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LUK HING ENTERTAINMENT GROUP



CUBIC SPACE+

THIRD QUARTERLY REPORT 2021

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 2021, together with the unaudited comparative figures for the respective corresponding period in 2020, 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	
		2021	2020	2021	2020
		HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
Revenue	2	37,762	46,537	127,553	101,374
Other income and gain	3	740	6,141	6,246	13,508
Cost of inventories sold		(10,826)	(12,987)	(32,765)	(29,379)
Staff costs		(19,774)	(12,053)	(67,972)	(36,993)
Property rentals and related expenses		(2,405)	(1,811)	(6,813)	(6,900)
Advertising and marketing expenses		(523)	(451)	(1,543)	(2,388)
Other operating expenses		(8,005)	(22,363)	(24,360)	(47,542)
Gain on disposal of subsidiary		-	-	-	9,714
Share of losses of associate company		-	-	-	(167)
Depreciation and amortisation		(8,638)	(8,759)	(25,987)	(29,468)
Impairment losses under expected credit loss model, net of reversal		-	-	2	-
Finance costs	6	(2,110)	(2,269)	(6,346)	(7,127)
Loss before taxation		(13,779)	(8,015)	(31,985)	(35,368)
Taxation	4	(17)	-	(23)	-
Loss for the period		(13,796)	(8,015)	(32,008)	(35,368)
Other comprehensive income:					
Exchange difference on translating of financial statements of overseas subsidiaries		277	188	255	174
Total comprehensive loss for the period		(13,519)	(7,827)	(31,753)	(35,194)
Loss for the period attributable to:					
Owners of the Company		(10,882)	(6,117)	(26,735)	(28,253)
Non-controlling interests		(2,914)	(1,898)	(5,273)	(7,115)
		(13,796)	(8,015)	(32,008)	(35,368)

	Three-month period ended		Nine-month period ended	
	30 September		30 September	
	2021	2020	2021	2020
Notes	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)

Other comprehensive income for the period attributable to:

Owners of the Company	200	188	105	174
Non-controlling interests	77	–	150	–
	277	188	255	174

Total comprehensive loss for the period attributable to:

Owners of the Company	(10,682)	(5,929)	(26,630)	(28,079)
Non-controlling interests	(2,837)	(1,898)	(5,123)	(7,115)
	(13,519)	(7,827)	(31,753)	(35,194)

Loss per share (HK cents)

— Basic	5	(0.50)	(0.34)	(1.31)	(1.57)
— Diluted	5	(0.47)	(0.34)	(1.22)	(1.57)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine-month period ended 30 September 2021

	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		
	HKS'000 (Unaudited)	HKS'000 (Unaudited)	HKS'000 (Unaudited)	HKS'000 (Unaudited) (Note)	HKS'000 (Unaudited)	HKS'000 (Unaudited)	HKS'000 (Unaudited)	HKS'000 (Unaudited)	HKS'000 (Unaudited)	HKS'000 (Unaudited)
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
As at 1 January 2021	18,000	66,235	896	12	543	(68,363)	(863)	14,460	(12,247)	4,213
Loss for the period	-	-	-	-	-	(26,735)	-	(26,735)	(5,273)	(32,008)
Other comprehensive income for the Period	-	-	-	-	105	-	-	105	150	255
Ordinary shares issued	3,600	8,280	-	-	-	-	-	11,880	-	11,880
Transaction costs attributable to issue of new shares	-	(129)	-	-	-	-	-	(129)	-	(129)
Equity-settled share option arrangement	-	-	2,576	-	-	-	-	2,576	-	2,576
As at 30 September 2021	21,600	74,386	3,472	12	648	(95,098)	(863)	4,157	(17,370)	(13,213)

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 2021 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 2021 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 23 March 2021. The accounting policies adopted are consistent with those applied in the Group’s audited annual financial statements for the year ended 31 December 2020, 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 2021. 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 2021. The Group has not early applied the new and revised HKFRSs that have been issued by the HKICPA but are not yet effective.

The Group’s principal operations are primarily conducted and recorded in Hong Kong dollar (“HK\$”), Macau Patacas (“MOP”) and Renminbi (“RMB”). The financial statements of foreign operations are translated into HK\$ which is the Company’s functional and presentation currency. 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	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Revenue from contracts with customers:				
<i>Recognised at a point in time</i>				
Sales of food, and other products	17,186	9,905	44,393	35,681
Sales of beverage	20,366	35,368	81,872	63,463
Sponsorship income	–	297	452	596
Entrance fees income	77	146	218	378
Others (Note)	20	707	284	894
	37,649	46,423	127,219	101,012
Revenue from other sources:				
Loan interest income	113	114	334	362
	37,762	46,537	127,553	101,374

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	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Net foreign exchange gain/(loss)	(110)	17	657	43
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
Consultancy and management fee income	255	1,563	771	3,061
Covid-19 related rental concession	-	1,052	1,365	2,772
Government grants (note (a))	-	2,999	820	6,520
Gain on termination of lease agreement of subsidiary	-	-	-	46
Bad debt recovery	-	-	857	-
Others (note (b))	595	510	1,776	902
	740	6,141	6,246	13,508

Notes:

- (a) For the nine-month period ended 30 September 2021, government grants of HK\$820,000 (2020: HK\$6,520,000) included Covid-19-related subsidies, of which HK\$800,000 (2020: Nil) relates to Catering Business Subsidy Scheme, Employment Support Scheme of Nil (2020: HK\$5,840,000) and other subsidies of approximately HK\$20,000 (2020: HK\$680,000) under the Anti-epidemic Fund provided by the Hong Kong government.
- (b) 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	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Income tax expenses				
— Macau Complementary Tax	-	-	-	-
— PRC Enterprise Income Tax	17	-	23	-

- (i) Macau Complementary Tax is calculated at 12% of the assessable profit for the nine-month period ended 30 September 2021 after deducting the exempted amount of MOP600,000. Under the Macau Complementary Tax, for the years of assessment 2021 and 2020, 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 2021 and 2020, 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	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Loss for the purpose of basic and diluted losses per share	(10,882)	(6,117)	(26,735)	(28,253)
	'000	'000	'000	'000
Weighted average number of ordinary shares for the purpose of basic loss per share	2,160,000	1,800,000	2,041,319	1,800,000
Effect of dilutive potential ordinary shares:				
— Share option (Note)	144,000	—	144,000	—
Weighted average number of ordinary shares for the purpose of diluted loss per share	2,304,000	1,800,000	2,185,319	1,800,000

Note: The diluted loss per share for the three-month and nine-month periods ended 30 September 2021 was calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. For the three-month and nine-month periods ended 30 September 2020, diluted loss per share is the same as basic loss per share as there were no potential dilutive ordinary shares in issue.

6. FINANCE COSTS

	For the three-month period ended 30 September		For the nine-month period ended 30 September	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Interest on convertible promissory notes	516	504	1,530	1,500
Interest on convertible loans	205	205	609	610
Interest on bank loans	182	141	545	335
Interest on bank overdrafts	38	74	111	224
Interest on lease liabilities	1,161	1,315	3,511	4,372
Others	8	30	40	86
	2,110	2,269	6,346	7,127

7. DIVIDEND

The Board does not recommend the payment of an interim dividend by the Company for the nine-month period ended 30 September 2021.

8. EVENT AFTER THE REPORTING PERIOD

Subsequent to the end of the reporting period, Club Cubic Macau was unable to continue its operation from 8 October 2021 due to the disputes between COD Resorts Limited ("COD"), the cooperation partner of Club Cubic Macau and the Group in relation to Club Cubic Macau's operation at the Boulevard, City of Dreams, Macau. Due to the outbreak of the COVID-19 pandemic, the operation of Club Cubic Macau has been materially and adversely impacted by the travel restrictions and social distance measures. Apart from the continuous effort to implement measures and closely monitoring of business performance, management of Club Cubic Macau had attempted to liaise with COD for rental concessions, but the result was not very fruitful. The Group is seeking legal advices in relation to its rights over the aforesaid matter and the Board is evaluating the effect of the aforementioned event on the financial position of the Group. The Group will take measures as necessary and make further announcement as and when appropriate. Please refer to the announcement of the Company dated 8 October 2021 for details.

MANAGEMENT DISCUSSION AND ANALYSIS

During the first three quarters of 2021, the Group continued to engage in the operation of clubbing business including “Club Cubic Macau” in Macau and “CUBIC SPACE+” in Zhuhai, Guangdong Province of Mainland China and the operation of restaurants in Hong Kong namely “HEXA”, “SIXA” and “GaGiNang” which are all through subsidiaries and associate of the Company.

BUSINESS REVIEW

The continued impact of COVID-19 pandemic has impeded the recovery of global tourism industry. The Group’s clubbing and restaurant operations were inevitably affected by the continued travel bans, restrictions and quarantine requirements imposed by the governments in Macau, Hong Kong and China during the period under review.

Operation of Clubbing Business

Club Cubic Macau was up against non-stop challenges brought by the COVID-19 outbreak. Following the effective control of the COVID-19 situation by the Macau and Chinese governments, Macau travel restrictions loosen and Mainland visitors gradually return with average number of daily visitors hitting high during the five-day Labour Day holidays. Unfortunately, the fresh cases of COVID-19 infections in Guangdong province reported since late May and the local COVID-19 infections identified in Macau in late September led to temporarily suspensions of entertainment venues in Macau. The situation was unprecedentedly difficult for Club Cubic Macau. Despite the continuous effort of management to implement measures and closely monitoring of its business performance, Club Cubic Macau could only regain 25% of the pre-pandemic revenue performance. Apart from the effort to reduce operating expenses, management of Club Cubic Macau had attempted to liaise with COD Resorts Limited (“COD”), the cooperation partner of Club Cubic Macau for rental concessions, but the result was not very fruitful. Regrettably, Club Cubic Macau was unable to continue its operation from 8 October 2021 due to the disputes between COD and the Group in relation to Club Cubic Macau’s operation at the Boulevard, City of Dreams, Macau. As for the nine-month period ended 30 September 2021, Club Cubic Macau accounted for 17% of the Group’s total revenue.

As to our operation in Mainland China, CUBIC SPACE+ maintained positive result performance in the first quarter of 2021. However, affected by the strict disinfection and quarantine measures adopted in Zhuhai after Guangdong reported Delta variant of COVID-19 in late May, CUBIC SPACE+ performed soften sales turnover in the third quarter which dragged down the overall performance for the result in the first three quarters of 2021. Nonetheless, CUBIC SPACE+ still contributed 47% of the Group’s total revenue for the nine-month period ended 30 September 2021. Located by the landmark Zhuhai Grand Theater and with its diversified leisure and entertainment experiences offered to customers, CUBIC SPACE+ is gaining popularity in Zhuhai. It underpins the success of the Group’s strategy for tapping into the Mainland China market through transforming business model integrated with local characteristics.

Operation of Restaurant Business

Our restaurant business operation in Hong Kong was severely impacted by the pandemic in the first quarter of 2021 with government-imposed restrictions banning the dine-in service from 6 pm to 4:59 am of the subsequent day from 10 December 2020. We observed an obvious sales rebound in our restaurants when the social distancing restrictions were changed to allow four people per table until 10 pm from 18 February 2021 onwards. The uplift of sales coupled with various measures to cut general expenses resulted in the performance upturn in the second and third quarters of 2021.

Though the challenging market conditions will persist and the social distancing requirements may continue to be modified by the government from time to time as COVID-19 developments unfold, the rollout of COVID-19 vaccines does offer a glimmer of hope that business conditions will gradually improve. To position us in the best of financial and operational health to counter the challenges posed by COVID-19, the Group has shifted its strategy and operations to ensure effective business continuity and evolution in this new rhythm of business. We have taken measures to the greatest extent to protect the health of our staff and the community at large. We have streamlined to improve the existing operations. We have taken cost reduction programs to minimize cashflows and rationalization efforts to control capital expenditures. Furthermore, we have explored funding sources to enhance financial position of the Company. During the first three quarters of 2021, the Group received a total of HK\$2.6 million under the Special 100% Loan Guarantee Scheme. The Group also completed the private placements of HK\$11.8 million in April 2021 to reinforce our balance sheet and to be used for general corporate purposes.

FINANCIAL REVIEW

Revenue

Total revenue of the Group increased by 25.8% from HK\$101.4 million in the first three quarters of 2020 to HK\$127.6 million in the same period of 2021 mainly contributed by CUBIC SPACE+ which its operation had been temporarily suspended during the first half of 2020 following local governments' prompt actions in containing the outbreak of COVID-19.

Expenses

Cost of inventories sold mainly represented the costs of beverage, food and tobacco products sold. It increased by 11.6% from HK\$29.4 million in the first three quarters of 2020 to HK\$32.8 million in the same period of 2021. This was mainly attributable to the increase of cost of inventories of CUBIC SPACE+ in line with the increase of sales revenue, partially offset by the discontinued consolidation of GaGiNang after the deemed disposal transaction on 30 March 2020.

Staff cost 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 83.8% from HK\$37.0 million in the first three quarters of 2020 to HK\$68.0 million in the same period of 2021. This was explained by (i) CUBIC SPACE+ salary cost resumed to normal during the reporting period of 2021 while its operation had been temporarily suspended during the first half of 2020; and (ii) the share-based compensation of HK\$2.6 million for the share options granted on 4 January 2021.

Property rentals and related expenses decreased by 1.4% from HK\$6.9 million in the first three quarters of 2020 to HK\$6.8 million in the same period of 2021 mainly due to the discontinued consolidation of GaGiNang after the deemed disposal transaction on 30 March 2020.

Advertising and marketing expenses decreased by 37.5% from HK\$2.4 million in the first three quarters of 2020 to HK\$1.5 million in the same period of 2021 due to the adoption of stringent cost control measures on marketing expense to cope with the impact of COVID-19.

Other operating expenses represented expenses incurred for the operations. These included mainly cleaning and laundry, utilities, credit card commission, repair and maintenance, insurance expense and contractor service fee. Other operating expenses decreased by 48.6% from HK\$47.5 million in the first three quarters of 2020 to HK\$24.4 million in the same period of 2021. This was explained by the discontinued consolidation of GaGiNang after the deemed disposal transaction on 30 March 2020 and the adoption of stringent cost control measures.

Depreciation and amortization decreased by 11.9% from HK\$29.5 million in the first three quarters of 2020 to HK\$26.0 million in the same period of 2021. This was mainly due to the discontinued consolidation of GaGiNang after the deemed disposal transaction on 30 March 2020.

Loss Attributable to Owners of the Company

Loss attributable to owners of the Company was HK\$26.7 million in the first three quarters of 2021 compared to that of HK\$28.3 million in the first three quarters of 2020. The increase in revenue from CUBIC SPACE+ and reduced operating expenses as the Group implemented stringent cost control measures to cope with the impact of COVID-19, partially offset by the share-base compensation of HK\$2.6 million for the share options granted on 4 January 2021 and the absence of net gain from the disposal of subsidiary during the period under review.

OUTLOOK

On 8 October 2021, Club Cubic Macau was unable to continue its operation due to the disputes between COD and the Group in relation to Club Cubic Macau's operation at the Boulevard and the outbreak of COVID-19 pandemic. The Group will continue to operate the clubbing business, namely CUBIC SPACE+ in Zhuhai, Mainland China, and its restaurant operations in Hong Kong.

The Group will continue to explore other business opportunities in clubbing, restaurants, entertainment and consulting businesses within the Greater Bay Area. We believe this will help us get involved in the more lucrative markets in Mainland China while being able to further diversify our overall business and portfolio risks.

Stringent cost controls and detailed business analysis in the new markets will continue to be one of the management's key focus areas while the Group will continue to further enhance its "Cubic" brand and restaurant businesses in Hong Kong through marketing in social media and tailor-made customer services. Management will closely observe the latest trends in pandemic, customers' behaviour, competitors' approach and travel arrangements by the respective countries and authorities.

With the gradual relief of the pandemic and introduction of vaccines, the Group remains fully confident in the long-term prospects of its clubbing and restaurant businesses in both Hong Kong and Mainland China. Management believes that the public will be able to return to the pre-pandemic lifestyle in the near future. The Group will continue to strictly implement the containment measures and strengthen the disinfection and cleaning of its restaurants to fight against the pandemic together with the public.

Overall, management strongly believes that its new focus and business strategies in the Greater Bay Area will further help the Company cope with the challenging operating environment while we will continue to leverage our brand and network in order to improve our financial positions for our shareholders and stakeholders.

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 2021, 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)	50.63%
	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)	50.63%
	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)	50.63%
	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)	50.63%
	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)	50.63%
	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 50.63% 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 50.63% 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 2021, 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 2021, 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)	50.63%
Yui Tak (Note 2)	Interest of a controlled corporation	1,093,500,000 ordinary shares (L)	50.63%
Ocean Concept (Note 2)	Interest of a controlled corporation	1,093,500,000 ordinary shares (L)	50.63%
Toprich (Note 3)	Interest of a controlled corporation	1,093,500,000 ordinary shares (L)	50.63%
Perfect Succeed (Note 3)	Interest of a controlled corporation	1,093,500,000 ordinary shares (L)	50.63%
Kenbridge Limited ("Kenbridge")	Beneficial owner	121,500,000 ordinary shares (L)	5.62%

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)	5.62%
Trendy Pleasure Limited ("Trendy") (Note 5)	Beneficial owner	300,000,000 ordinary shares (L)	13.89%
Saint Lotus Cultural Development Group Co., Limited ("Saint Lotus") (Note 5)	Interest of a controlled corporation	300,000,000 ordinary shares (L)	13.89%
Mr. Zhang Jianguang (Note 5)	Interest of a controlled corporation	300,000,000 ordinary shares (L)	13.89%
Ms. Chan Ting Fai (Note 6)	Interest of spouse	1,093,500,000 ordinary shares (L)	50.63%
Ms. Lee Wan (Note 7)	Interest of spouse	1,093,500,000 ordinary shares (L)	50.63%
Ms. Lau Sze Mun Charmaine (Note 8)	Interest of spouse	121,500,000 ordinary shares (L)	5.62%

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 50.63% 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 50.63% 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 5.62% of the issued share capital of the Company held by Kenbridge.
- (5) Trendy is wholly owned by Saint Lotus and Saint Lotus is wholly owned by Mr. Zhang Jianguang. By virtue of the SFO, each of Saint Lotus and Mr. Zhang Jianguang is deemed to be interested in 13.89% of the issued share capital of the Company held by Trendy.

- (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 50.63% 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 50.63% 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 5.62% 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 2021, 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 2021.

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 2021:

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 2021:

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.

Save as disclosed, during the nine-month period ended 30 September 2021, 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) were 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 to the followings: (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 2021.

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

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, 12 November 2021