LUK HING ENTERTAINMENT GROUP

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)

MAJOR TRANSACTION AND DISCLOSEABLE TRANSACTION IN RELATION TO RENEWAL OF LEASE AGREEMENTS

THE HARBOUR CITY LEASE AGREEMENT

The Board announces that on 24 June 2024, the Lessee and HCE entered into the Harbour City Lease Agreement for renewal of the lease in respect of the Harbour City Premises for a term commencing from 26 June 2024 to 25 June 2026 (both days inclusive).

THE SUPPLEMENTAL LETTER

The Board announces that on 8 May 2024, the Lessee and NS11 entered into the Supplemental Letter for renewal of the lease in respect of the Swire Premises for a term commencing from 16 April 2024 to 15 April 2025 (both days inclusive).

IMPLICATIONS UNDER THE GEM LISTING RULES

Pursuant to HKFRS 16 "Leases", the Company recognises the value of the right-of-use assets on its consolidated financial statements of financial position in connection with the Harbour City Lease and the Swire Lease. Accordingly, the lease transactions contemplated under the Harbour City Lease Agreement and the Supplemental Letter are regarded as acquisition of asset by the Lessee under the GEM Listing Rules.

As one or more of the applicable percentage ratio(s) exceed 25%, but all of the applicable percentage ratios are less than 75%, the entering into the Harbour City Lease Agreement constitutes a major transaction of the Company, which is subject to the reporting, announcement, circular and Shareholders' approval requirements under Chapter 19 of the GEM Listing Rules.

As one or more of the applicable percentage ratio(s) exceed 5% but are all less than 25%, the entering into the Supplemental Letter constitutes a discloseable transaction of the Company and is therefore subject to the requirements of notification and announcement but exempted from the Shareholders' approval requirement under Chapter 19 of the GEM Listing Rules.

The Company regrets that it did not duly comply with the notification, announcement and shareholders' approval requirements under Rule 19.34, 19.38 and 19.40 of the GEM Listing Rules by omitting to issue an announcement and circular for shareholders' approval at the relevant time of entering into the Harbour City Lease Agreement and the Supplemental Letter. The Company did not announce the details of the Harbour City Lease Agreement and the Supplemental Letter in a timely manner pursuant to the GEM Listing Rules due to inadvertent oversight of the implementation of HKFRS 16 in relation to lease. The accounting manager of the Group responsible for the renewal was not aware that pursuant to HKFRS 16, entering into the Harbour City Lease Agreement and the Supplemental Letter will require the Group to recognize the premises as a right-of-use asset and such will regarded as an acquisition of asset by the Group. Furthermore, since the Harbour City Lease Agreement and the Supplemental Letter did not involve any acquisition of assets in substance, the accounting manager of the Group did not realize that a size test should be conducted before the execution of the Harbour City Lease Agreement and the Supplemental Letter. The Company wishes to apologise in this regard and now publishes this announcement to provide details of the Harbour City Lease and the Swire Lease.

EGM AND DESPATCH OF CIRCULAR

The EGM will be convened to consider and, if thought fit, to ratify and approve the Harbour City Lease Agreement and the transactions contemplated thereunder. To the best of the Directors' knowledge, information and belief, no Shareholder has a material interest in the Harbour City Lease and therefore, no Shareholder will be required to abstain from voting on the relevant resolution at the EGM.

A circular containing, among other things, (i) details of the Harbour City Lease; (ii) notice of the EGM; and (iii) other information as required by the GEM Listing Rules is expected to be despatched to the Shareholders on or before 27 November 2024, so as to allow sufficient time for the preparation of the relevant information for inclusion in the circular.

THE HARBOUR CITY LEASE AGREEMENT

The Board announces that on 24 June 2024, the Lessee and HCE entered into the Harbour City Lease Agreement for renewal of the lease in respect of the Harbour City Premises for a term commencing from 26 June 2024 to 25 June 2026 (both days inclusive).

Date:	24 June 2024
Parties:	(i) Lessee (ii) HCE HCE is the duly authorised agent of WRL, the landlord of the Harbour City Premises. HCE and WRL is principally engaged in investing in and leasing of properties. Both WRL and HCE are indirect wholly-owned subsidiaries of Wharf Real Estate Investment Company Limited, which is a company incorporated in the Cayman Islands with limited liability and whose shares are listed on the Main Board of the Stock Exchange with the stock code 1997. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, HCE, WRL and its ultimate beneficial owners are third parties independent of the Company and its connected persons.
Premises:	Shop OTE 101, Ground Floor, Ocean Terminal, Harbour City, Canton Road, Tsim Sha Tsui. The Harbour City Premises is using by the Group for its existing restaurant operation under the name HEXA 六公館.
Term:	26 June 2024 to 25 June 2026 (both days inclusive)
Total amount payable:	The aggregate amount payable under the Harbour City Lease Agreement is approximately HK$15.6 million subject to additional turnover rent representing the amount by which 12% of the monthly gross sales turnover exceeds the monthly basic rent of each calendar month in accordance with the Harbour City Lease. The amount payable by the Lessee are expected to be financed by the internal resources of the Group. The rent is determined after arm's length negotiations between Lessee and HCE after taking into consideration the prevailing market price of comparable premises in the vicinity of the Harbour City Premises.

THE SUPPLEMENTAL LETTER

The Board announces that on 8 May 2024, the Lessee and NS11 entered into the Supplemental Letter for renewal of the lease in respect of the Swire Premises for a term commencing from 16 April 2024 to 15 April 2025 (both days inclusive).

Details of the principal terms of the Supplemental Letter are set out below:

Date: 8 May 2024

Parties:
(iii) Lessee
(iv) NS11

NS11 is principally engaged in investing in and leasing of properties. NS11 is a jointly controlled entity held by Hang Lung Group Limited (stock code: 10), Henderson Land Development Company Limited (stock code: 12), Sun Hung Kai Properties Limited (stock code: 16), New World Development Company Limited (stock code: 17) and Swire Properties Limited (stock code: 1972), the shares of which are listed on the Main Board of the Stock Exchange. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, NS11 and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

Premises: Unit 601, 6/F, Citygate, 18-20 Tat Tung Road, Tung Chung, Lantau, Hong Kong.

The Swire Premises is using by the Group for its existing restaurant operation under the name SIXA.

Term: 16 April 2024 to 15 April 2025 (both days inclusive)

Total amount payable: The aggregate amount payable under the Supplemental Letter is approximately HK$3.5 million subject to additional turnover rent representing the amount by which 12% of the monthly gross sales turnover exceeds the monthly basic rent of each calendar month in accordance with the Swire Lease. The amount payable by the Lessee are expected to be financed by the internal resources of the Group.

The rent is determined after arm's length negotiations between Lessee and NS11 after taking into consideration the prevailing market price of comparable premises in the vicinity of the Swire Premises.

THE RIGHT-OF-USE ASSET

The value of the right-of-use asset recognised by the Company under the Harbour City Lease amounted to approximately HK$14.8 million, which is calculated with reference to the present value of the aggregated lease payments to be made under the Harbour City Lease in accordance with HKFRS 16 Leases.

The value of the right-of-use asset recognised by the Company under the Swire Lease amounted to approximately HK$3.4 million, which is calculated with reference to the present value of the aggregated lease payments to be made under the Swire Lease in accordance with HKFRS 16 Leases.

Since the turnover rent under the Harbour City Lease and the Swire Lease can only be reliably estimated according to the gross sales turnover generated from the operation of the Restaurants, such amount constitutes variable lease payments and were not included in the measurement of the lease liability at initial recognition under HKFRS 16 Leases. Therefore, no right-of-use asset related to the turnover rent is recognised, and the turnover rent will be charged to the profit or loss of the Group in accordance with HKFRS 16 Leases.

REASON FOR AND THE BENEFITS OF ENTERING THE HARBOUR CITY LEASE AGREEMENT AND THE SUPPLEMENTAL LETTER

The Group is principally engaged in the food and beverage and entertainment industry.

The Group leased the premises under the agreements for the operation of its restaurants (the "**Restaurants**") under the brand "HEXA 六公館" and "SIXA", which was expired on 25 June 2024 and 15 April 2024 respectively. In evaluating the renewal, the Directors consider that (i) the Restaurants bring stable income to the Group; (ii) the monthly rental per square feet of gross floor area of the Harbour City Premises and the Swire Premises is fair and reasonable; and (iii) the entering of the Harbour City Lease Agreement and the Supplemental Letter will enable the Group to continue its operation of the Restaurants at the premises.

Based on the above, the Directors consider that the terms of the Harbour City Lease Agreement and the Supplemental Letter are fair and reasonable, on normal commercial terms and the Harbour City Lease and the Swire Lease are in the interests of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE GEM LISTING RULES

Pursuant to HKFRS 16 "Leases", the Company recognises the value of the right-of-use assets on its consolidated financial statements of financial position in connection with the Harbour City Lease and the Swire Lease. Accordingly, the lease transactions contemplated under the Harbour City Lease Agreement and the Supplemental Letter are regarded as an acquisition of asset by the Lessee under the GEM Listing Rules.

As one or more of the applicable percentage ratio(s) exceed 25%, but all of the applicable percentage ratios are less than 75%, the entering into the Harbour City Lease Agreement constitutes a major transaction of the Company, which is subject to the reporting, announcement, circular and Shareholders' approval requirements under Chapter 19 of the GEM Listing Rules.

As one or more of the applicable percentage ratio(s) exceed 5% but are all less than 25%, the entering into the Supplemental Letter constitutes a discloseable transaction of the Company and is therefore subject to the requirements of notification and announcement but exempted from the shareholders' approval requirement under Chapter 19 of the GEM Listing Rules.

The Company regrets that it did not duly comply with the notification, announcement and shareholders' approval requirements under Rule 19.34, 19.38 and 19.40 of the GEM Listing Rules by omitting to issue an announcement and circular for shareholders' approval at the relevant time of entering into the Harbour City Lease Agreement and the Supplemental Letter. The Company did not announce the details of the Harbour City Lease Agreement and the Supplemental Letter in a timely manner pursuant to the GEM Listing Rules due to inadvertent oversight of the implementation of HKFRS 16 in relation to lease. The accounting manager of the Group responsible for the renewal was not aware that pursuant to HKFRS 16, entering into the Harbour City Lease Agreement and the Supplemental Letter will require the Group to recognize the premises as a right-of-use asset and such will regarded as an acquisition of asset by the Group. Furthermore, since the Harbour City Lease Agreement and the Supplemental Letter did not involve any acquisition of assets in substance, the accounting manager of the Group did not realize that a size test should be conducted before the execution of the Harbour City Lease Agreement and the Supplemental Letter. The Company wishes to apologise in this regard and now publishes this announcement to provide details of the Harbour City Lease and the Swire Lease.

EGM AND DESPATCH OF CIRCULAR

The EGM will be convened to consider and, if thought fit, to ratify and approve the Harbour City Lease Agreement and the transactions contemplated thereunder. To the best of the Directors' knowledge, information and belief, no Shareholder has a material interest in the Harbour City Lease and therefore, no Shareholder will be required to abstain from voting on the relevant resolution at the EGM.

A circular containing, among other things, (i) details of the Harbour City Lease; (ii) notice of the EGM; and (iii) other information as required by the GEM Listing Rules is expected to be despatched to the Shareholders on or before 27 November 2024, so as to allow sufficient time for the preparation of the relevant information for inclusion in the circular.

REMEDIAL ACTIONS

It is always the intention of the Company to fully comply with the GEM Listing Rules. The Directors, having been fully informed of all the facts of the Harbour City Lease and the Swire Lease, consider that the failure to comply with Chapter 19 of the GEM Listing Rules in respect of the Harbour City Lease and the Swire Lease was inadvertent and can be avoided going forward. The Group has taken the incident seriously and shall implement the following remedial measures to strengthen the Group's internal control and to prevent re-occurrence of similar incidents:

1. the Company will provide the Board members, the senior management, and responsible staff of the Group with appropriate training to enhance their knowledge of the GEM Listing Rules, particularly regarding notifiable and connected transactions under Chapters 19 and 20 of the GEM Listing Rules and refine their ability to identity potential issues at an early stage.

2. the company secretary of the Company, who is also a member of the Hong Kong Institute of Certified Public Accountants, would conduct a training with the accounting manager and the finance team, to highlight potential accounting matters that may have implications on the GEM Listing Rules, including but not limited to the effect of HKFRS 16 and size tests under notifiable and connected transactions, in order to enhance the staff's awareness on compliance of GEM Listing Rules.

3. to prevent similar incidents, the management of the Company is committed to strengthening internal control over the procedures for all transactions under Chapters 19 and 20 of the GEM Listing Rules. The Company will also conduct an annual review of existing reporting procedures regarding the monitoring of notifiable and connected transactions. External professionals will be consulted during the review process, if necessary.

4. the Company will strengthen the coordination and reporting arrangements for notifiable transactions among various departments of the Company to ensure due compliance with the GEM Listing Rules. Prior to entering into any transaction which is not in the ordinary and usual course of business of the Group in the future where the disclosure threshold is met, the company secretary of the Company will be notified and the draft agreements will be circulated for review to assess the relevant implications under the GEM Listing Rules and to ensure compliance with the relevant requirements under the GEM Listing Rules.

5. a letter will be issued to all the Directors, senior management and finance team of the Company and subsidiaries of the Group to remind them of the strict compliance with the internal control procedures and in particular, to consult the financial controller, company secretary or the legal advisor (where appropriate) of the Company prior to entering into any transactions which may constitute notifiable transaction or connected transaction or any other transaction that may be subject to any reporting, announcement or shareholders' approval requirements under the GEM Listing Rules or other applicable laws or regulations.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meaning:

"Board"	the Board of Directors of the Company
"Company"	Luk Hing Entertainment Group Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on GEM (Stock Code: 8052)
"connected person(s)"	has the same meaning ascribed thereto under the GEM Listing Rules
"Director(s)"	director(s) of the Company
"EGM"	the extraordinary general meeting of the Company to be convened to consider and, if thought fit, to ratify and approve the Harbour City Lease
"GEM"	GEM of the Stock Exchange
"GEM Listing Rules"	Rules governing the Listing of Securities on GEM, as amended, modified, and supplemented from time to time
"Group"	the Company and its subsidiaries
"Harbour City Lease Agreement"	the lease agreement entered into between the Lessee and HCE on 24 June 2024 in relation to the renewal of the lease of the Harbour City Premises
"Harbour City Lease"	lease of Harbour City Premises pursuant to the terms and conditions of the Harbour City Lease Agreement
"Harbour City Premises"	Shop OTE 101, Ground Floor, Ocean Terminal, Harbour City, Canton Road, Tsim Sha Tsui
"HCE"	Harbour City Estates Limited, as the duly authorised agent of WRL
"HKFRS(s)"	Hong Kong Financial Reporting Standard(s) issued by the Hong Kong Institute of Certified Public Accountants

"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Lessee"	Betula Profit Holdings Limited, a company which was incorporated in Hong Kong with limited liability and is an indirect non-wholly owned subsidiary of the Company
"NS11"	Newfoundworld Site 11 Holdings Limited
"Shares"	ordinary share(s) with a nominal value of HK$0.1 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Share(s)
"Supplemental Letter"	the supplemental letter entered into between the Lessee and NS11 on 8 May 2024 in relation to the renewal of the lease of the Swire Premises
"Swire Lease"	lease of Swire Premises pursuant to the terms and conditions of the Supplemental Letter
"Swire Premises"	Unit 601, 6/F, Citygate, 18-20 Tat Tung Road, Tung Chung, Lantau, Hong Kong
"WRL"	Wharf Realty Limited, as the landlord under the Harbour City Lease Agreement
"HK$" or cents	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
"%"	per cent

By order of the Board
Luk Hing Entertainment Group Holdings Limited
Choi Siu Kit
Executive Director

Hong Kong, 6 November 2024

As at the date of this announcement, the executive Directors are Mr. Choi Siu Kit and Mr. Ying Kan Man; and the independent non-executive Directors are Ms. Tse Mei Ling, Mr. Mak Kwok Kwan Terence and Ms. Woo Man Hung.

This announcement, for which all the Directors 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 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.

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.