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LUK HING ENTERTAINMENT GROUP

Interim Report 2022

LUK HING ENTERTAINMENT GROUP HOLDINGS LIMITED
陸慶娛樂集團控股有限公司

Stock Code: 8052

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This report, for which the directors (the “Directors”) of Luk Hing Entertainment Group Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.



INTERIM RESULTS

The board of Directors (the “Board”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the three-month and six-month periods ended 30 June 2022, together with the unaudited comparative figures for the respective corresponding period in 2021, as follows:

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

	Notes	Three-month period ended 30 June		Six-month period ended 30 June	
		2022	2021	2022	2021
		HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
Revenue	4	14,624	47,496	21,195	89,792
Other income and gain	5	1,046	3,689	1,715	5,506
Cost of inventories sold		(4,965)	(10,062)	(6,846)	(21,939)
Staff costs		(7,768)	(23,478)	(15,069)	(48,198)
Property rentals and related expenses		(1,662)	(2,315)	(3,806)	(4,408)
Advertising and marketing expenses		(8)	(422)	(117)	(1,020)
Other operating expenses		(6,944)	(8,820)	(9,555)	(16,356)
Depreciation and amortisation		(6,342)	(8,726)	(13,060)	(17,350)
Impairment losses under expected credit loss model, net of reversal		41	2	41	2
Share of losses of joint ventures		(669)	-	(669)	-
Finance costs	8	(1,384)	(2,025)	(3,073)	(4,236)
Loss before taxation		(14,031)	(4,661)	(29,244)	(18,207)
Taxation	6	5	(6)	5	(6)

	Notes	Three-month period ended 30 June		Six-month period ended 30 June	
		2022	2021	2022	2021
		HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
Loss for the period		(14,026)	(4,667)	(29,239)	(18,213)
Other comprehensive (loss)/ income:					
Exchange difference on translating of financial statements of overseas subsidiaries		65	(86)	(152)	(22)
Total comprehensive loss for the period		(13,961)	(4,753)	(29,391)	(18,235)
Loss for the period attributable to:					
Owners of the Company		(11,114)	(4,488)	(21,032)	(15,854)
Non-controlling interests		(2,912)	(179)	(8,207)	(2,359)
		(14,026)	(4,667)	(29,239)	(18,213)
Other comprehensive (loss)/ income for the period attributable to:					
Owners of the Company		744	(32)	262	(95)
Non-controlling interests		(679)	(54)	(414)	73
		65	(86)	(152)	(22)
Total comprehensive loss for the period attributable to:					
Owners of the Company		(10,370)	(4,520)	(20,770)	(15,949)
Non-controlling interests		(3,591)	(233)	(8,621)	(2,286)
		(13,961)	(4,753)	(29,391)	(18,235)
Loss per share (HK cents)					
– Basic	7	(0.49)	(0.21)	(0.93)	(0.80)
– Diluted	7	(0.49)	(0.19)	(0.93)	(0.75)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 30 June 2022 HK\$'000 (Unaudited)	As at 31 December 2021 HK\$'000 (Audited)
Assets			
Non-current assets			
Plant and equipment	10	34,995	44,611
Intangible assets		130	130
Financial assets at fair value through profit or loss	11	5,894	5,894
Right-of-use assets	12	14,881	21,455
Investment in joint ventures		70	562
Loan to an associate		–	1,240
Deposits	13	4,815	2,287
		60,785	76,179
Current assets			
Inventories		1,903	2,996
Account and other receivables	13	16,202	22,850
Loan receivables	14	3,371	3,371
Amount due from an associate company		–	1,485
Amount due from non-controlling interests		1,892	2,563
Cash and cash equivalents		1,869	2,034
		25,237	35,299

	Notes	As at 30 June 2022 HK\$'000 (Unaudited)	As at 31 December 2021 HK\$'000 (Audited)
Liabilities			
Current liabilities			
Account and other payables	15	69,822	55,683
Lease liabilities	12	6,123	8,243
Convertible loans		9,027	8,873
Convertible promissory notes		18,179	18,117
Amount due to an Associate Company		270	–
Income tax payables		11	11
Bank loans		17,670	19,975
Provision for reinstatement costs		–	715
		121,102	111,617
Net current liabilities		(95,865)	(76,318)
Total assets less current liabilities		(35,080)	(139)
Non-current liabilities			
Other payables	15	17,981	18,627
Lease liabilities	12	23,987	30,148
Amounts due to non-controlling interests		10,404	10,906
Provision for reinstatement costs		1,565	850
		53,937	60,531
Net liabilities		(89,017)	(60,670)
Equity			
Share capital	16	22,904	22,544
Reserves		(81,398)	(61,312)
Equity attributable to owners of the Company		(58,494)	(38,768)
Non-controlling interests		(30,523)	(21,902)
Total equity		(89,017)	(60,670)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six-month period ended 30 June 2022

	Attributable to owners of the Company							Sub-total HK\$'000 (Unaudited)	Attributable to non- controlling interests HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
	Share capital HK\$'000 (Unaudited)	Share premium HK\$'000 (Unaudited)	Share-based compensation losses HK\$'000 (Unaudited)	Legal reserve HK\$'000 (Unaudited) (Note)	Exchange reserve HK\$'000 (Unaudited)	Accumulated losses HK\$'000 (Unaudited)	Other reserve HK\$'000 (Unaudited)			
As at 1 January 2021	18,000	66,235	896	12	543	(68,363)	(863)	16,460	(12,247)	4,213
Profit/(loss) for the period	-	-	-	-	-	(15,854)	-	(15,854)	(2,359)	(18,213)
Other comprehensive income/ (loss) for the Period	-	-	-	-	(95)	-	-	(95)	73	(22)
Ordinary shares issued (Note 16)	3,600	8,280	-	-	-	-	-	11,880	-	11,880
Transaction costs attributable to issue of new shares	-	(129)	-	-	-	-	-	(129)	-	(129)
Equity-settled share option arrangement	-	-	2,569	-	-	-	-	2,569	-	2,569
As at 30 June 2021	21,600	74,386	3,465	12	448	(84,217)	(863)	14,831	(14,533)	298
As at 1 January 2022	22,544	77,839	1,648	12	251	(140,377)	(685)	(38,768)	(21,902)	(60,670)
Profit/(loss) for the period	-	-	-	-	-	(21,032)	-	(21,032)	(8,207)	(29,239)
Other comprehensive income/ (loss) for the Period	-	-	-	-	262	-	-	262	(414)	(152)
Lapsed of share options	-	-	(246)	-	-	246	-	-	-	-
Exercise of share options	360	1,330	(646)	-	-	-	-	1,044	-	1,044
As at 30 June 2022	22,904	79,169	756	12	513	(161,163)	(685)	(58,494)	(30,523)	(89,017)

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.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six-month period ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net cash used in operating activities	(2,100)	(7,343)
Net cash (used in)/generated from investing activities	(805)	7,944
Net cash generated from financing activity	1,878	51
Net (decrease)/increase in cash and cash equivalents	(1,027)	652
Cash and cash equivalents at the beginning of the period	2,034	9,875
Effect of foreign exchange rate	862	109
Cash and cash equivalents at the end of the period	1,869	10,636
Represented by:		
Cash and bank balances	1,869	10,636

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 Law, 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 interim financial information of the Group has not been audited. The unaudited condensed consolidated interim financial statements of the Group for the six-month period ended 30 June 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 interim financial statements of the Group for the six-month period ended 30 June 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 interim financial statements of the Group for the six-month period ended 30 June 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 30 June 2022, the Group had net current liabilities and net liabilities of approximately HK\$95,865,000 and HK\$89,017,000 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.

During the six months ended 30 June 2022, 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) implement stronger measures aiming at improving the working capital and cash flows of the Group, including closely monitoring incurrence of other operating expenses;
- (iv) 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;
- (v) apply for and successfully obtain 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;
- (vi) 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;
- (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 interim 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 interim financial statements.

3. OPERATING SEGMENT

Information reported internally to the chief operating decision makers for the purpose of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. The Group is principally engaged in food and beverage and entertainment. A single management team reports to the chief operating decision makers who comprehensively manages such entire business segment. Accordingly, the Group does not have separately reportable segments.

Information about geographical areas

The Group's business and non-current assets are located in Hong Kong, the PRC and Macau. The Group's revenue from external customers based on the location of the customers is detailed as below:

	For the six-month period ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Macau	–	15,252
Hong Kong	20,510	28,207
The PRC	685	46,333
	21,195	89,792

The Group's location of non-current assets is detailed as below:

	As at 30 June 2022 HK\$'000 (Unaudited)	As at 31 December 2021 HK\$'000 (Audited)
	Hong Kong	22,456
The PRC	38,329	47,359
	60,785	76,179

Information about major customers

During the period, no revenue from transactions with a single external customer amounted to 10% or more of the Group's total revenue (2021: Nil).

4. REVENUE

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

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

	For the three-month period ended 30 June		For the six-month period ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Revenue from contracts with customers:				
<i>Recognised at a point in time</i>				
Sales of food, and other products	13,100	15,744	18,279	27,207
Sales of beverage	1,437	31,148	2,744	61,506
Sponsorship income	-	219	-	452
Entrance fees income	-	77	-	141
Others (Note)	-	197	-	265
	14,537	47,385	21,023	89,571
Revenue from other sources:				
Loan interest income	87	111	172	221
	14,624	47,496	21,195	89,792

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

5. OTHER INCOME AND GAIN

	For the three-month period ended 30 June		For the six-month period ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Net foreign exchange (loss)/gain	(502)	750	(420)	767
Consultancy and management fee income	–	240	146	516
COVID-19 related rental concession	–	910	–	1,365
Government grants (note (a))	1,472	–	1,872	820
Gain on disposal of plant and equipments (note (b))	61	–	61	–
Bad debt recovery	–	857	–	857
Others (note (c))	15	932	56	1,181
	1,046	3,689	1,715	5,506

Notes:

- (a) For the six-month period ended 30 June 2022, government grants of HK\$1,872,000 (2021: HK\$820,000) in respect of COVID-19-related subsidies, of which of HK\$1,200,000 (2021: HK\$800,000) relates to Catering Business Subsidy Scheme, Employment Support Scheme of approximately HK\$672,000 (2021: Nil) and other subsidies of Nil (2021: HK\$20,000) under the Anti-epidemic Fund have provided by the Hong Kong government.
- (b) For the six-month period ended 30 June 2022, the Group disposed a motor vehicle at value HK\$220,000 to a related party, for more details, please refer to note 18.
- (c) Others mainly included the tips income.

6. TAXATION

	For the three-month period ended 30 June		For the six-month period ended 30 June	
	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)

Income tax expenses				
– PRC Enterprise Income Tax	(5)	6	(5)	6

No provision for Hong Kong profits tax and Macau complementary tax is made since the Hong Kong and Macau subsidiary has no estimated assessable profit for the three-month and six-month periods ended 30 June 2022 and 2021, respectively.

7. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to owners of the Company is based on the following data:

	For the three-month period ended 30 June		For the six-month period ended 30 June	
	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)

Loss for the purpose of basic and diluted loss per share	(11,114)	(4,488)	(21,032)	(15,854)
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Weighted average number of ordinary shares for the purpose of basic loss per share	2,255,191	2,160,000	2,254,798	1,980,994
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Effect of dilutive potential ordinary shares:				
– Share option (Note)	–	144,000	–	144,000

Weighted average number of ordinary shares for the purpose of diluted loss per share	2,255,191	2,304,000	2,254,798	2,124,994
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Note: For the three-month and six-month periods ended 30 June 2022, 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 and six-month periods ended 30 June 2021 was calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

8. FINANCE COSTS

	For the three-month period ended 30 June		For the six-month period ended 30 June	
	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Interest on convertible promissory notes	521	510	1,037	1,014
Interest on convertible loans	203	203	404	404
Interest on bank loans	144	193	292	363
Interest on bank overdrafts	–	38	–	73
Interest on lease liabilities	493	1,067	1,307	2,349
Others	23	14	33	33
	1,384	2,025	3,073	4,236

9. DIVIDEND

The Board does not recommend the payment of an interim dividend by the Company for the six-month period ended 30 June 2022 (2021: Nil).

10. PLANT AND EQUIPMENT

The Group acquired items of plant and equipment with cost amounting to HK\$136,000 and HK\$3,940,000 during the six-month period ended 30 June 2022 and 2021, respectively.

During the six-month period ended 30 June 2022, the Group disposed a motor vehicle at value HK\$220,000 to a related party, for more details, please refer to note 18.

No items of plant and equipment were disposed during the six-month period ended 30 June 2021.

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 30 June 2022 HK\$'000 (Unaudited)	As at 31 December 2021 HK\$'000 (Audited)
Life insurance policy	5,894	5,894

The Group entered into life insurance policies with an insurance company to insure against the death and permanent disability of Mr. Choi Siu Kit, the executive director of the Company. Under the policies, the beneficiary and policy holder is the Company, and the total insured sum is approximately HK\$6,000,000. The contracts will be terminated on the occurrence of the earliest of the death of the executive director insured or other terms pursuant to the contracts. The Company has paid out the total insurance premium with an aggregate amount of approximately HK\$6,000,000 at the inception of the policies. The Group may request a surrender of the contracts at any time and receive cash back based on the cash value at the date of withdrawal, which is determined by the gross premium paid at inception plus accumulated guaranteed interest earned and minus insurance premium charged (the "Cash Value").

12. RIGHT-OF-USE ASSETS/LEASE LIABILITIES

Right-of-use assets

	As at 30 June 2022 HK\$'000 (Unaudited)	As at 31 December 2021 HK\$'000 (Audited)
As at 1 January	21,455	65,766
Depreciation provided during the period/year	(4,774)	(14,015)
Impairment loss	–	(1,881)
Termination of leases	–	(28,862)
Lease modification	(1,285)	–
Exchange alignment	(515)	447
	14,881	21,455

The right-of-use assets represent the Group's rights to use underlying leased premises under operating lease arrangements over the lease terms, which are stated at cost less accumulated depreciation and accumulated impairment losses and adjusted for any remeasurement of the lease liabilities.

During the period ended 30 June 2022, the Group leases 2 properties (as at 31 December 2021: 5 properties) for the operation of restaurant and clubbing business. Lease contracts are entered into for fixed term of 2 to 6.5 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

Lease liabilities

	As at 30 June 2022 HK\$'000 (Unaudited)	As at 31 December 2021 HK\$'000 (Audited)
Analysed as		
– Current	6,123	8,243
– Non-current	23,987	30,148
	30,110	38,391
Minimum lease payments due:		
Within one year	8,298	10,882
More than one year but not later than two years	8,709	8,332
More than two year but not later than five years	18,830	22,533
Over five years	–	5,561
	35,837	47,308
Less: Future finance charges	(5,727)	(8,917)
Present value of lease liabilities	30,110	38,391

The weighted average incremental borrowing rates applied to lease liabilities range from 4.04% to 8.15% (as at 31 December 2021: 4.04% to 8.15%).

13. ACCOUNT AND OTHER RECEIVABLES

	As at 30 June 2022 HK\$'000 (Unaudited)	As at 31 December 2021 HK\$'000 (Audited)
Account receivables	3,062	5,484
Less: allowance for credit losses	(523)	(554)
	2,539	4,930
Other receivables	10,307	11,095
Less: allowance for credit losses	(93)	(91)
	10,214	11,004
Prepayments	1,845	2,573
Deposits	7,236	7,447
Less: allowance for credit losses	(817)	(817)
	6,419	6,630
	21,017	25,137
Portion classified as non-current		
– Deposits	(4,815)	(2,287)
Current portion	16,202	22,850

For account receivables, the Group allows credit period of within 60 days which are agreed with its debtors. For sponsorship receivables, the Group allows credit period of within 180 days which are agreed with each of its sponsors.

The Group seeks to maintain strict control over its outstanding receivables. Long outstanding balances are reviewed regularly by senior management. In view of the aforementioned and the fact that account receivables of the Group relate to a large number of diversified customers, there is no significant concentration of credit risk. Account receivables are non-interest-bearing.

The following is an aged analysis of account receivables, net of allowance for credit losses/doubtful debts, presented based on the invoice date at the end of the reporting period:

	As at 30 June 2022 HK\$'000 (Unaudited)	As at 31 December 2021 HK\$'000 (Audited)
0 to 30 days	480	1,986
31 to 60 days	151	98
61 to 90 days	26	51
91 to 120 days	224	487
Over 120 days	1,658	2,308
	2,539	4,930

The Group's account receivables mainly represented VIP customer receivables and the credit card sales receivables.

Movement in the accumulated allowance for credit losses of account receivables

	As at 30 June 2022 HK\$'000 (Unaudited)	As at 31 December 2021 HK\$'000 (Audited)
As at 1 January	554	308
(Reversal of)/allowance for ECL recognised during the period/year	(31)	246
	523	554

Movement in the accumulated allowance for credit losses of sponsorship receivables

	As at 30 June 2022 HK\$'000 (Unaudited)	As at 31 December 2021 HK\$'000 (Audited)
As at 1 January	–	10
Reversal of ECL recognised during the period/year	–	(10)
	–	–

Movement in the accumulated allowance for credit losses of other receivables

	As at 30 June 2022 HK\$'000 (Unaudited)	As at 31 December 2021 HK\$'000 (Audited)
As at 1 January	91	202
Allowance for/(reversal of) ECL recognised during the period/year	2	(111)
	93	91

Movement in the accumulated allowance for credit losses of deposits

	As at 30 June 2022 HK\$'000 (Unaudited)	As at 31 December 2021 HK\$'000 (Audited)
As at 1 January	817	242
Allowance for ECL recognised during the period/year	–	575
	817	817

In determining the recoverability of account and other receivables, the Group considers any change in the credit quality of the account and other receivables from the date credit was initially granted up to the end of each reporting period.

As at 30 June 2022, the Group's prepayments mainly represents prepayments for legal and professional fees of approximately HK\$1,254,000 (as at 31 December 2021: HK\$1,658,000). As at 30 June 2022, the Group's deposits mainly represents deposits for acquisition of plant and equipment and decoration of approximately HK\$938,000 (as at 31 December 2021: HK\$174,000), rental deposits of approximately HK\$4,815,000 (as at 31 December 2021: HK\$5,289,000). As at 30 June 2022, the amounts of the Group's other receivables mainly represents value added tax recoverable from CUBIC SPACE+ of approximately HK\$5,268,000 (as at 31 December 2021: HK\$6,191,000).

14. LOAN RECEIVABLES

Loan receivables arise from the Group's Money Lending Business which grants loans to entities in the food and beverage and entertainment industry. The gross loan receivables of approximately HK\$3,450,000 were carrying interest at 10% per annum. The loan receivables were recoverable according to repayment schedules, normally with contractual maturity within one year as at 30 June 2022 and 31 December 2021.

	As at 30 June 2022 HK\$'000 (Unaudited)	As at 31 December 2021 HK\$'000 (Audited)
Loan receivables, gross	3,450	3,450
Less: allowance for credit losses	(79)	(79)
Loan receivables, net	3,371	3,371

The following is an ageing analysis of loan receivables at the end of each reporting period, presented based on the remaining period to contractual maturity date:

	As at 30 June 2022 HK\$'000 (Unaudited)	As at 31 December 2021 HK\$'000 (Audited)
Within one year	3,371	3,371

The amount is neither past due nor impaired for whom there was no recent history of default.

Movement in the accumulated allowance for credit losses of loan receivables

	As at 30 June 2022 HK\$'000 (Unaudited)	As at 31 December 2021 HK\$'000 (Audited)
As at 1 January	79	94
Reversal of ECL recognised during the period/year	–	(15)
	79	79

15. ACCOUNT AND OTHER PAYABLES

	As at 30 June 2022 HK\$'000 (Unaudited)	As at 31 December 2021 HK\$'000 (Audited)
Account payables	7,909	8,339
Rental payables (note (i))	11,617	1,898
Other payables	55,261	52,698
Accruals	13,016	11,375
	87,803	74,310
Portion classified as non-current		
– Other payables (note (ii))	(17,981)	(18,627)
	69,822	55,683

The credit period on account payables are generally within 45 days.

Notes:

- (i) As at 30 June 2022, the rental payables represent: (a) short-term leases expense of approximately HK\$800,000 (as at 31 December 2021: HK\$1,753,000); (b) long-term leases expense of approximately HK\$6,887,000 (as at 31 December 2021: Nil); (c) contingent rental expense of approximately Nil (as at 31 December 2021: HK\$145,000); and (d) other rental related expenses of approximately HK\$3,930,000 (as at 31 December 2021: Nil).
- (ii) The other payables classified as non-current liabilities mainly represent the DJs fee, design and renovation fee of CUBIC SPACE+ which were unsecured, interest-free and not repayable within 12 months.

Included in account payables are creditors with the following ageing analysis, based on the invoice dates, as of the end of the reporting period:

	As at 30 June 2022 HK\$'000 (Unaudited)	As at 31 December 2021 HK\$'000 (Audited)
0 to 30 days	4,657	4,910
31 to 60 days	1,497	1,578
61 to 90 days	292	308
91 to 120 days	1,463	1,543
	7,909	8,339

16. SHARE CAPITAL

The share capital of the Group as at 30 June 2022 and 31 December 2021 represented the share capital of the Company. Movements of the share capital of the Company are as follows:

	As at 30 June 2022		As at 31 December 2021	
	Number shares '000 (Unaudited)	Nominal value HK\$'000 (Unaudited)	Number shares '000 (Audited)	Nominal value HK\$'000 (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	2,254,400	22,544	1,800,000	18,000
Ordinary shares issued (Note)	–	–	360,000	3,600
Exercise of share options	36,000	360	94,400	944
	2,290,400	22,904	2,254,400	22,544

Note: On 23 March 2021, the Company entered into the subscription 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 360,000,000 shares of HK\$0.033 each for a cash consideration of approximately HK\$11,880,000 ("the Subscriptions"). Further details were set out in the Company's announcement dated 23 March 2021. Completion of the Placing took place on 9 April 2021 pursuant to the terms and conditions of the Placing Agreement. The 360,000,000 Placing Shares represent approximately 20.00% and 16.67% 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\$11,751,000. Proceeds of HK\$3,600,000, representing the par value of the shares issued, were credited to the share capital of the Company and the remaining proceeds of HK\$8,151,000 net of share issue expense were credited to the share premium account.

17. CAPITAL COMMITMENTS

Capital commitments outstanding at the end of the reporting period contracted but not provided for in the financial statements were as follows:

	As at 30 June 2022 HK\$'000 (Unaudited)	As at 31 December 2021 HK\$'000 (Audited)
Unpaid balance of capital contribution to a subsidiaries in the PRC	41,539	55,821

18. MATERIAL RELATED PARTY TRANSACTIONS

In addition to the information disclosed elsewhere in the unaudited condensed consolidated interim financial statements, the following transactions took place between the Group and related parties at terms agreed between the parties:

(a) Compensation paid to key management personnel of the Group:

	For the six-month period ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Salaries and other short term employee benefits	851	1,175
Retirement scheme contributions	14	13
	865	1,188

(b) Other related party transactions:

Related parties	Nature of transactions	For the six-month period ended 30 June	
		2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Zone One (CS) Limited (Note i)	Rental expenses	510	510
Goldentime Holdings (HK) Limited (Note ii)	Disposal of motor vehicle	220	-
Choi Siu Kit (Note iii)	Loan interest expenses	-	29

Notes:

- i. Zone One (CS) Limited is held by Mr. Choi Kuen Kwan and Ms. Lo Mong Yee, who are the father and the mother of Mr. Choi Yiu Ying and Mr. Choi Siu Kit, who are the executive Directors.
- ii. Goldentime Holdings (HK) Limited is held by Mr. Choi Kuen Kwan, who is the father of Mr. Choi Yiu Ying and Mr. Choi Siu Kit, who are the executive Directors.
- iii. Mr. Choi Siu Kit is the executive Director.

19. 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 and Zhuhai Ruiye has provided the relevant documents accordingly. 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.

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

MANAGEMENT DISCUSSION AND ANALYSIS

During the first half of 2022, the Group continued to engage in the operation of clubbing business namely “CIBIC SPACE+” in Zhuhai City of 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. Following the first stage relaxation in social distancing measures since 21 April 2022 and further relaxing from 5 May 2022 allowing catering premises to accommodate eight persons per table, our restaurants restore to the sale revenue level before the banning of dine-in services leading to the uplift of sales revenue in the second quarter of 2022.

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 suspended its operation since 13 January 2022 in the wake of stringent anti-epidemic measures imposed by the local government.

Despite the impact the pandemic has had on the industry, the situation in Hong Kong has recently taken a turn for the positive. The Board believes that the existing policies and systems developed by the HKSAR government is more than equipped to deal with any future and potential outbreaks of the virus within the community and is cautiously optimistic for the future of the industry and for Hong Kong. On 13 June 2022 and 14 June 2022, the Company and the Vendor, Infinity Entertainment Group Limited entered into an agreement and supplementary agreement through which the Company has conditionally agreed to acquire 100% sale share of C45 Holdings Limited which is principally engaged in the operation of nightlife and clubbing business in Hong Kong. Upon completion of the transaction, C45 Holdings Limited will be the wholly-owned subsidiary of the Company. Please refer the announcements of the Company dated 13 June 2022, 14 June 2022, 15 June 2022 and 27 June 2022 for details.

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 76.4% from HK\$89.8 million in the first half of 2021 to HK\$21.2 million in the same period of 2022 mainly due to the 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 68.8% from HK\$21.9 million in the first half of 2021 to HK\$6.8 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 68.7% from HK\$48.2 million in the first half of 2021 to HK\$15.1 million in the same period of 2022. This was explained by the material decrease of salary costs resulted from the cessation of operation of Club Cubic Macau from October 2021 and suspended operation of CUBIC SPACE+ from January 2022.

Property rentals and related expenses decreased by 13.7% resulted from the cessation of operation of Club Cubic Macau.

Advertising and marketing expenses decreased by 88.5% from HK\$1.0 million in the first half 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 write-off expenses. Other operating expenses decreased by 41.6% from HK\$16.4 million in the first half of 2021 to HK\$9.6 million in the same period of 2022. Decrease of other operating expenses resulted from the cessation of operation of Club Cubic Macau in October 2021 and suspended operation of CUBIC SPACE+ from January 2022 partially offset by the write-off expense of HK\$3.4 million on the outstanding receivables from an associate company.

Depreciation and amortization decreased by 24.7% from HK\$17.4 million in the first half of 2021 to HK\$13.1 million in the same period of 2022. This was mainly due to the cessation of operation of Club Cubic Macau from October 2021.

Loss Attributable to Owners of the Company

Net loss attributable to owners of the Company was HK\$21.0 million in the first half of 2022 compared to that of HK\$15.9 million in the same period of 2021 caused by the negative impact from material drop of sales revenue amid the disrupted environment of operations under the anti-epidemic measures requirements in the period under review.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Below is a summary of the key financial ratio:

	Notes	As at 30 June 2022	As at 31 December 2021
Current ratio	1	0.2	0.3
Quick ratio	2	0.2	0.3
Debt ratio	3	203.5%	154.4%
Gearing ratio	4	N/A	N/A

Notes:

1. Current ratio is calculated by dividing total current assets by total current liabilities as at the respective period end.
2. Quick ratio is calculated by dividing total current assets less inventories by total current liabilities as at the respective period end.
3. Debt ratio is calculated by dividing total liabilities by total assets as at the respective period end.
4. Gearing ratio is calculated by dividing total borrowings by total equity attributable to owners of the Group as at the respective period end.

The Group had cash and cash equivalents of HK\$1.9 million as at 30 June 2022 (31 December 2021: HK\$2.0 million).

During the period ended 30 June 2022, the Group received pandemic subsidies from the Hong Kong Government of total HK\$1.2 million under the Catering Business Subsidy Scheme and approximately HK\$0.7 million related to Employment Support Scheme.

As at 30 June 2022, the Group had external borrowing of HK\$44.9 million (31 December 2021: HK\$47.0 million). A series of plans and measures have been taken to mitigate liquidity pressure and to improve the financial position of the Group, for details please refer to Note 2.

CHARGES ON ASSETS

As at 30 June 2022, the Group did not have any charges on its assets except the pledge of the life insurance policy to China Citic Bank International Limited for the revolving loan facility of HK\$5.1 million for the life insurance policy premium financing.

FOREIGN EXCHANGE EXPOSURE

The Group's principal operations are primarily conducted and recorded in Hong Kong dollar ("HK\$"), Macau Patacas ("MOP"), Renminbi ("RMB"). The financial statements of foreign operations are translated into HK\$ which is the Company's functional and presentation currency. The exchange rate between HK\$ and MOP remained relatively stable historically, the Group does not expect fluctuations in the values of these currencies to have a material impact on its operations. During the period under review, a significant portion of revenues are denominated in RMB which the Group does not currently engage in hedging transactions. However, the Group maintains a certain amount of its operating fund in RMB to reduce the exposure of currency fluctuations.

CONTINGENT LIABILITIES AND CAPITAL COMMITMENT

Save for those disclosed in this interim report, the Group did not have any other contingent liabilities and capital commitment as at 30 June 2022.

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

Save for those disclosed in this interim report, there were no other significant investments held by the Group as at 30 June 2022, nor were there other material acquisitions and of subsidiaries and affiliated companies by the Group during the period.

EMPLOYEES AND REMUNERATION POLICY

The Group had a total of 82 employees as at 30 June 2022 (2021: 198 employees). Remuneration is determined with reference to market terms and the performance, qualifications and experience of the individual employee. We actively refine our staff structure by adopting the human resources philosophy of "making the best use of ability" and offer reasonable yet competitive compensation packages. The Group has developed a number of rules and regulations to provide provisions on remuneration, dismissal, recruitment and promotion, working hours, holidays, equal opportunities, diversity and other benefits as well as welfare for employees. Other benefits include contributions to statutory mandatory provident fund schemes to its qualified Hong Kong employees.

OUTLOOK

Operational efficiency and increase its revenue growth will continue to be top priorities for the Group in the near future. In the next 6 to 12 months, the Directors expect to gain benefits from its efforts spent on investments such as food and beverage, entertainment businesses and related strategies in Mainland China and Hong Kong.

We expect our restaurant business in Hong Kong to improve in the second half of 2022, due to Consumption Voucher Scheme announced by the Hong Kong government where each qualified person in Hong Kong will receive HK\$5,000 through AlipayHK, BoC Pay, PayMe from HSBC, Tap & Go, WeChat Pay HK or Octopus respectively on 7 August 2022.

Alongside with the continuing evolution and modification of business strategies to develop our existing businesses, the Group will continue to explore every potential profitable business and investment opportunities, as well as new growth potentials, with the ultimate aim to generate and maximise shareholders' value and return and maintain sustainable growth and prosperity. 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.

Overall, I would like to take this opportunity to thank our business partners, landlords, suppliers and staff for their generous support and assistance in the past 6 months.

Choi Yiu Ying

Chairman and Chief Executive Officer

Hong Kong, 9 August 2022

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 30 June 2022, the interests and short position of the Directors and the Company's chief executives in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), which were required to be notified to the Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including any interests or short positions which they are taken or deemed to have under such provisions of the SFO), or as recorded in the register maintained by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of listed issuers as referred to in Rule 5.46 to 5.67 of the GEM Listing Rules were as follows:

Name of Director/ Chief Executive	Name of Group member/associated corporation	Nature of interest	Number and class of securities ⁽¹⁾	Approximate percentage of shareholding interest
Mr. Choi Yiu Ying (Notes 2 and 3)	The Company	Interest of a controlled corporation, interest held jointly with another person	1,093,500,000 ordinary shares of the Company (L)	47.74%
	Welmen Investment Co. Ltd ("Welmen")	Interest of a controlled corporation	3,031.11 ordinary shares of Welmen (L)	30.3111%
		Beneficial owner	1,262.225 ordinary shares of Welmen (L)	12.62225%
Mr. Choi Siu Kit (Notes 2 and 3)	The Company	Interest of a controlled corporation, interest held jointly with another person	1,093,500,000 ordinary shares of the Company (L)	47.74%
	Welmen	Interest of a controlled corporation	3,031.11 ordinary shares of Welmen (L)	30.3111%
		Beneficial owner	1,262.225 ordinary shares of Welmen (L)	12.62225%

Name of Director/ Chief Executive	Name of Group member/associated corporation	Nature of interest	Number and class of securities ⁽¹⁾	Approximate percentage of shareholding interest
Mr. Yeung Chi Shing (Note 2)	The Company	Interest held jointly with another person	1,093,500,000 ordinary shares of the Company (L)	47.74%
		Personal Interest	18,000,000 ordinary shares of the Company (L)	0.79%
	Welmen	Beneficial owner	1,234.44 ordinary shares of Welmen (L)	12.3444%
Mr. Au Ka Wai (Note 2)	The Company	Interest held jointly with another person	1,093,500,000 ordinary shares of the Company (L)	47.74%
		Personal Interest	18,000,000 ordinary shares of the Company (L)	0.79%
	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 47.74% 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 47.74% of the issued share capital of the Company held by Welmen.

Save as disclosed above and so far as is known to the Directors, as at 30 June 2022, none of the Directors and the Company's chief executive had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including any interests or short positions which they are taken or deemed to have under such provisions of the SFO), or as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of listed issuers as referred to in Rule 5.46 to 5.67 of the GEM Listing Rules.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 June 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	Beneficial owner	1,093,500,000 ordinary shares (L)	47.74%
Yui Tak (Note 2)	Interest of a controlled corporation	1,093,500,000 ordinary shares (L)	47.74%
Ocean Concept (Note 2)	Interest of a controlled corporation	1,093,500,000 ordinary shares (L)	47.74%
Toprich (Note 3)	Interest of a controlled corporation	1,093,500,000 ordinary shares (L)	47.74%
Perfect Succeed (Note 3)	Interest of a controlled corporation	1,093,500,000 ordinary shares (L)	47.74%

Name of shareholder	Nature of interest	Number and class of securities ⁽¹⁾	Approximate percentage of shareholding interest
Ms. Chan Ting Fai (Note 4)	Interest of spouse	1,093,500,000 ordinary shares (L)	47.74%
Mr. Au Wai Pong Eric (Note 5)	Interest held jointly with another person	1,093,500,000 ordinary shares of the Company (L)	47.74%
	Personal Interest	18,000,000 ordinary shares of the Company (L)	0.79%
	Beneficial owner	1,605.56 ordinary shares of Welman (L)	16.0556%
Ms. Lee Wan (Note 6)	Interest of spouse	1,111,500,000 ordinary shares (L)	48.53%
Trendy Pleasure Limited ("Trendy") (Note 7)	Beneficial owner	300,000,000 ordinary shares (L)	13.10%
Saint Lotus Cultural Development Group Co., Limited ("Saint Lotus") (Note 7)	Interest of a controlled corporation	300,000,000 ordinary shares (L)	13.10%
Mr. Zhang Jianguang (Note 7)	Interest of a controlled corporation	300,000,000 ordinary shares (L)	13.10%
Kenbridge Limited ("Kenbridge")	Beneficial owner	121,500,000 ordinary shares (L)	5.30%
Mr. Poon Ching Tong Tommy (Note 8)	Interest of a controlled corporation	121,500,000 ordinary shares (L)	5.30%

Name of shareholder	Nature of interest	Number and class of securities ⁽¹⁾	Approximate percentage of shareholding interest
Ms. Lau Sze Mun Charmaine (Note 9)	Interest of spouse	121,500,000 ordinary shares (L)	5.30%

Notes:

- (1) The letter "L" denotes the person's long position in the shares of the Company.
- (2) Welmen is owned as to 30.3111% by Yui Tak and Yui Tak is wholly owned by Ocean Concept. By virtue of the SFO, each of Yui Tak and Ocean Concept is deemed to be interested in 47.74% 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 47.74% of the issued share capital of the Company held by Welmen.
- (4) 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 47.74% of the issued share capital of the Company in which Mr. Choi Siu Kit is interested.
- (5) Mr. Au Wai Pong Eric resigned as a non-executive Director of the Company on 23 February 2022.
- (6) Ms. Lee Wan is the spouse of Mr. Au Wai Pong Eric. By virtue of the SFO, Ms. Lee Wan is deemed to be interested in 48.53% of the issued share capital of the Company in which Mr. Au Wai Pong Eric is interested.
- (7) 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 13.10% of the issued share capital of the Company held by Trendy.
- (8) 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 5.30% of the issued share capital of the Company held by Kenbridge.
- (9) 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 5.30% of the issued share capital of the Company in which Mr. Poon Ching Tong Tommy is interested.

Save as disclosed above and so far as is known to the Directors, as at 30 June 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 six-month period ended 30 June 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. Accordingly, our Directors are of the view that the Retained Macau Restaurant Business are clearly delineated from the Group's businesses and will not compete (either directly or indirectly) or are not likely to compete with the Group's businesses.

Mr. Choi Siu Kit, our executive Director and also controlling shareholder of the Company, is engaged in certain restaurant and bar business in Hong Kong before the Listing (the "Retained HK Restaurant and Bar Business"). Below are the details of his interests in companies involved in such business during the six-month period ended 30 June 2022:

Name of entity	Nature of interests
Mighty Force Catering Group Limited (Note)	Approximately 50% of issued share capital was held by Mr. Choi Siu Kit's spouse, who was also a director
Sham Tseng Chan Kee Roasted Goose Company Limited (Note)	Approximately 7.5% of issued share capital was held by Mr. Choi Siu Kit's spouse
Eastern Full Limited (Note)	Approximately 7.5% of issued share capital was held by Mr. Choi Siu Kit's spouse

Note: Operate/franchise restaurants with trading name of Sham Tseng Chan Kee in Hong Kong

As Mr. Choi Siu Kit had engaged the Retained HK Restaurant and Bar Business before the Group's Listing, such business is 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, during the six-month period ended 30 June 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.

SHARE OPTION SCHEME

The Company adopted a Share Option Scheme on 18 October 2016 (the "Share Option Scheme") to recognize and acknowledge the contributions made by any individual who is an employee of our Group (including directors) or any entity in which our Company holds any equity interest (the "Invested Entity") and such other persons who has or will contribute to our Company as approved by our Board from time to time (the "Participants"), to attract skilled and experienced personnel, to incentivize them to remain with our Company and to motivate them to strive for the future development and expansion of our Company and its subsidiaries, by providing them with the opportunity to acquire equity interests in our Company.

The maximum number of shares which may be issued upon exercise of all options granted and to be granted under the Share Option Scheme represents 10% of the shares of the Company in issue as at the date of adoption of the Share Option Scheme and as at the date of the latest annual report. The maximum number of shares issuable under share options granted to each eligible participant in the Share Option Scheme (including

both exercised and outstanding options) within any 12-month period is limited to 1% of the shares of the Company in issue. Any grant or further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting. A grant of share options under the Share Option Scheme to a director, chief executive or substantial shareholder of the Company, or to any of their associates, is subject to approval in advance by the independent non-executive directors (excluding any independent non-executive director who is the grantee of the Option). In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, which would result in the shares issued and to be issued, upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding), to such person in the 12-month period up to and including the date of the grant in excess of 0.1% of the shares of the Company in issue and with an aggregate value (based on the closing price of the Company's shares at the date of grant) in excess of HK\$5 million (or such other amount as permissible under the GEM Listing Rules from time to time), are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within such time to be determined by the Board and upon payment of a nominal consideration of HK\$1 in total by the grantee. The exercise period of the share options granted is determined by the directors, save that such a period shall not be more than 10 years from the date of offer of the share options and subject to the provisions for early termination as set out in the Share Option Scheme. There is no requirement of a minimum period for which an option must be held before it can be exercised. The exercise price of the share options shall be not less than the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheets on the date on which the option is offered, which must be a business day (the "Offer Date"); (ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the Offer Date; and (iii) the par value of the Shares.

SHARE OPTIONS

Pursuant to Rules 23.07 of the GEM Listing Rules, particulars and movements of shares options under the Share Option Scheme during the six-month period ended 30 June 2022 are set out as follows:

Category/ Name of Grantee	Date of Grant	Exercise Date/ Period	Exercise Price Per Share	Number of share options				
				Outstanding	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding
				as at 1 January 2022				as at 30 June 2022
(1) Employees and Consultants	2 October 2018	(Note 1)	HK\$0.061	9,042,692	-	-	-	9,042,692
	2 October 2018	(Note 2)	HK\$0.061	9,042,692	-	-	-	9,042,692
	2 October 2018	(Note 3)	HK\$0.061	9,042,692	-	-	-	9,042,692
	2 October 2018	(Note 4)	HK\$0.061	3,014,232	-	-	-	3,014,232
Sub-total				30,142,308	-	-	-	30,142,308
(2) Directors:								
Au Wai Pong Eric	4 January 2021	(Note 5)	HK\$0.029	18,000,000	-	(18,000,000)	-	0
Tse Kar Ho Simon	4 January 2021	(Note 6)	HK\$0.029	13,600,000	-	-	(13,600,000)	0
Subsidiary's directors:								
Chan Kwan Pak Gilbert	4 January 2021	(Note 5)	HK\$0.029	15,600,000	-	(15,600,000)	-	0
Consultant:								
Chou Si Li Bobbie	4 January 2021	(Note 5)	HK\$0.029	2,400,000	-	(2,400,000)	-	0
Sub-total				49,600,000	-	(36,000,000)	(13,600,000)	0
Total				79,742,308	-	(36,000,000)	(13,600,000)	30,142,308

Notes:

- Subject to fulfillment of the pre-determined vesting conditions, the share options shall be vested and exercisable from 2 October 2018 to 1 October 2028.
- Subject to fulfillment of the pre-determined vesting conditions, the share options shall be vested and exercisable from 2 October 2019 to 1 October 2028.
- Subject to fulfillment of the pre-determined vesting conditions, the share options shall be vested and exercisable from 2 October 2020 to 1 October 2028.

4. Subject to fulfillment of the pre-determined vesting conditions, the share options shall be vested and exercisable from 2 October 2021 to 1 October 2028.
5. The share options shall be vested and exercisable from 4 January 2021 to 3 January 2031.
6. Mr. Tse Kar Ho Simon resigned as an independent non-executive Director of the Company with effect from 11 February 2022, hence his 13,600,000 of share options lapsed on the same date.

CORPORATE GOVERNANCE PRACTICES

The Group recognises the importance of transparency and accountability, and the Board believes that Shareholders can benefit from good corporate governance. Therefore, the Group strives to achieve sound corporate governance standards in order to maintain the trust and confidence of customers, suppliers and employees, as well as other stakeholders. We believe that this can create long term value for the shareholders of the Company and is beneficial for the Group's sustainable growth.

The Company adopted and complied with the principles and code provisions in the Corporate Governance Code and Corporate Governance Report (the "CG Code") as set out in Appendix 15 to the GEM Listing Rules since its Listing, except for paragraph C.2.1 and C.1.6 of the CG Code which state that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual, and generally independent non-executive Directors and other non-executive directors should attend general meetings to gain and develop a balanced understanding of the views of shareholders. The roles of the chairman and chief executive officer are both performed by Mr. Choi Yiu Ying ("Mr. Simon Choi"). The Company considers that having Mr. Simon Choi acting as both the chairman and chief executive officer can provide a strong and consistent leadership to the Group and promote more effective strategic planning and management of the Group. Further in view of Mr. Simon Choi's experience in the industry, personal profile and role in the Group and historical development of the Group, the Company considers that it is to the benefit of the Group in the business prospects that Mr. Simon Choi continues to act as both the chairman and chief executive officer and the Company currently has no intention to separate the functions of chairman and chief executive officer. Two executive Directors, two independent non-executive Directors and one non-executive Director were absent from the last annual general meeting of the Company held on 17 June 2022 as they were away due to other pre-arranged important engagements or were overseas at the time of this meeting. The Company has reminded them to attend general meetings in order to develop a balance understanding of views of the shareholders.

Other information on the corporate governance practices of the Company has been disclosed in the corporate governance report contained in the 2021 Annual Report.

CHANGES IN DIRECTORS' INFORMATION

The change in Director's information as required to be disclosed pursuant to Rule 17.50A(1) of the GEM Listing Rules since the publication of the 2021 Annual Report of the Company, is set out below:

Mr. Tse Kar Ho Simon ("Mr. Simon Tse") resigned as an independent non-executive Director and ceased to be a member of the Remuneration Committee and Nomination Committee of the Company with effect from 11 February 2022. This results in non-compliance with the requirements under Rules 5.05(1), 5.05(A) and 5.34 of the GEM Listing Rules.

Mr. Au Wai Pong Eric ("Mr. Eric Au") resigned as a non-executive Director and ceased to be a member of the Audit Committee and Remuneration Committee of the Company with effect from 23 February 2022.

Mr. Au Ka Wai ("Mr. Jerry Au") currently a non-executive Director of the Company, was appointed as a member of the Audit Committee and Remuneration Committee of the Company with effect from 23 February 2022.

Mr. Zhang Rongxuan was appointed as an executive Director of the Company with effect from 10 May 2022.

Mr. Ip Hoi Fan ("Mr. Ip") was appointed as an independent non-executive Director of the Company, a member of the Remuneration Committee and a member of the Nomination Committee of the Company with effect from 6 May 2022.

Mr. Chan Ka Yin resigned as an independent non-executive Director and ceased to be the chairman of the Audit Committee of the Company with effect from 10 June 2022. This results in non-compliance with the requirements under Rules 5.05(1), 5.05(A) and 5.28 of the GEM Listing Rules.

Mr. Chan Wai ("Mr. Chan") was appointed as an independent non-executive Director and chairman of the Audit Committee of the Company with effect from 20 June 2022.

Following the appointment of Mr. Jerry Au, Mr. Ip and Mr. Chan, the Company has fulfilled the requirements under Rules 5.05(1), 5.05(A), 5.28 and 5.34 of the GEM Listing Rules.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by the directors of the Company on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules (the "Model Code"). Having made specific enquiries in writing to the Directors, each of the Directors confirmed that he/she had complied with the Model Code in connection with the Company's securities during the six months ended 30 June 2022.

DIVIDEND

The Board has resolved not to declare the payment of a dividend for the six months ended 30 June 2022 (30 June 2021: Nil).

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 set out in Appendix 15 to the GEM Listing Rules. The audit committee consists of two independent non-executive Directors being Mr. Chan Wai and Mr. Tang Tsz Tung and one non-executive Director, Mr. Au Ka Wai. Mr. Chan Wai serves as the chairman of the audit committee. The primary responsibilities of the audit committee include but without limitation the following: (i) assisting the Board in providing an independent view of the effectiveness of our Group's financial reporting process, internal control and risk management systems; (ii) overseeing the audit process; and (iii) performing other duties and responsibilities as assigned by the Board.

The audit committee has reviewed the unaudited condensed consolidated financial statements of the Group for the six-month period ended 30 June 2022.

EVENTS AFTER THE REPORTING PERIOD

Saved as disclosed above, the Company does not have any material subsequent events after 30 June 2022 and up to the date of this interim report, except for the discloseable transaction in respect of the acquisition of the entire issued share capital of C45 Holdings Limited. For details, please refer to the announcements dated 13 June 2022, 14 June 2022, 15 June 2022 and 27 June 2022 respectively.

MATERIAL LITIGATION

Saved as disclosed in this interim report, the Company was not involved in any other material litigation or arbitration for the six months ended 30 June 2022. The Directors are also not aware of any other material litigation or claims that are pending or threatened against the Group for the six months ended 30 June 2022.

BOARD OF DIRECTORS

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

Executive Directors

Mr. Choi Yiu Ying (*Chairman and Chief Executive Officer*)

Mr. Choi Siu Kit

Mr. Yeung Chi Shing

Mr. Zhang Rongxuan (appointed on 10 May 2022)

Non-executive Director

Mr. Au Ka Wai

Independent non-executive Directors

Mr. Tang Tsz Tung

Mr. Ip Hoi Fan (appointed on 6 May 2022)

Mr. Chan Wai (appointed on 20 June 2022)

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

Hong Kong, 9 August 2022