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LUK HING ENTERTAINMENT GROUP



CUBIC SPACE+

FIRST 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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Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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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 2021, together with the unaudited comparative figures for the corresponding period in 2020, as follows:

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

	Notes	Three-month period ended 31 March	
		2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Revenue	2	42,296	25,064
Other income and gain	3	1,817	1,433
Cost of inventories sold		(11,877)	(7,248)
Staff costs		(24,720)	(14,404)
Property rentals and related expenses		(2,093)	(2,950)
Advertising and marketing expenses		(597)	(1,563)
Other operating expenses		(7,536)	(12,716)
Gain on disposal of subsidiary		–	9,714
Depreciation and amortisation		(8,624)	(11,343)
Finance costs	6	(2,211)	(2,600)
Loss before taxation		(13,545)	(16,613)
Taxation	4	–	–
Loss for the period		(13,545)	(16,613)
Other comprehensive income/(loss):			
Exchange difference on translating of financial statements of overseas subsidiaries		64	(41)
Total comprehensive loss for the period		(13,481)	(16,654)
Loss for the period attributable to:			
Owners of the Company		(11,365)	(12,709)
Non-controlling interests		(2,180)	(3,904)
		(13,545)	(16,613)
Other comprehensive (loss)/income for the period attributable to:			
Owners of the Company		(63)	(41)
Non-controlling interests		127	–
		64	(41)
Total comprehensive loss for the period attributable to:			
Owners of the Company		(11,428)	(12,750)
Non-controlling interests		(2,053)	(3,904)
		(13,481)	(16,654)
Loss per share (HK cents)			
— Basic	5	(0.63)	(0.71)
— Diluted	5	(0.58)	(0.71)

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 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 three-month period ended 31 March 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 three-month period ended 31 March 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 functional currency of the Company is Hong Kong dollars ("HK\$"). 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	
	2021	2020
	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	11,463	13,341
Sales of beverage	30,358	11,025
Sponsorship income	233	299
Entrance fees income	64	233
Others (Note)	68	30
	42,186	24,928
Revenue from other sources:		
Loan interest income	110	136
	42,296	25,064

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

3. OTHER INCOME AND GAIN

	For the three-month period ended 31 March	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net foreign exchange gain	17	20
Consultancy and management fee income	276	668
Covid-19 related rental concession	455	–
Government grants (note (a))	820	600
Others (note (b))	249	145
	1,817	1,433

Notes:

- (a) For the three-month period ended 31 March 2021, government grants of HK\$820,000 (2020: HK\$600,000) in respect of Covid-19-related subsidies, of which of HK\$800,000 (2020: Nil) relates to Catering Business Subsidy Scheme and other subsidies of approximately HK\$20,000 (2020: HK\$600,000) under the Anti-epidemic Fund provided by the Hong Kong government.
- (b) Others mainly included the tips income.

4. TAXATION

	For the three-month period ended 31 March	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)

Income tax expense

— Macau Complementary Tax

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Macau Complementary Tax is calculated at 12% of the assessable profit for the three-month period ended 31 March 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 period ended 31 March 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 31 March	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Loss for the purpose of basic and diluted loss per share	(11,365)	(12,709)
	'000	'000
Weighted average number of ordinary shares for the purpose of basic loss per share	1,800,000	1,800,000
Effect of dilutive potential ordinary shares: — Share option (Note)	144,000	—
Weighted average number of ordinary shares for the purpose of diluted loss per share	1,944,000	1,800,000

Note: The diluted loss per share for the three-month period ended 31 March 2021 and 2020 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 period ended 31 March 2021, the outstanding share options were assumed to have been converted into ordinary shares. For the three-month period ended 31 March 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 31 March	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest on convertible promissory notes	504	498
Interest on convertible loans	201	202
Interest on bank loans	170	96
Interest on bank overdrafts	35	73
Interest on lease liabilities	1,282	1,723
Others	19	8
	2,211	2,600

7. DIVIDEND

The Board does not recommend the payment of an interim dividend by the Company for the three-month period ended 31 March 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

During the first quarter of 2021, 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”, “SIXA” and “GaGiNang” all through subsidiaries or associate of the Company.

BUSINESS REVIEW

The COVID-19 outbreak continues to have a material impact on the Group’s operations and financial position during the first quarter of 2021.

Operation of Clubbing Business

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

The issuance of Individual Visit Scheme visas by China to Macau had been progressively resumed through the third quarter of 2020, but majority of the Mainland Chinese visitors were not eligible to apply for travel to Macau until late September 2020. Travel bans, restrictions and quarantine requirements imposed on visitors traveling to and from Macau continued to impact visitation and customer spending in Macau. Fortunately, the Macau Government has allowed that with effect from 23 February 2021, all Mainland visitors are exempted from quarantine in Macau given the pandemic situation remains stable in the Mainland and Macau. Thereby, the figures revealed by the Macau Government Tourism Office suggested a steady upward trend in visitor arrivals from the week of Saturday, 20 March to Friday, 26 March 2021 reached 189,843 at an average of 27,210 visitors per day, up 77.8% over the February 2021 average. We expect a faster rebound and growth in Macau market driven by greater visitor arrivals from Mainland China.

Our operation in Mainland China, CUBIC SPACE+ fared better than Club Cubic Macau with the pandemic situation being largely control and the relaxation of social distancing measures in local market. 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. We are encouraged by the positive business performance of CUBIC SPACE+ and it underpins the success in diversifying strategy of the Group through transforming business model integrated with local characteristics.

Operation of Restaurant Business

Our restaurant business operation continued to be adversely affected by the pandemic during the first quarter of 2021. The fourth wave of infections in Hong Kong saw increasingly tighter government-imposed restrictions with the dine-in service from 6:00 pm and 4:59 am of the subsequent day banned on 10 December 2020 which was then changed to seat four people per table until 10:00 pm following the relaxing of social distancing restrictions from 18 February 2021 onwards with restaurants to administer virus tests for staff every 14 days, while diners will be required to check on government's LeaveHomeSafe app.

The social distancing restrictions and requirement have been and may continue to be modified by the government from time to time as COVID-19 developments unfold. The disruption from the COVID-19 outbreak is expected to persist at least a portion of 2021 and recovery from such disruption will depend on future development such as successful development and acceptance of safe and effective vaccine. 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 in protecting the health of our staff and the community at large. To position us in the best of financial and operational health to counter the challenges posed by COVID-19, 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 quarter 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\$11.7 million on 9 April 2021 to reinforce our balance sheet and enhance our ability to fund business development in Mainland China that are integral to our long-term growth.

FINANCIAL REVIEW

Revenue

Total revenue of the Group increased by 68.5% from HK\$25.1 million in the first quarter of 2020 to HK\$42.3 million in the same period of 2021, mainly contributed by revenue generated from CUBIC SPACE+ and Club Cubic Macau as both were temporarily suspended operations during the first quarter 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 65.3% from HK\$7.2 million in the first quarter of 2020 to HK\$11.9 million in the same period of 2021. This was mainly attributable to the increase of cost of inventories of CUBIC SPACE+ and Club Cubic Macau in 2021 as both were temporarily suspended operations during the first quarter of 2020, partially offset by discontinued consolidation of GaGiNang after the deemed disposal transaction on 30 March 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 increased by 71.5% from HK\$14.4 million in the first quarter of 2020 to HK\$24.7 million in the same period of 2021. This was mainly due to (i) CUBIC SPACE+ salary cost resumed to normal in the first quarter of 2021 while it had been temporarily suspended operation during the first quarter of 2020 following Zhuhai government's actions in containing the outbreak of COVID-19, and (ii) the share-base compensation of HK\$2.6 million for the share options granted on 4 January 2021.

Property rentals and related expenses decreased by 30.0% from HK\$3.0 million in the first quarter of 2020 to HK\$2.1 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.

Advertising and marketing expenses decreased by 62.5% from HK\$1.6 million in the first quarter of 2020 to HK\$0.6 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 decreased by 40.9% from HK\$12.7 million in the first quarter of 2020 to HK\$7.5 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 stringent cost control measures adopted in CUBIC SPACE+.

Depreciation and Amortization decreased by 23.9% from HK\$11.3 million in the first quarter of 2020 to HK\$8.6 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\$11.4 million in the first quarter of 2021 compared to that of HK\$12.7 million in the same period of 2020. The improved performance was mainly attributable to the increase of revenue from CUBIC SPACE+ after it resumed normal operations and reduced operating expenses due to the adoption of 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.

OUTLOOK

The first quarter of 2021 has been a difficult period for the Company. While the global economy will probably remain uncertain in the near future, the Company will strive to capitalise on its public listing profile and maintain its core business of clubbing and restaurant operations in Mainland China, Hong Kong and Macau, respectively.

Our strategy of opening CUBIC SPACE+ in Zhuhai, Mainland China in August 2019 proves to be a masterstroke, especially during the last 12 months. It helps us diversify our portfolio risks while expanding our extensive network in clubbing business into Mainland China. Given the success of CUBIC SPACE+, we will continue to look for new opportunities in the clubbing industry, while closely monitoring the development of the pandemic, customer expectation and market trend in order to adjust our strategies when necessary.

We will actively follow the government's specific guidelines to ensure our restaurants continue to comply with the COVID-19 preventive policies, while trying to focus on costs by re-negotiate our existing terms with current suppliers and landlords. We aim to improve our sales revenue in the restaurant business through innovation strategies, strengthening customer relationships and smart hiring practices.

We strongly believe that our management has the proper plans and strategies in place to overcome the adverse impacts of the pandemic while aiming to improve our financial position, market share, cost controls and business foundation for our shareholders.

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 2021, 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)	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 Kai 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). 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 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 31 March 2021, 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 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%

Name of shareholder	Nature of interest	Number and class of securities ⁽¹⁾	Approximate percentage of shareholding interest
Kenbridge Limited ("Kenbridge") (Note 4)	Beneficial owner	121,500,000 ordinary shares (L)	5.62%
Mr. Poon Ching Tong Tommy (Note 4)	Interest of a controlled corporation	121,500,000 ordinary shares (L)	5.62%
Ms. Chan Ting Fai (Note 5)	Interest of spouse	1,093,500,000 ordinary shares (L)	50.63%
Ms. Lee Wan (Note 6)	Interest of spouse	1,093,500,000 ordinary shares (L)	50.63%
Ms. Lau Sze Mun Charmaine (Note 7)	Interest of spouse	121,500,000 ordinary shares (L)	5.62%
Saint Lotus Cultural Development Group Co., Limited ("Saint Lotus") (Note 8)	Interest of a controlled corporation	300,000,000 ordinary shares (L)	13.89%
Trendy Pleasure Limited ("Trendy") (Note 8)	Beneficial owner	300,000,000 ordinary shares (L)	13.89%
Mr. Zhang Jianguang (Note 8)	Interest of a controlled corporation	300,000,000 ordinary shares (L)	13.89%

Notes:

- (1) The letter "L" denotes the person's long position in the shares of the Company.
- (2) Welmen is owned as to 30.31% 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) 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.
- (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 50.63% 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 5.62% of the issued share capital of the Company in which Mr. Poon Ching Tong Tommy is interested.
- (8) 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.

Save as disclosed above and so far as is known to the Directors, as at 31 March 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 three-month period ended 31 March 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. 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 2021:

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 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 as at 31 March 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.

Saved as disclosed, as at 31 March 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) 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 three-month ended 31 March 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
Ms. Poon Kam Yee Odilia

Independent Non-executive Directors:

Mr. Tang Tsz Tung
Mr. Chan Ka Yin
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, 10 May 2021