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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)

**FIRST QUARTERLY RESULTS ANNOUNCEMENT
FOR THE THREE MONTHS ENDED 31 MARCH 2022**

**CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF
HONG KONG LIMITED (THE "STOCK EXCHANGE")**

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

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 announcement, 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 announcement 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 announcement 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 2022, together with the unaudited comparative figures for the corresponding period in 2021, as follows:

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

	Notes	Three-month period ended 31 March	
		2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Revenue	3	6,571	42,296
Other income and gain	4	669	1,817
Cost of inventories sold		(1,881)	(11,877)
Staff costs		(7,301)	(24,720)
Property rentals and related expenses		(2,144)	(2,093)
Advertising and marketing expenses		(109)	(597)
Other operating expenses		(2,611)	(7,536)
Depreciation and amortisation		(6,718)	(8,624)
Finance costs	7	(1,689)	(2,211)
Loss before taxation		(15,213)	(13,545)
Taxation	5	–	–
Loss for the period		(15,213)	(13,545)
Other comprehensive (loss)/income:			
Exchange difference on translating of financial statements of overseas subsidiaries		(217)	64
Total comprehensive loss for the period		(15,430)	(13,481)

		Three-month period ended 31 March	
		2022	2021
	Notes	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Loss for the period attributable to:			
Owners of the Company		(9,918)	(11,365)
Non-controlling interests		(5,295)	(2,180)
		(15,213)	(13,545)
Other comprehensive (loss)/income for the period attributable to:			
Owners of the Company		(482)	(63)
Non-controlling interests		265	127
		(217)	64
Total comprehensive loss for the period attributable to:			
Owners of the Company		(10,400)	(11,428)
Non-controlling interests		(5,030)	(2,053)
		(15,430)	(13,481)
Loss per share (HK cents)			
– Basic	6	(0.44)	(0.63)
– Diluted	6	(0.43)	(0.58)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three-month period ended 31 March 2022

	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	interests	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
				(Note)						
As at 1 January 2021	18,000	66,235	896	12	543	(68,363)	(863)	16,460	(12,247)	4,213
Loss for the period	-	-	-	-	-	(11,365)	-	(11,365)	(2,180)	(13,545)
Other comprehensive (loss)/ income for the period	-	-	-	-	(63)	-	-	(63)	127	64
Equity-settled share option arrangement	-	-	2,560	-	-	-	-	2,560	-	2,560
As at 31 March 2021	18,000	66,235	3,456	12	480	(79,728)	(863)	7,592	(14,300)	(6,708)
As at 1 January 2022	22,544	77,839	1,648	12	251	(140,377)	(685)	(38,768)	(21,902)	(60,670)
Loss for the period	-	-	-	-	-	(9,918)	-	(9,918)	(5,295)	(15,213)
Other comprehensive (loss)/ income for the period	-	-	-	-	(482)	-	-	(482)	265	(217)
As at 31 March 2022	22,544	77,839	1,648	12	(231)	(150,295)	(685)	(49,168)	(26,932)	(76,100)

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. GENERAL INFORMATION

Luk Hing Entertainment Group Holdings Limited (“the Company”) was incorporated in Cayman Islands on 30 November 2015 as an exempted company with limited liability under the Companies Act, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. On 11 November 2016, the Company’s shares were listed on the GEM of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The registered office of the Company is PO Box 1350, Clifton House, 75 Fort Street, Grand Cayman, KY1-1180, Cayman Islands and the principal place of business in Hong Kong is located at Room 1505, 15/F., Shun Tak Centre West Tower, 168–200 Connaught Road Central, Sheung Wan, Hong Kong. The Company is an investment holding company.

The directors of the Company regard Welmen Investment Co. Ltd, a company incorporated in the British Virgin Islands as the ultimate holding company.

The Company and its subsidiaries (collectively referred as the “Group”) are principally engaged in the food and beverage and entertainment industry. The Group’s principal activities are operation of clubs and restaurants, organising music-related featured events as well as granting loans to entities in the food and beverage and entertainment industries (“Money Lending Business”).

The functional currency of the subsidiaries established in Macau is Macau Pataca (“MOP”), the functional currency of the subsidiaries established in the People’s Republic of China (the “PRC”) is Renminbi (“RMB”) and the functional currency of the Company and Hong Kong operating subsidiaries is Hong Kong dollars (HK\$).

The consolidated financial statements are presented in Hong Kong dollars (“HK\$”) for the convenience of the investors as the shares of the Company are listed on the GEM of the Stock Exchange. All values are rounded to the nearest thousand of HK\$ (“HK\$’000”) except when otherwise indicated.

2. BASIS OF PREPARATION

(a) Statement of Compliance

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 2022 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.

(b) Basis of measurement and going concern assumption

The unaudited condensed consolidated quarterly financial statements of the Group for the three-month period ended 31 March 2022 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 24 March 2022. The accounting policies adopted are consistent with those applied in the Group’s audited annual financial statements for the year ended 31 December 2021, 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 2022. 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 2022. The Group has not early applied the new and revised HKFRSs that have been issued by the HKICPA but are not yet effective.

As at 31 March 2022, the Group had net current liabilities and net liabilities of approximately HK\$85,716,000 and HK\$76,100,000 respectively. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group’s ability to continue as a going concern and consequently, the Group may not be able to realise its assets and discharge its liabilities in the normal course of its business.

The directors of the Company have been taking steps to improve the liquidity position of the Group. These steps include:

- (i) explore fund-raising activities such as rights issue and/or share subscription or placing to meet its repayment obligations;
- (ii) negotiate with banks for renewing banking facilities. Based on the latest communications with the banks, the directors of the Company are not aware of any intention of the banks to withdraw their bank facilities or require early repayment of the loans, and the directors believe that the existing bank facilities will be renewed when their current terms expire given the good track records and relationships the Group has with the banks;
- (iii) consider other financing arrangements and fund raising alternatives with a view to increasing the Group's capitalisation/equity and to support the continuing growth of the Company;
- (iv) implement stronger measures aiming at improving the working capital and cash flows of the Group, including closely monitoring incurrence of other operating expenses;
- (v) negotiate with the landlords of the properties leased by the Group for rent concessions due to the reduced number of customers arising from the outbreak of COVID-19;
- (vi) apply for COVID-19 related government subsidies applicable to its clubbing and restaurant business in Hong Kong and Mainland China, including salary subsidies and costs of sterilisation of business premises, which will reduce the operation costs of the Group to a certain extent;
- (vii) apply for the government 100% guarantee loan to support the rental payable of restaurant under the lease liabilities.

Provided that the above-mentioned plans and measures can be successfully achieved and improve the liquidity position of the Group, the Directors of the Company are satisfied that the Group will be able to meet its financial obligations as and when they fall due for the foreseeable future. Accordingly, the first quarterly financial statements have been prepared on a going concern basis. Should the Group be unable to operate as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities. The effect of these adjustments have not been reflected in the first quarterly financial statements.

3. REVENUE

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

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

	For the three-month period ended 31 March	
	2022	2021
	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	5,179	11,463
Sales of beverage	1,307	30,358
Sponsorship income	–	233
Entrance fees income	–	64
Others (Note)	–	68
	6,486	42,186
Revenue from other sources:		
Loan interest income	85	110
	6,571	42,296

Note: Others mainly represent events rental income and cloakroom income.

4. OTHER INCOME AND GAIN

	For the three-month period ended 31 March	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net foreign exchange gain	82	17
Consultancy and management fee income	146	276
Covid-19 related rental concession	–	455
Government grants (note (a))	400	820
Others (note (b))	41	249
	669	1,817

Notes:

(a) For the three-month period ended 31 March 2022, government grants of HK\$400,000 (2021: HK\$820,000) in respect of Covid-19-related subsidies, of which of HK\$400,000 (2021: HK\$800,000) relates to Catering Business Subsidy Scheme and other subsidies of HK\$Nil (2021: HK\$20,000) under the Anti-epidemic Fund provided by the Hong Kong government.

(b) Others mainly included the tips income.

5. TAXATION

	For the three-month period ended 31 March	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Income tax expense	–	–

No provision for Hong Kong profits tax, Macau complementary tax and PRC enterprise income tax is made since the Hong Kong, Macau and PRC subsidiary has no estimated assessable profit for the three-month period ended 31 March 2022 and 2021, respectively.

6. 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	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Loss for the purpose of basic and diluted loss per share	(9,918)	(11,365)
	'000	'000
Weighted average number of ordinary shares for the purpose of basic loss per share	2,254,400	1,800,000
Effect of dilutive potential ordinary shares: – Share option (Note)	49,600	144,000
Weighted average number of ordinary shares for the purpose of diluted loss per share	2,304,000	1,944,000

Note: The diluted loss per share for the three-month period ended 31 March 2022 and 2021 was calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

7. FINANCE COSTS

	For the three-month period ended 31 March	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Interest on convertible promissory notes	516	504
Interest on convertible loans	201	201
Interest on bank loans	148	170
Interest on bank overdrafts	–	35
Interest on lease liabilities	814	1,282
Others	10	19
	1,689	2,211

8. LITIGATION AND CONTINGENT LIABILITIES

- (a) On 19 October 2021, the Company's subsidiary, Luk Hing Investment Limited ("Luk Hing Investment") received a summons issued by COD Resorts Limited ("COD") (as plaintiff) against Luk Hing Investment (as defendant) and filed with Court of the Macau to such civil proceeding. COD alleged that Luk Hing Investment breached the contractual obligations of the Operating Agreement and Supplemental Agreement (the "Agreements") due to default of payment of the rental expenses and contingent rental expense during the year ended 31 December 2021. COD further understands that Luk Hing Investment, by failing to comply with its contractual obligations on a timely manner, the termination of the Agreements shall be deemed valid and effective and requested Luk Hing Investment to pay all the amounts claimed under the Agreements of approximately HK\$85,982,000 (equivalent to approximately MOP88,562,000) including the outstanding rental expenses, the rental expenses for the remaining contract terms, interest regards to the outstanding rental expenses, etc..

On 12 January 2022, an objection was filed by Luk Hing Investment to the Court to deny the amounts requested by COD as their request were onerous, excessive, disproportional and unreasonable. In addition, due to the termination of the Agreements, Luk Hing Investment filed a counterclaim in relation to the equipment held by Luk Hing Investment, that remained unrecovered in the former premises of Club Cubic Macau, Luk Hing Investment objected via credit offset and a counterclaim of the total amounts approximately HK\$5,805,000 (equivalent to approximately MOP5,979,000).

On 7 March 2022, COD filed the reply to objection of Luk Hing Investment to the Court. COD objected to the claim of credit offset and counterclaim of Luk Hing Investment in respect of the equipment, which remains unrecovered in the former Club Cubic Macau, claiming that such equipment was accounted as a cost of Luk Hing Investment, but immediately incorporated into the Club Cubic Macau, becoming COD the owner and proprietor of the said. COD objects to the arguments made by Luk Hing Investment and maintaining the amount as requested.

As of the reporting date, the liability of Luk Hing Investment in respect of the summons cannot be reliably measured as the lawsuit is still in its initial stages.

- (b) On 11 October 2021, Zhuhai Ruiye Bar Management Company Limited (“Zhuhai Ruiye”), the Company’s subsidiary, received an arbitration request issued by 珠海城市建設集團有限公司 (“城建集團”), the landlords of CUBIC SPACE+ and 珠海城建海韻資產經營管理有限公司 (“城建海韻”), the property management company of CUBIC SPACE+, alleged that Zhuhai Ruiye has breached the tenancy agreement of CUBIC SPACE+ in Zhuhai, the PRC. 城建集團 and 城建海韻 alleged that Zhuhai Ruiye had failed to pay the rental expense and building management fee for the period of October 2018 to August 2019 and February 2020 to April 2020, together with costs of the legal proceedings for approximately HK\$8,346,000 (equivalent to approximately RMB6,924,000). Zhuhai Ruiye submitted that the condition of the property was substandard quality at the delivery date and suffered substantial losses due to the leakage of the property. Zhuhai Ruiye applied for a counterclaim to the landlords and the property management company and requested waiver for the rental fee and building management fee for the above period and compensation for the losses due to the water leakage of the property, repairs and maintenances, labor costs together with costs of legal proceedings for approximately HK\$15,947,000 (equivalent to approximately RMB13,230,000). The arbitration committee requested Zhuhai Ruiye to provide the evidences of the substandard quality of the property and breakdown for the labor cost for further judgement. As of the reporting date, the liability of Zhuhai Ruiye in respect of the arbitration cannot be reliably measured as the case is still in its initial stages.

9. DIVIDEND

The Board does not recommend the payment of an interim dividend by the Company for the three-month period ended 31 March 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

During the first quarter of 2022, the Group is primarily engaged in the operation of clubbing business namely "CUBIC SPACE+" in Zhuhai, Mainland China and the operation of restaurants namely "HEXA", "SIXA" and "GaGiNang" in Hong Kong which are all through subsidiaries and associate of the Group.

BUSINESS REVIEW

Operation of Restaurant Business

The onslaught of the fifth wave of the epidemic has dealt a heavy blow to our restaurant business. Dine-in services banned from 6:00 p.m. to 4:59 a.m. the next day from 7 January 2022 to 20 April 2022. Compounding matters, limited seating limit to two people per table and new rules requiring visitors to display their vaccination record when entering venues such as shopping malls and restaurants has dealt another blow to our restaurant business. The situation is highly undesirable, our restaurants have dropped 60% to 90% of the sales before the banning of the dine-in services. As the pandemic situation is severe and the business environment for catering industry remains difficult, our associate company, Luk Hing Mandarin Limited has ceased operation of the restaurant namely "GaGiNang" on 22 February 2022. It was fortunate that the social distancing restrictions were changed to allow four people per table until 10 p.m. from 21 April 2022 onwards. Again, we saw obvious sales rebound in our restaurants after then. We are confident that our customers will return in numbers once the social distancing restrictions are eased.

Operation of Clubbing Business

Our clubbing business, CUBIC SPACE+ in Zhuhai also operated in disrupted environment after COVID-19 Omicron variant jumped in Zhuhai in January 2022. CUBIC SPACE+ has temporary suspended its operation since 13 January 2022 in the wake of stringent anti-epidemic measures imposed by the local government.

The persisting challenge from the pandemic outbreak and the social-distancing measures is expected to continue disrupt business operations of the Group in at least a portion of 2022. 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 in protecting the health of our staff and the community at large including promoting vaccination among our colleagues with 99% of the Group's colleagues in Hong Kong vaccinated. We have implemented stronger measures aiming at improving the working capital and cashflows of the Group such as closely monitoring incurrence of other operating expenses and the management will continue its negotiation with the landlords for rent concessions of our restaurants. Furthermore, we have explored funding sources to enhance the financial position of the Company. The Group will continue, in the best interests of the Company and the Shareholders as a whole, endeavor fund-raising alternatives to strengthen the capital base and support the continuing growth of the Company.

FINANCIAL REVIEW

Revenue

Total revenue of the Group decreased by 84.4% from HK\$42.3 million in the first quarter of 2021 to HK\$6.6 million in the same period of 2022 mainly due to the temporary suspended operation of CUBIC SPACE+ and the banning of dine-in services in restaurants from 6:00 p.m. to 4:59 a.m. the next day from 7 January 2022 to 20 April 2022.

Expenses

Cost of inventories sold mainly represents for the costs of beverage, food and tobacco products sold. It decreased by 84.0% from HK\$11.9 million in the first quarter of 2021 to HK\$1.9 million in the same period of 2022 which was in line with the decrease of revenue.

Staff costs is one of the major components of the Group's operating expenses, which mainly consists of Directors' emoluments, salaries, retirement benefit scheme contribution and other benefits. Staff costs decreased by 70.4% from HK\$24.7 million in the first quarter of 2021 to HK\$7.3 million in the same period of 2022. This was explained by the material decrease of salary costs resulted from the temporary close of CUBIC SPACE+ and the stringent cost cutting measures adopted in our restaurants.

Property rentals and related expenses remained steady in 2022 as compared to 2021.

Advertising and marketing expenses decreased by 83.3% from HK\$0.6 million in the first quarter of 2021 to HK\$0.1 million in the same period of 2022 due to the adoption of stringent cost control measures on marketing expense to cope with the impact of COVID-19.

Other operating expenses represent expenses incurred for the operations. These include mainly cleaning and laundry, utilities, credit card commission, repair and maintenance, insurance expense and contractor service fee. Other operating expenses decreased by 65.3% from HK\$7.5 million in the first quarter of 2021 to HK\$2.6 million in the same period of 2022 resulted from the temporary suspended operation of CUBIC SPACE+ and the banning of dine-in services in restaurants from 6:00 p.m. to 4:59 a.m. the next day from 7 January 2022 to 20 April 2022.

Depreciation and Amortization decreased by 22.1% from HK\$8.6 million in the first quarter of 2021 to HK\$6.7 million in the same period of 2022. This was mainly due to the cessation of operation of our clubbing business in Macau namely Club Cubic Macau from 8 October 2021.

Loss Attributable to Owners of the Company

Net loss attributable to owners of the Company was HK\$9.9 million in the first quarter of 2022 compared to the net loss of HK\$11.4 million in the same period of 2021. The cessation of Club Cubic Macau and the stringent cost control measures adopted by the Group led to the decrease of operating expenses which set off the negative impact of material drop of sales revenue amid the disrupted environment of operations under the anti-epidemic measures requirements in the period under review.

OUTLOOK

The first quarter of 2022 has been a challenging period for the Company. The ongoing situation of the COVID-19 pandemic has continued to affect our operations and business in Mainland China and Hong Kong. The challenges are expected to persist in the near future. Nevertheless, the overall economic and operating environment is expected to recover gradually due to the increase in vaccination rates and the reopening of the affected economic sectors.

The Group will make steady progress in accordance with its business plans and its actual operational conditions, so as to facilitate effective implementation of the business objectives of the Company and bring benefits from it.

Apart from the above, 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 strongly believe that our management has the proper plans and strategies in place to overcome the adverse impacts of the pandemic while aiming to create long-term value for shareholders and the Group.

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 2022, 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)	48.51%
	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%

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 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)	48.51%
	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. Yeung Chi Shing (Note 2)	The Company	Interest held jointly with another person	1,093,500,000 ordinary shares of the Company (L)	48.51%
		Personal interests	18,000,000 ordinary shares of the Company (L)	0.80%
	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)	48.51%
	Welmen	Beneficial owner	1,605.56 ordinary shares of Welmen (L)	16.0556%

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. Au Ka Wai (Note 2)	The Company	Interest held jointly with another person	1,093,500,000 ordinary shares of the Company (L)	48.51%
		Personal interests	18,000,000 ordinary shares of the Company (L)	0.80%
	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 48.51% 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 48.51% 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 2022, 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 2022, 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 (Note 2)	Beneficial owner	1,093,500,000 ordinary shares (L)	48.51%
Yui Tak (Note 2)	Interest of a controlled corporation	1,093,500,000 ordinary shares (L)	48.51%
Ocean Concept (Note 3)	Interest of a controlled corporation	1,093,500,000 ordinary shares (L)	48.51%
Toprich (Note 3)	Interest of a controlled corporation	1,093,500,000 ordinary shares (L)	48.51%
Perfect Succeed (Note 3)	Interest of a controlled corporation	1,093,500,000 ordinary shares (L)	48.51%

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)	5.39%
Mr. Poon Ching Tong Tommy (Note 4)	Interest of a controlled corporation	121,500,000 ordinary shares (L)	5.39%
Trendy Pleasure Limited ("Trendy") (Note 5)	Beneficial owner	300,000,000 ordinary shares (L)	13.31%
Saint Lotus Cultural Development Group Co., Limited ("Saint Lotus") (Note 5)	Interest of a controlled corporation	300,000,000 ordinary shares (L)	13.31%
Mr. Zhang Jianguang (Note 5)	Interest of a controlled corporation	300,000,000 ordinary shares (L)	13.31%
Ms. Chan Ting Fai (Note 6)	Interest of spouse	1,093,500,000 ordinary shares (L)	48.51%
Ms. Lee Wan (Note 7)	Interest of spouse	1,093,500,000 ordinary shares (L)	48.51%
Ms. Lau Sze Mun Charmaine (Note 8)	Interest of spouse	121,500,000 ordinary shares (L)	5.39%

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 48.51% 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 48.51% 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 5.39% 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 13.31% 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 48.51% 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 48.51% 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 5.39% of the issued share capital of the Company in which Mr. Poon Ching Tong Tommy is interested.

Save as disclosed above and so far as is known to the Directors, as at 31 March 2022, 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 2022.

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 of the shares of the Company on 11 November 2016 (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 2022:

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.

Saved as disclosed, as at 31 March 2022, 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 D.3.3 and D.3.7 of the Corporate Governance Code. On 23 February 2022, Mr. Au Wai Pong Eric resigned as a member of the audit committee and Mr. Au Ka Wai was appointed as a member of the audit committee. With effect from 23 February 2022, the audit committee is chaired by our independent non-executive Director, Mr. Chan Ka Yin and consists of another independent non-executive Director, Mr. Tang Tsz Tung and a non-executive Director, Mr. Au Ka Wai. The primary functions of the audit committee include but not limited to: (i) assisting the Board in providing an independent view of the effectiveness of the 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 2022.

BOARD OF DIRECTORS

As at the date of this announcement, 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 Ka Wai

Mr. Au Wai Pong Eric (*resigned on 23 February 2022*)

Independent Non-executive Directors:

Mr. Tang Tsz Tung

Mr. Chan Ka Yin

Mr. IP Hoi Fan (*appointed on 6 May 2022*)

Mr. Tse Kar Ho Simon (*resigned on 11 February 2022*)

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

Hong Kong, 9 May 2022

This announcement will remain on the Stock Exchange's website at www.hkexnews.hk, in the case of the announcement, on the "Latest Listed Company Information" page of the GEM for 7 days from the day of its posting. This announcement will also be published on the Company's website at www.lukhing.com.