customers:				
<i>Recognised at a point in time</i>				
Sales of food, and other products	9,905	20,975	35,681	59,043
Sales of beverage	35,368	33,193	63,463	88,072
Sponsorship income	297	1,650	596	6,459
Entrance fees income	146	1,197	378	4,225
Others (Note)	707	117	894	507
	46,423	57,132	101,012	158,306
Revenue from other sources:				
Loan interest income	114	137	362	408
	46,537	57,269	101,374	158,714

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

3. OTHER INCOME AND GAIN

	For the three-month period ended 30 September		For the nine-month period ended 30 September	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Net foreign exchange gain	17	68	43	611
Reversal of allowance for credit losses of account receivables	-	-	144	-
Reversal of allowance for credit losses of deposits	-	-	11	-
Reversal of allowance for credit losses of loan receivables	-	-	9	-
Management fee income	240	-	480	-
Rental concession	1,052	-	2,772	-
Government Subsidies under the Employment Support Scheme, Food Licence Holders Subsidy Scheme and the Catering Business (Social Distancing) Subsidy Scheme	2,999	-	6,520	-
Gain on termination of lease agreement of subsidiary	-	-	46	-
Consultancy fee income	1,323	690	2,581	2,054
Others (Note)	510	214	902	701
	6,141	973	13,508	3,366

Note: Others mainly included the tips income.

4. INCOME TAX EXPENSES

	For the three-month period ended 30 September		For the nine-month period ended 30 September	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Income tax expenses				
— Macau Complementary Tax	-	91	-	675

4. INCOME TAX EXPENSES *(Continued)*

- (i) Macau Complementary Tax is calculated at 12% of the assessable profit for the nine-month period ended 30 September 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 and nine-month periods ended 30 September 2020 and 2019, respectively.

5. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to owners of the Company is based on the following data:

	For the three-month period ended 30 September		For the nine-month period ended 30 September	
	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Loss for the purpose of basic and diluted losses per share	(6,117)	(14,678)	(28,253)	(13,716)
	'000	'000	'000	'000
Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share	1,800,000	1,800,000	1,800,000	1,800,000
Effect of dilutive potential ordinary shares: — Share option (Note)	—	—	—	—
Weighted average number of ordinary shares for the purpose of diluted (loss)/earnings per share	1,800,000	1,800,000	1,800,000	1,800,000

5. LOSS PER SHARE *(Continued)*

Note: The diluted loss per share for the nine-month period ended 30 September 2020 and 2019 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 nine-month period ended 30 September 2020. The amount of diluted loss per share is same as the basic loss per share as the effect is antidilutive.

6. DISPOSAL OF SUBSIDIARY

On 30 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)
Net liabilities discharged	(9,714)
Total consideration	–
Gain on disposal of subsidiary	9,714
Net cash flow arising from disposal	
Cash and cash equivalent disposed of	(928)

7. FINANCE COSTS

	For the three-month period ended 30 September		For the nine-month period ended 30 September	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Interest on convertible promissory notes	504	-	1,500	-
Interest on convertible loans	205	-	610	-
Interest on bank loans	141	-	335	-
Interest on bank overdrafts	74	30	224	64
Interest on lease liabilities	1,315	-	4,372	-
Others	30	-	86	-
	2,269	30	7,127	64

8. DIVIDEND

The Board does not recommend the payment of an interim dividend by the Company for the nine-month period ended 30 September 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

During the first three quarters of 2020, the Group continued to engage in the operation of clubbing business including “Club Cubic Macau” and “CUBIC SPACE+” and the operation of our restaurants “HEXA” and “SIXA”. On top of these, we have our newly operated restaurant namely “GaGiNang” commenced business operation in February 2020, which the Group owned effective equity interest of 29.73%.

BUSINESS REVIEW

The Coronavirus disease (“COVID-19”) Pandemic continued to take a heavy toll on global and local economy in the third quarter of 2020. Severe travel restrictions, temporary business suspension and other prohibitions imposed by the PRC, Macau and other countries continued to affect the tourism of Asia and the rest of the world.

Operation of Clubbing Business

Our clubbing business includes the operation of Club Cubic Macau in Macau which is the wholly-owned subsidiary of 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 operations of Club Cubic Macau continued to be affected by extensive travel restrictions and quarantine requirements imposed by the Government of Macau. Following all the casinos in Macau closed for a 15-day period, Club Cubic Macau was closed from 5 February 2020 and resumed operations on a reduced basis from 5 March 2020. It is preparing for the resumption of normal operations after relaxing on travel restrictions under the new guideline including certain travelers entering Guangdong from Macau are no longer subject to mandatory quarantine commencing from 15 July 2020. The issuance of Individual Visit Scheme (“IVS”) Visas and tour group visas was restored for Zhuhai residents on 12 August 2020 and the nationwide resumption of IVS visa issuance commenced on 23 September 2020.

CUBIC SPACE+ was required to suspend its operations since 25 January 2020 to cooperate with the emergency public health policy according to the PRC government policy. It was re-opened on 6 May 2020 and gradually resumed normal operations. We are encouraged to see the sign that CUBIC SPACE+ is gaining popularity in Zhuhai and it has achieved positive financial performance.

Operation of Restaurant Business

Hong Kong retail and catering market remained weak as the third wave of COVID-19 commenced in July has continued to disrupt a wide range of economic activities which has had a material impact on the Group's operations. According to the latest figures revealed by the Census and Statistics Department, the value of total receipts of the restaurants sector in the third quarter of 2020, provisionally estimated at HK\$17 billion, decreased by 35.3% year-on-year, among which total receipts of Chinese restaurants decreased by 46.6% in value year-on-year.

Shortly after we observed sharp rebound in sales performance of the Group's restaurant business in May, thanks to the stabilized local epidemic situation and the relaxing of social distancing measures, the third wave of COVID-19 led to the new restrictions taking effect on 11 July 2020 under which restaurants need to operate at a maximum capacity of 60% and allow only eight people per table. The situation became even worse after the Government decided to further tighten the social distancing regulations effective from midnight on 15 July 2020. This included tightening the gathering limits again, allowing only four people instead of eight per table in restaurants and must not exceed 50% of normal seating capacity. Worst of all, for the first time, the Government banned dine-in service from 6pm until 5am the following day and further tightening the number cap at two person per table on 29 July 2020. Fortunately, we saw again obvious rebound in sales performance in our restaurant business after the Government lifted the dine-in ban and further extended the dine-in services to 10pm on 4 September 2020.

Our third restaurant namely "GaGiNang" continued to perform steadily after operating in Harbour City from February 2020. GaGiNang is a premium Chiu Chow style twisted with contemporary cuisine elements. On 16 September 2020, the Group agreed to grant an additional interest-free shareholders' loan of HK\$2,000,000 to Luk Hing Mandarin Limited which is principally engaged in operating GaGiNang and increased its shareholding interests of Luk Hing Mandarin Limited from 23.33% to 29.73%. Please refer to the announcement of the Company dated 16 September 2020 for details.

It was an unprecedented challenge to the Group over the first three quarters of 2020 as the outbreak of COVID-19 continued to impact materially on the Group's overall performance of the clubbing and restaurant business. The Group addressed the challenge by promptly initiated stringent control measures such as salary saving scheme and temporary suspension of marketing and traveling expenses to minimize operating costs, along with strategy to preserve cash position through deferral of capital expenditures investment. With the effective measures taken to counter the COVID-19 pandemic, we are encouraged by the resilient performance of CUBIC SPACE+ which is a reassurance to the Group's strategy of diversify business exposure. We will continue to adopt prudent approach in identify new opportunities.

FINANCIAL REVIEW

Revenue

Total revenue of the Group decreased by 36% from HK\$158.7 million in the first three quarters of 2019 to HK\$101.4 million in the same period of 2020. The negative impact from the outbreak of COVID-19 caused: (i) 76% drop of revenue in Club Cubic Macau from HK\$86.0 million to HK\$20.3 million; and (ii) 46% drop in revenue of HEXA from HK\$57.0 million to HK\$30.7 million; (iii) partially offset by the revenue of HK\$49.2 million contributed by the newly operated CUBIC SPACE+, SIXA and GaGiNang in the first three quarters of 2020.

Expenses

Cost of inventories sold mainly represented the costs of beverage, food and tobacco products sold. It decreased by 23% from HK\$38.4 million in the first three quarters of 2019 to HK\$29.4 million in the same period 2020. Cost of inventories of Club Cubic Macau and HEXA decreased in line with the drop of sales revenue; partially offset by the cost of inventories from our newly operated CUBIC SPACE+, SIXA and GaGiNang.

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 33% from HK\$55.0 million in the first three quarters of 2019 to HK\$37.0 million in the same period of 2020. Additional staff costs incurred for the newly operated CUBIC SPACE+, SIXA and GaGiNang in the first three quarters of 2020 partially offset the effect of 50% and 27% decrease in salary costs of Club Cubic Macau and HEXA resulted from cost cutting measures in the first three quarters of 2020.

Property rentals and related expenses decreased by 18% from HK\$8.4 million in the first three quarters of 2019 to HK\$6.9 million in the same period of 2020. Decrease in contingent rentals of Club Cubic Macau and HEXA due to drop of sales revenue partially offset the additional property rentals and related expenses incurred by our newly operated CUBIC SPACE+, SIXA and GaGiNang in the first three quarters of 2020.

Depreciation and Amortization increased by 64% from HK\$18.0 million in the first three quarters of 2019 to HK\$29.5 million in the same period of 2020. This was mainly caused by the depreciation of CapEx and amortization of right-of-use assets from our newly operated CUBIC SPACE+, SIXA and GaGiNang in the first three quarters of 2020.

Advertising and marketing expenses decreased substantially by 86% from HK\$17.0 million in the first three quarters of 2019 to HK\$2.4 million in the same period 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 represented expenses incurred for the operations. This included mainly cleaning and laundry, utilities, credit card commission, repair and maintenance, insurance expenses. Other operating expenses increased by 9% from HK\$43.5 million in the first three quarters of 2019 to HK\$47.5 million in the same period of 2020. Additional other operating expenses incurred for the newly operated CUBIC SPACE+, SIXA and GaGiNang in the first three quarters of 2020 partially offset the effect of the 59% and 38% drop of other operating expenses resulted from the cost cutting measures in Club Cubic Macau and HEXA respectively in the first three quarters of 2020.

Loss Attributable to Owners of the Company

Loss attributable to owners of the Company was HK\$28.3 million in the first three quarters of 2020 compared to loss attributable to owners of the Company of HK\$13.7 million in the same period of 2019. The loss was mainly attributable to the drop of revenue in connection with the outbreak of COVID-19. The temporary suspension of operations of Club Cubic Macau and CUBIC SPACE+, and the mandatory policy such as social distancing and ban of dine-in services had significantly disrupted the operations of our restaurant business.

OUTLOOK

In the third quarter of 2020, the global economy was still seriously hit by the COVID-19 pandemic (the "COVID-19"). The continuous restriction on international travel and social distancing measures imposed on dining and recreational activities led to a substantial reduction in retail, travel and entertainment related spending. The Group's results were affected by the impact of COVID-19.

During the reporting period, China and Macau had conquered COVID-19. Our Club Cubic Macau and CUBIC SPACE+ (which locate in Zhuhai) re-opened. Club Cubic Macau was awaiting the readmittance of tourists from the mainland. Although the turnover of CUBIC SPACE+ is recovering, we are still finding ways to motivate customers to spend more due to their change in spending habits influence by COVID-19. The Company will actively review its business strategies and explore new concept to cope with the constant change in consumer preferences and spending patterns.

The restaurant business of HEXA and SIXA was badly affected by the outbreak of third wave COVID-19 infections in Hong Kong. In early July 2020, the evening dine-in services were banned, and the public gatherings were limited to two people. Even though the rules were eased in September 2020, the other restrictions remain in force such as half capacity rules. Thereafter, our restaurant recorded a rebound in terms of performance. Hong Kong's unemployment rate has climbed to its highest level in more than 15 years which forced customers to tighten their spending budgets. More people opt for cooking meals at home during COVID-19. These will affect our revenue in the long run. The Company will closely monitor the development, focus on cost saving initiatives and revise our menu from time to time.

COVID-19 is expected to persist while the full resumption of normal social and travel activities is not expected to happen in the near future. At this moment, the Company will take a conservative approach and pay more attention to improve the existing business. The Company will continue to take cost control measure and make efforts to reduce costs and overheads to preserve working capital and enhance cash flow. On the other hand, the Company will examine its development directions and market conditions and look into growth opportunities when economy recover.

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

As at 30 September 2020, the interests and short position of the Directors and the Company's chief executives in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), which were required to be notified to the Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including any interests or short positions which they are taken or deemed to have under such provisions of the SFO), or as recorded in the register maintained by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of listed issuers as referred to in Rule 5.46 to 5.67 of the GEM Listing Rules were as follows:

Name of Director/Chief Executive	Name of Group member/associated corporation	Nature of interest	Number and class of securities ⁽¹⁾	Approximate percentage of shareholding interest
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	1,262.225 ordinary shares of Welmen (L)	12.62225%
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	1,262.225 ordinary shares of Welmen (L)	12.62225%

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 Ka 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). On 4 June 2020, Mr. Choi Kuen Kwan sold 50% and 50% of his shares in Welmen to Mr. Choi Yiu Ying and Mr. Choi Siu Kit respectively. 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 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 September 2020, none of the Directors and the Company's chief executive had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including any interests or short positions which they are taken or deemed to have under such provisions of the SFO), or as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of listed issuers as referred to in Rule 5.46 to 5.67 of the GEM Listing Rules.

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

As at 30 September 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 2)	Interest of a controlled corporation	1,093,500,000 ordinary shares (L)	60.75%
Ocean Concept (Note 2)	Interest of a controlled corporation	1,093,500,000 ordinary shares (L)	60.75%
Toprich (Note 3)	Interest of a controlled corporation	1,093,500,000 ordinary shares (L)	60.75%
Perfect Succeed (Note 3)	Interest of a controlled corporation	1,093,500,000 ordinary shares (L)	60.75%
Kenbridge Limited ("Kenbridge")	Beneficial owner	121,500,000 ordinary shares (L)	6.75%

Name of shareholder	Nature of interest	Number and class of securities ⁽¹⁾	Approximate percentage of shareholding interest
Mr. Poon Ching Tong Tommy (Note 4)	Interest of a controlled corporation	121,500,000 ordinary shares (L)	6.75%
Ms. Chan Ting Fai (Note 5)	Interest of spouse	1,093,500,000 ordinary shares (L)	60.75%
Ms. Lee Wan (Note 6)	Interest of spouse	1,093,500,000 ordinary shares (L)	60.75%
Ms. Lau Sze Mun Charmaine (Note 7)	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) 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.
- (3) 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.
- (4) 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.
- (5) 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.
- (6) 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.
- (7) 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 September 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 nine-month period ended 30 September 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. 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"). Set out below are the details of his interests in the Retained HK Restaurant and Bar Business during the nine-month period ended 30 September 2020:

Name of entity	Nature of interests
Mighty Force Catering Group Limited (Note)	Approximately 50% of issued share capital was held by Mr. Choi Siu Kit's spouse, who was also a director
Sham Tseng Chan Kee Roasted Goose Company Limited (Note)	Approximately 7.5% of issued share capital was held by Mr. Choi Siu Kit's spouse
Eastern Full Limited (Note)	Approximately 7.5% of 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 before the Group's Listing, such business are excluded from the Group and is 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 during the nine-month period ended 30 September 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, during the nine-month period ended 30 September 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 Ka Yin and Mr. Tang Tsz Tung and one non-executive Director, Mr. Au Wai Pong Eric. Mr. Chan Ka Yin 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 nine-month period ended 30 September 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. Chan Ka Yin
Mr. Tang Tsz Tung
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, 6 November 2020