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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 2023

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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 2023, together with the unaudited comparative figures for the corresponding period in 2022, as follows:

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

	Notes	Three-month period ended 31 March	
		2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Revenue	3	23,806	6,571
Other income and gain	4	204	669
Cost of inventories sold		(6,295)	(1,881)
Staff costs		(8,767)	(7,301)
Property rentals and related expenses		(1,898)	(2,144)
Advertising and marketing expenses		(30)	(109)
Other operating expenses		(3,214)	(2,611)
Depreciation and amortisation		(3,303)	(6,718)
Finance costs	7	(381)	(1,689)
Profit/(Loss) before taxation		122	(15,213)
Taxation	5	–	–
Profit/(Loss) for the period		122	(15,213)
Other comprehensive loss:			
Exchange difference on translating of financial statements of overseas subsidiaries		(893)	(217)
Total comprehensive loss for the period		(771)	(15,430)

	Notes	Three-month period ended 31 March	
		2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Profit/(Loss) for the period attributable to:			
Owners of the Company		(430)	(9,918)
Non-controlling interests		552	(5,295)
		122	(15,213)
Other comprehensive (loss)/income for the period attributable to:			
Owners of the Company		(599)	(482)
Non-controlling interests		(294)	265
		(893)	(217)
Total comprehensive (loss)/income for the period attributable to:			
Owners of the Company		(1,029)	(10,400)
Non-controlling interests		258	(5,030)
		(771)	(15,430)
Loss per share (HK cents)			
– Basic	6	(0.02)	(0.44)
– Diluted	6	(0.02)	(0.43)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three-month period ended 31 March 2023

	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			
	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited) (Note)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	
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)
As at 1 January 2023	22,904	79,169	756	-	1,193	(172,183)	(3,440)	(71,601)	(36,117)	(107,718)
(Loss)/Profit for the period	-	-	-	-	-	(430)	-	(430)	552	122
Other comprehensive loss for the period	-	-	-	-	(599)	-	-	(599)	(294)	(893)
Ordinary shares issued (Note 10)	4,509	2,705	-	-	-	-	-	7,214	-	7,214
Transaction costs attributable to issue of new shares	-	(338)	-	-	-	-	-	(338)	-	(338)
As at 31 March 2023	27,413	81,536	756	-	594	(172,613)	(3,440)	(65,754)	(35,859)	(101,613)

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 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 (“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 2023 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 2023 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 30 March 2023. The accounting policies adopted are consistent with those applied in the Group’s audited annual financial statements for the year ended 31 December 2022, 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 2023. 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 2023. 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 2023, the Group had net current liabilities and net liabilities of approximately HK\$112,597,000 and HK\$101,613,000 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) the Company has proactively explored fund raising activities including:
 - (1) On 24 February 2023, the Company has entered into a placing agreement with Sanston Financial Group Limited, the placing agent, on the placing of 450,880,000 placing shares by issuance of new shares under the general mandate (the "Placing"). The Placing was completed on 17 March 2023 and the net proceeds of approximately HK\$6.9 million was raised. Among which, approximately HK\$6.5 million was used to partial settlement of outstanding principal of convertible promissory note and convertible loan. The net proceeds have been fully utilised.
 - (2) On 6 April 2023, the Company had entered into, among others, an underwriting agreement and a placing agreement with Sanston Financial Group Limited. Pursuant to the agreements, subject to, among other things, the share consolidation of every ten (10) issued and unissued existing shares of par value HK\$0.01 each into one (1) consolidated share of par value HK\$0.1 each being effective, the Company will conduct a rights issue on the basis of one (1) rights shares of every one (1) consolidated share held, in order to raise gross proceeds of approximately HK\$43.9 million. The net proceeds from the Rights issue are estimated not more than approximately HK\$40.9 million among which approximately HK\$21.3 million will be used for full settlement of the Group's remaining outstanding liabilities arising from convertible promissory notes and convertible loans, approximately HK\$5.1 million for repayment of unsecured loans to the executive director, Mr. Choi Siu Kit, approximately HK\$0.8 million for repayment of principal of bank loan to The Bank of East Asia Limited and approximately HK\$9.2 million for settle directors' fee, salaries and overdue office expenses. A total of approximately HK\$4.5 million from the net proceeds of the above share issues will be used as the working capital of the Company.

- (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;

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, revenue from club and restaurant operations 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	
	2023	2022
	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	21,572	5,179
Sales of beverage	2,234	1,307
	23,806	6,486
Revenue from other sources:		
Loan interest income	–	85
	23,806	6,571

4. OTHER INCOME AND GAIN

	For the three-month period ended 31 March	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Net foreign exchange gain	204	82
Consultancy and management fee income	–	146
Government grants (note (a))	–	400
Others (note (b))	–	41
	204	669

Notes:

- (a) For the three-month period ended 31 March 2023, government grants of HK\$Nil (2022: HK\$400,000) in respect of COVID-19-related subsidies, of which of HK\$Nil (2022: HK\$400,000) relates to Catering Business Subsidy Scheme 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	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (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 2023 and 2022, 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	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Loss for the purpose of basic and diluted loss per share	(430)	(9,918)
	'000	'000
Weighted average number of ordinary shares for the purpose of basic loss per share	2,365,547	2,254,400
Effect of dilutive potential ordinary shares: – Share option (Note)	–	49,600
Weighted average number of ordinary shares for the purpose of diluted loss per share	2,365,547	2,304,000

Note: For the three-month period ended 31 March 2023, diluted loss per share is the same as basic loss per share as there were no potential dilutive ordinary shares in issue.

The diluted loss per share for the three-month period ended 31 March 2022 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	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Interest on convertible promissory notes	–	516
Interest on convertible loans	–	201
Interest on bank loans	168	148
Interest on bank overdrafts	–	–
Interest on lease liabilities	190	814
Others	23	10
	381	1,689

8. LITIGATION AND CONTINGENT LIABILITIES

On 11 October 2021, 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. On 7 September 2022, Zhuhai Arbitration Commission issued an Arbitration Award against the case between Zhuhai Ruiye, 城建集團 and 城建海韻. According to the Arbitration Award, Zhuhai Ruiye had to pay rental expenses to 城建集團 for the period of 24 January 2019 to 31 August 2019 which amounted for approximately HK\$1,932,000 (equivalent to approximately RMB1,726,000) and 50% of rental expenses of April 2020 which amounted for approximately HK\$140,000 (equivalent to approximately RMB125,000). Zhuhai Ruiye also had to pay the liquidated damages and penalties to 城建集團 which amounted for HK\$1,130,000 (equivalent to approximately RMB1,010,000) together with the costs of legal proceedings of approximately HK\$248,000 (equivalent to approximately RMB222,000). The amounts are included in other payables. On 21 October 2022, the Company further announced that due to disputes between 城建集團 and 城建海韻 in relation to the operation CUBIC SPACE+ at landmark Zhuhai Grand Theatre, the Group would be unable to continue to operate CUBIC SPACE+ from 20 October 2022 and the Company is seeking legal advice in relation to its rights over the aforesaid matter.

As at the date of approval of this announcement, save as disclosed in the above, there was no update on the litigations.

9. DIVIDEND

The Board does not recommend the payment of an interim dividend by the Company for the three-month period ended 31 March 2023.

10. SHARE CAPITAL

The share capital of the Group as at 31 March 2023 and 31 December 2022 represented the share capital of the Company. Movements of the share capital of the Company are as follows:

	As at 31 March 2023		As at 31 December 2022	
	Number	Nominal	Number	Nominal
	shares	value	shares	value
	'000	HK\$'000	'000	HK\$'000
	(Unaudited)	(Unaudited)	(Audited)	(Audited)
Authorised				
Ordinary share of HK\$0.01 each				
As at 1 January	10,000,000	100,000	10,000,000	100,000
Issued and fully paid				
At 1 January	2,290,400	22,904	2,254,400	22,544
Ordinary shares issued (Note)	450,880	4,509	–	–
Exercise of share options	–	–	36,000	360
	2,741,280	27,413	2,290,400	22,904

Note: On 24 February 2023, the Company entered into the placing agreement (“the Placing Agreement”) with independent third parties (the “Subscribers”), pursuant to which the Subscribers has conditionally agreed to subscribe, and the Company has conditionally agreed to allot and issue, a total of 450,880,000 shares of HK\$0.016 each for a cash consideration of approximately HK\$7,214,000 (“the Placing”). Further details were set out in the Company’s announcement dated 24 February 2023. Completion of the Placing took place on 17 March 2023 pursuant to the terms and conditions of the Placing Agreement. The 450,880,000 placing shares represent approximately 19.69% and 16.45% of the issued share capital of the Company immediately before and after the completion of the Placing. The shares issued rank pari passu in all respects with the then existing shares. The net proceeds of the Placing are approximately HK\$6,876,000. Proceeds of approximately HK\$4,509,000, representing the par value of the shares issued, were credited to the share capital of the Company and the remaining proceeds of approximately HK\$2,367,000 net of share issue expense were credited to the share premium account. The net proceeds have been fully utilised.

MANAGEMENT DISCUSSION AND ANALYSIS

During the first quarter of 2023, the Group is primarily engaged in the operation of restaurants namely “HEXA” and “SIXA” in Hong Kong.

BUSINESS REVIEW

Hong Kong’s retail sales are ticking up since the end of 2022, with the latest figure showing an improvement in spending on catering businesses after full resumption of cross-border travel on February 6, 2023. Recovery of local consumption and the increase in the number of visitors led to the uplift of sales revenue of our restaurants in the first quarter of 2023. Our restaurants have resumed to 90% of the pre-pandemic level of revenue performance. The restaurant business continues to contribute a stable source of income to the Group.

The impact of COVID-19 is finally receding after three years long. Our business and operations revert to normal after lifting of anti-epidemic measures. The Group continued maintaining its proactive while prudent approach to recover from the pandemic shadow. During the period under review, the Group has taken a number of measures to improve its liquidity and financial position including: (i) the Company has implemented stronger measures to improve the working capital and cashflow of the Group, including closely monitoring incurrence of other operating expenses; and (ii) the Company has proactively explored fund raising activities included (1) having successfully completed placing of 450,880,000 placing shares by issuance of new shares under general mandate for net proceeds of approximately HK\$6.9 million on 17 March 2023; and (2) having entered into underwriting agreement and placing agreement with Sanston Financial Group Limited on 6 April 2023 in respect of, among others, rights issue on the basis of one (1) rights shares for every one (1) consolidated share, for raising gross proceeds of up to approximately HK\$43.9 million. Please refer to the announcements of the dated 24 February 2023, 1 March 2023, 17 March 2023 and 6 April 2023 for details.

FINANCIAL REVIEW

Revenue

Total revenue of the Group increased by 260.6% from approximately HK\$6.6 million in the first quarter of 2022 to approximately HK\$23.8 million in same period of 2023 as our restaurants have resumed to 90% of the pre-pandemic level of revenue performance after full resumption of cross-border travel.

Expenses

Cost of inventories sold mainly represents for the costs of beverage, food and tobacco products sold. It increased by 231.6% from approximately HK\$1.9 million in the first quarter of 2022 to approximately HK\$6.3 million in same period of 2023 which was in line with the increase 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 increased by 20.5% from approximately HK\$7.3 million in the first quarter of 2022 to approximately HK\$8.8 million in the same period of 2023. Staff costs resumed to normal along with rebound of sales revenue for which the increase impact was partially offset by the stringent cost control measures and the cessation of operation of CUBIC SPACE+, our clubbing business in Zhuhai from October 2022.

Property rentals and related expenses decreased by 9.5% from approximately HK\$2.1 million in the first quarter of 2022 to approximately HK\$1.9 million in the same period of 2023 due to the decrease of rental expense from the cessation of operation of CUBIC SPACE+.

Advertising and marketing expenses decreased by 70.0% from approximately HK\$0.1 million in the first quarter of 2022 to approximately HK\$0.03 million in the same period of 2023 due to the adoption of stringent cost control measures on marketing expense.

Other operating expenses represent expenses incurred for the operations. These include mainly cleaning and laundry, utilities, credit card commission, repair and maintenance and insurance expense. Other operating expenses increased by 23.1% from approximately HK\$2.6 million in the first quarter of 2022 to approximately HK\$3.2 million in the same period of 2023. Increase in sales revenue caused the increase of variable operating expenses such as cleaning and laundry which was partially offset by the adoption of stringent cost control measures.

Depreciation and Amortization decreased by 50.7% from approximately HK\$6.7 million in the first quarter of 2022 to approximately HK\$3.3 million in the same period of 2023. This was mainly due to the cessation of operation of CUBIC SPACE+.

Loss Attributable to Owners of the Company

Loss attributable to owners of the Company was approximately HK\$0.4 million in the first quarter of 2023 compared to that of approximately HK\$9.9 million in the same period of 2022. The significant decrease is primarily due to (i) the rebound of sale revenue in our restaurants; and (ii) operating expenses minimized in CUBIC SPACE+ after cessation of operation in October 2022.

OUTLOOK

The Company has been trying its best to explore fund-raising activities such as rights issue and share subscription/placing to meet its repayment obligations and improve the cash-flow for its business operations.

While the Company has repaid some of its outstanding debts by having successfully placed new Shares under general mandate to new investors in March 2023, the net liabilities of the Group had remained substantial and posed uncertainties relating to going concern basis of the Group.

Hence, the Directors consider that the proposed Rights Issue in the second and third quarters of 2023 represents an opportunity to settle its major outstanding liabilities, in particular the amount due in respect of its convertible promissory notes issuance in July 2019 and the convertible loans obtained in June 2019, strengthen the Group's financial position, and raise additional funding for the business operations of the Group without any interest burden.

The Group is relatively optimistic about its business and operations due to social restrictions being eased in many countries, leading to a rebound in domestic activities, border re-opening and resumption of international travel.

The Group will continue to monitor its costs closely while trying to maximise its revenue by providing first class services to its customers.

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 2023, 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 Yat Hon (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)	39.89%
	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)	39.89%
	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)	39.89%
		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)	39.89%
	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)	39.89%
		Personal interests	18,000,000 ordinary shares of the Company (L)	0.66%
	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 Yat Hon, 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 Yat Hon 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 Yat Hon and Mr. Choi Siu Kit respectively. As such, pursuant to the acting in concert arrangement, each of Mr. Choi Yat Hon, 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 Yat Hon and as to 50% by Mr. Choi Siu Kit. By virtue of the SFO, each of Mr. Choi Yat Hon, 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 2023, 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 2023, 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)	39.89%
Yui Tak (Note 2)	Interest of a controlled corporation	1,093,500,000 ordinary shares (L)	39.89%
Ocean Concept (Note 3)	Interest of a controlled corporation	1,093,500,000 ordinary shares (L)	39.89%
Toprich (Note 3)	Interest of a controlled corporation	1,093,500,000 ordinary shares (L)	39.89%
Perfect Succeed (Note 3)	Interest of a controlled corporation	1,093,500,000 ordinary shares (L)	39.89%

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)	4.43%
Mr. Poon Ching Tong Tommy (Note 4)	Interest of a controlled corporation	121,500,000 ordinary shares (L)	4.43%
Trendy Pleasure Limited ("Trendy") (Note 5)	Beneficial owner	300,000,000 ordinary shares (L)	10.94%
Saint Lotus Cultural Development Group Co., Limited ("Saint Lotus") (Note 5)	Interest of a controlled corporation	300,000,000 ordinary shares (L)	10.94%
Mr. Zhang Jianguang (Note 5)	Interest of a controlled corporation	300,000,000 ordinary shares (L)	10.94%
Ms. Chan Ting Fai (Note 6)	Interest of spouse	1,093,500,000 ordinary shares (L)	39.89%
Ms. Lee Wan (Note 7)	Interest of spouse	1,093,500,000 ordinary shares (L)	39.89%
Ms. Lau Sze Mun Charmaine (Note 8)	Interest of spouse	121,500,000 ordinary shares (L)	4.43%
Restoran Oversea (Note 9)	Interest of a controlled corporation	400,880,000 ordinary shares (L)	14.62%

Notes:

- (1) The letter "L" denotes the person's long position in the shares of the Company.
- (2) Welmen is owned as to 30.31% 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 39.89% 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 Yat Hon and as to 50% by Mr. Choi Siu Kit. By virtue of the SFO, each of Toprich, Perfect Succeed, Mr. Choi Yat Hon and Mr. Choi Siu Kit is deemed to be interested in 39.89% 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 4.43% 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 10.94% 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 39.89% 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 39.89% 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 4.43% of the issued share capital of the Company in which Mr. Poon Ching Tong Tommy is interested.
- (9) Restoran Oversea is a company incorporated in Malaysia with limited liability and wholly and beneficially owned by Oversea Enterprise.

Save as disclosed above and so far as is known to the Directors, as at 31 March 2023, 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.

COMPLETION OF THE PLACING

The completion of the Placing took place on 17 March 2023 in accordance with the terms and conditions of the Placing Agreement, where an aggregate of 450,880,000 Placing Shares were successfully placed by the Company at the Placing Price of HK\$0.016 per Placing Share to (a) Restoran Oversea (CST) Sdn Bhd for 400,880,000 shares; and (b) Attractive Venture Sdn Bhd for 50,000,000 shares. Please refer to the announcement dated 17 March 2023 for further information.

EVENTS AFTER THE REPORTING PERIOD

The Board is not aware of any significant events subsequent to 31 March 2023 which would materially affect the Group's operating and financial performance, except for the proposed share consolidation, proposed change in board lot size, proposed rights issue on the basis of one rights share for every one consolidated share and possible adjustments to the share options under the share option scheme. For details, please refer to the announcements dated 2 May 2023 and 6 April 2023.

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 2023.

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 2023:

Name of entity	Nature of interest
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 2023, 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. As of the date of this announcement, the audit committee is chaired by our independent non-executive Director, Ms. Tse Mei Ling, who holds the appropriate professional qualifications as required under Rules 5.05(2) and 5.28 of the GEM Listing Rules and consists of another independent non-executive Director Mr. Wong Chung Wai and a non-executive Director, Mr. Au Kai 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 2023.

BOARD OF DIRECTORS

As at the date of this announcement, the Directors are:

Executive Directors:

Mr. Choi Yat Hon (*Chairman and Chief Executive Officer*)

Mr. Choi Siu Kit

Mr. Patrick Ting (appointed on 21 April 2023)

Mr. Yeung Chi Shing (resigned on 21 April 2023)

Non-executive Director:

Mr. Au Ka Wai

Independent Non-executive Directors:

Mr. Ip Hoi Fan

Mr. Wong Chung Wai

Ms. Tse Mei Ling

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

Hong Kong, 12 May 2023

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