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)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021

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

Dear Shareholders,

On behalf of the board of directors, I am pleased to present the performance of Luk Hing Entertainment Group Holdings Limited for the year ended 31 December 2021.

2021 was by far the Company's most challenging year since its listing on GEM in 2016. The first wave of COVID-19 in Hong Kong started back in January 2020 and Hong Kong is now facing the fifth wave. The continued outbreak of COVID-19 had a significant adverse effect on our financial and operating results throughout the year. The Group understands the increasing demands and restrictions under the circumstances of COVID-19, hence its frontline staff in Hong Kong are fully vaccinated and tested against COVID on a timely basis. Our clubs and restaurants are sanitised regularly while their respective common areas are subject to a higher cleaning frequency.

Compared with Mainland China and Macau, Hong Kong's COVID-19 has not been controlled effectively but the business performance did improve in the second half of the year when the government relaxed the restrictions on the modes of operation of catering premises under Vaccine Bubble as set out under Cap. 599 of the Prevention and Control of Diseases Ordinance.

BUSINESS ENVIRONMENT AND DEVELOPMENT

Clubbing Business

For the Mainland China market, CUBIC SPACE+ in Zhuhai has performed admirably under the COVID-19 restriction environment as it contributed close to half of the Group's total revenue. Located at the landmark Zhuhai Grand Theatre along with various entertainment features offered to customers, CUBIC SPACE+ has gained its reputation and popularity in Zhuhai. Management is aware that geographical diversification helps reduce portfolio risk by avoiding excessive concentration in any one market, hence expanding our clubbing business to Mainland China back in 2019 has proved to be a masterstroke.

The Company ceased the operation of Club Cubic Macau at the Boulevard, City of Dreams, Macau on 8 October 2021 due to the disputes between COD Resorts Limited, the co-operation partner of Club Cubic Macau and the Group. Before the closure of business, the Group had tried to liaise with COD Resorts Limited for rental reductions or concessions, but agreement could not be reached by both parties. Before the cessation of business, the operation of Club Cubic Macau was adversely impacted by COVID-19 due to lockdowns and social distancing measures, resulting in revenue loss and slower revenue growth in the first nine months of 2021.

Restaurant Business

The businesses of HEXA and SIXA were seriously affected due to no tourists and dine-in restriction policy and as a result, our fine-dining restaurants had been hit hard. With dining restrictions, our restaurants have prepared various menus that are available for delivery and take-away. At the same time, the Group regularly introduced festive seasonal set menus, including Mid-Autumn Festival meal sets for reunion feast and launched consumption meal vouchers in order to attract more customers.

The non-stopped public gathering restriction policy during the year has affected our restaurant businesses significantly. In addition, as the global supply chain is affected by factors such as city lockdowns and suspension of work in some regions, which has increased the costs of ingredients and shipping containers, the restaurant business is under enormous operating pressure. Despite the fact that the market uncertainties cannot be fully resolved in the short term, the Group is still confident towards the prospects of the industry and continues to adopt a cautious yet optimistic attitude in response to the challenges.

OUTLOOK

The outlook for 2022 is full of uncertainties. During these difficult times, the Company will closely monitor the latest developments of the pandemic and constantly reviews its policies to ensure strict measures are in place to safeguard the health of its customers and staff.

We hope that after Hong Kong's expected territory-wide COVID-19 mandatory testing in March and April 2022, the business environment will improve and recover in the second half of 2022.

The Company will continue to review its existing business on a regular basis and is committed to improving the business operations and financial position of the Group, while trying to identify potential business and investment opportunities to expand its source of income. The Company also aims to expand its business operations into the Greater Bay Area while senior management will spend more time in the Greater Bay Area to proactively target certain companies for business collaboration or investment opportunities.

On behalf of the board of directors, I would like to express our sincere gratitude for the hard work of our staff during this challenging time, and the continuous support of the Group from all of our shareholders, business partners and customers.

Choi Yiu Ying
Chairman and Chief Executive Officer
Hong Kong, 24 March 2022

ANNUAL RESULTS

The board (the "Board") of Directors of Luk Hing Entertainment Group Holdings Limited (the "Company") is pleased to announce the following audited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2021, together with the comparative figures for the preceding year ended 31 December 2020:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

	Notes	**Year ended 31 December 2021** *HK$'000*	Year ended 31 December 2020 *HK$'000*
Revenue	4	**160,409**	158,373
Other income and gain	5	**7,210**	18,731
Cost of inventories sold		**(41,640)**	(44,750)
Staff costs		**(86,549)**	(79,896)
Property rentals and related expenses		**(12,128)**	(12,023)
Advertising and marketing expenses		**(1,781)**	(2,954)
Other operating expenses		**(27,927)**	(35,920)
Depreciation and amortisation		**(32,675)**	(38,381)
Impairment losses under expected credit loss model, net of reversal		**(5,697)**	502
Impairment of non-financial assets		**(15,668)**	–
Loss on cessation of business		**(16,903)**	–
Fair value change of financial assets at fair value through profit or loss		**78**	(245)
Fair value change of derivative financial liabilities		**486**	(420)
Gain on deemed disposal of a subsidiary		**–**	9,714
Share of loss of an associate		**–**	(1,989)
Share of losses of joint ventures		**(648)**	–
Finance costs	6	**(8,073)**	(9,370)
Loss before taxation	8	**(81,506)**	(38,628)
Taxation	7	**(23)**	291

	Notes	Year ended 31 December 2021 HK$'000	Year ended 31 December 2020 HK$'000
Loss for the year		**(81,529)**	(38,337)
Other comprehensive (loss)/income:			
Items that may be reclassified to profit or loss:			
Exchange difference on translating of financial statements of overseas subsidiaries		**(415)**	677
Items that will not be reclassified to profit or loss:			
Fair value loss on financial assets at fair value through other comprehensive income		**–**	(955)
Other comprehensive loss for the year		**(415)**	(278)
Total comprehensive loss for the year		**(81,944)**	(38,615)
Loss for the year attributable to:			
Owners of the Company		**(71,997)**	(31,759)
Non-controlling interests		**(9,532)**	(6,578)
		(81,529)	(38,337)
Other comprehensive (loss)/income for the year attributable to:			
Owners of the Company		**(292)**	(387)
Non-controlling interests		**(123)**	109
		(415)	(278)
Total comprehensive loss for the year attributable to:			
Owners of the Company		**(72,289)**	(32,146)
Non-controlling interests		**(9,655)**	(6,469)
		(81,944)	(38,615)
Loss per share ***(in HK cents)***			
– Basic	10	**(3.46)**	(1.76)
– Diluted	10	**(3.46)**	(1.76)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	Notes	As at 31 December 2021 HK$'000	As at 31 December 2020 HK$'000
Assets			
Non-current assets			
Plant and equipment		**44,611**	70,601
Intangible assets		**130**	608
Financial assets at fair value through profit or loss ("Financial assets at FVTPL")		**5,894**	5,816
Right-of-use assets		**21,455**	65,766
Goodwill		**–**	9,152
Investment in joint ventures		**562**	–
Loan to an associate	11	**1,240**	3,494
Deposits	12	**2,287**	4,771
		76,179	160,208
Current assets			
Financial assets at fair value through other comprehensive income ("Financial assets at FVTOCI")		**–**	1,972
Inventories		**2,996**	8,154
Account and other receivables	12	**22,850**	36,977
Loan receivables	13	**3,371**	4,356
Amount due from an associate	11	**1,485**	1,383
Amounts due from non-controlling interests		**2,563**	2,493
Cash and cash equivalents		**2,034**	9,875
		35,299	65,210

	Notes	As at 31 December 2021 HK$'000	As at 31 December 2020 HK$'000
Liabilities			
Current liabilities			
Account and other payables	14	**55,683**	43,838
Lease liabilities		**8,243**	15,540
Bank overdraft		**–**	2,992
Convertible loans		**8,873**	–
Convertible promissory notes		**18,117**	–
Derivative financial liabilities		**–**	309
Income tax payables		**11**	11
Bank loans		**19,975**	22,927
Provision for reinstatement costs		**715**	–
		111,617	85,617
Net current liabilities		**(76,318)**	(20,407)
Total assets less current liabilities		**(139)**	139,801
Non-current liabilities			
Other payables	14	**18,627**	29,647
Lease liabilities		**30,148**	66,965
Convertible loans		**–**	8,877
Convertible promissory notes		**–**	17,709
Amounts due to non-controlling interests		**10,906**	10,648
Provision for reinstatement costs		**850**	1,565
Derivative financial liabilities		**–**	177
		60,531	135,588
Net (liabilities)/assets		**(60,670)**	4,213
Equity			
Share capital		**22,544**	18,000
Reserves		**(61,312)**	(1,540)
Equity attributable to owners of the Company		**(38,768)**	16,460
Non-controlling interests		**(21,902)**	(12,247)
Total equity		**(60,670)**	4,213

NOTES TO THE 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. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND SIGNIFICANT ACCOUNTING POLICIES

2.1 Application of amendments to HKFRSs

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2021 for the preparation of the consolidated financial statements:

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

In addition, the Group has early applied the Amendment to HKFRS 16 COVID-19-Related Rent Concessions beyond 30 June 2021.

In addition, the Group applied the agenda decision of the IFRS Interpretations Committee (the "Committee") of the International Accounting Standards Board issued in June 2021 which clarified the costs an entity should include as "estimated costs necessary to make the sale" when determining the net realisable value of inventories.

Except as described below, the application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Impacts on early application of Amendment to HKFRS 16 COVID-19-Related Rent Concessions beyond 30 June 2021

The Group has early applied the amendment in the current year. The amendment extends the availability of the practical expedient in paragraph 46A of HKFRS 16 Leases ("HKFRS 16") by one year so that the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met.

The application has had no impact to the opening retained profits at 1 January 2021. During the year, certain lessors agreed to waive/reduce lease payments on several leases in Hong Kong beyond 30 June 2021. The Group has derecognised the part of lease liabilities that have been extinguished using the discount rates originally applied to these leases respectively, resulted in a decrease in lease liabilities of HK$2,333,000, which have been recognised as variable lease payments in profit or loss for the current year.

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts and the related amendments[2]
Amendments to HKFRS 3	Reference to the Conceptual Framework[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[2]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[2]
Amendments to HKAS 8	Definition of Accounting Estimates[2]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[2]
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use[1]
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020[1]

1 Effective for annual periods beginning on or after 1 January 2022.
2 Effective for annual periods beginning on or after 1 January 2023.
3 Effective for annual periods beginning on or after a date to be determined.

The directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

2.2 Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with HKFRSs, which is a collective term that includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the HKICPA. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements includes applicable disclosure required by the Rules Governing the Listing of Securities on the GEM of the Stock Exchange and by the Hong Kong Companies Ordinance.

Going concern

These consolidated financial statements have been prepared in conformity with the principles applicable to a going concern basis. The applicability of these principles is dependent upon the Group being a going concern and will be able to continue its operations for the forseeable future. The ability of the Group to continue as a going concern is dependent on the continued availability of adequate finance to the Group and the Group's ability to attain profitable operations in the foreseeable future, all of which depend on the eventual successful outcome of the below mentioned plans and measures in view of the fact that the Group incurred a net loss of approximately HK$81,529,000 for the year ended 31 December 2021 and, as of that date, the Group's current liabilities exceeded its current assets and its total liabilities exceeded its total assets by approximately HK$76,318,000 and HK$60,670,000 respectively. As at that date, the Group's aggregate bank loans, lease liabilities, convertible loans and convertible promissory notes amounted to approximately HK$19,975,000, HK$38,391,000, HK$8,873,000 and HK$18,117,000, respectively, whilst its cash and cash equivalents amounted to only approximately HK$2,034,000.

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.

In order to improve the liquidity situation and the Group's ability to operate as a going concern, the directors of the Company have formulated plans and measures to deal with the conditions referred to above, as follows:

(i) the management will 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;

(ii) the Company is proactively exploring fund-raising activities such as rights issue and/or share subscription or placing to meet its repayment obligations;

(iii) the directors of the Company will implement stronger measures aiming at improving the working capital and cash flows of the Group, including closely monitoring incurrence of other operating expenses;

(iv) the management will continue to 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;

(v) the management will continue its negotiation with the landlords of the properties leased by the Group for rent concessions due to the reduced number of customers arising from the outbreak of COVID-19;

(vi) the Group will continue to apply for COVID-19 related government subsidies applicable to its clubbing and restaurant business in Hong Kong and Mainland China, including salary subsidies and costs of sterilization of business premises, which will reduce the operation costs of the Group to a certain extent.

Further, as disclosed in note 16(a), on 19 October 2021, the Company's subsidiary, Luk Hing Investment Limited ("Luk Hing Investment") received a summons issued by City of Dreams Resorts Limited ("COD") (as plaintiff) against Luk Hing Investment (as defendant) and filed with the First Instance Court ("Court") of Macau to such civil proceeding. On 12 January 2022, an objection and a counterclaim was filed by Luk Hing Investment to the Court. The Group will vigorously pursue its objections to the claims set out by COD in the summons. As of the reporting date, the liability of Luk Hing Investment cannot be reliably measured as the lawsuit is still in its initial stage.

On 11 October 2021, the Company's subsidiary, Zhuhai Ruiye Bar Management Company Limited ("Zhuhai Ruiye") received 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+. An objection and a counterclaim was filed by Zhuhai Ruiye to the landlords. Further details please refer to Note 16(b).

Having considered the above and with review to a cash flow forecast of the Group, the Directors are of the opinion that it is appropriate to prepare the consolidated financial statements of the Group for the year ended 31 December 2021 on a going concern basis.

The eventual outcome of the plans and measures described above are inherently uncertain. Should the Group fail to achieve successful outcome from the above-mentioned plans and measures, it may be unable to continue as a going concern, and adjustments would have to be made to write down the carrying values of its assets to their recoverable amounts, to provide for any further liabilities which might arise and to classify non-current assets and liabilities as current assets and liabilities respectively. The effects of these potential adjustments have not been reflected in these consolidated financial statements.

The consolidated financial statements have been prepared on the historical cost basis except for financial assets at FVTPL, financial assets at FVTOCI and derivative financial liabilities which are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 Share-based Payment, leasing transactions that are accounted for in accordance with HKFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 Inventories or value in use in HKAS 36 Impairment of Assets.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

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 industry. 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:

	Year ended 31 December 2021 *HK$'000*	Year ended 31 December 2020 *HK$'000*
Macau	**21,264**	34,137
Hong Kong	**66,280**	52,914
The PRC	**72,865**	71,322
	160,409	158,373

The Group's locations of non-current assets are detailed as below:

	Year ended 31 December 2021 *HK$'000*	Year ended 31 December 2020 *HK$'000*
Macau	**–**	40,234
Hong Kong	**28,742**	42,778
The PRC	**47,359**	77,196
	76,101	160,208

Information about major customers

During the year, no revenue from transactions with a single external customer amounted to 10% or more of the Group's total revenue (2020: HK$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 year is as follows:

	Year ended 31 December 2021 *HK$'000*	Year ended 31 December 2020 *HK$'000*
Revenue from contracts with customers:		
Recognised at a point in time		
Sales of food, beverage and other products	**159,026**	154,765
Sponsorship income	**451**	1,730
Entrance fees income	**223**	665
Others *(note)*	**285**	738
	159,985	157,898
Revenue from other sources:		
Loan interest income	**424**	475
	160,409	158,373

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

5. OTHER INCOME AND GAIN

	Year ended 31 December 2021 *HK$'000*	Year ended 31 December 2020 *HK$'000*
Net foreign exchange gain	**847**	105
Consultancy and management fee income	**1,071**	4,486
COVID-19 related rental concession	**2,333**	5,343
Government grants *(note (a))*	**1,014**	7,139
(Loss)/gain on lease termination	**(70)**	46
Others *(note (b))*	**2,015**	1,612
	7,210	18,731

Notes:

(a) During the year ended 31 December 2021, the government grants of approximately HK$1,014,000 (2020: approximately HK$6,930,000) in respect of COVID-19-related subsidies, of which of approximately HK$Nil (2020: approximately HK$5,840,000) relates to Employment Support Scheme and other subsidies of approximately HK$820,000 and HK$194,000 (2020: approximately HK$1,090,000 and HK$209,000) under the Anti-epidemic Fund provided by the Hong Kong government and Macau Financial Services Bureau respectively.

(b) Others mainly included the tips income.

6. FINANCE COSTS

	Year ended 31 December 2021 *HK$'000*	Year ended 31 December 2020 *HK$'000*
Interest on convertible promissory notes	**2,045**	2,003
Interest on convertible loans	**814**	814
Interest on bank loans	**703**	488
Interest on bank overdrafts	**139**	261
Interest on lease liabilities	**4,328**	5,692
Others	**44**	112
	8,073	9,370

7. TAXATION

	Year ended 31 December 2021 *HK$'000*	Year ended 31 December 2020 *HK$'000*
Income tax expense		
– Macau complementary Tax		
– Current year	**–**	–
– Over-provision in prior years	**–**	(291)
– PRC Enterprise Income Tax	**23**	–
	23	(291)

Macau Complementary Tax is calculated at 12% of the assessable profit for the years ended 31 December 2021 and 2020.

Under the two-tiered profits tax rates regime of Hong Kong Profits Tax, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. Accordingly, the Hong Kong Profits Tax of the qualifying group entity is calculated at 8.25% on the first HK$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK$2 million.

The two-tiered profits tax rates regime is applicable to the Company for the years ended 31 December 2021 and 2020.

Pursuant to the rules and regulations of the Cayman Islands and the BVI, the Group is not subject to any income tax in the Cayman Islands and the BVI during the years ended 31 December 2021 and 2020.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years.

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

8. LOSS BEFORE TAXATION

	Year ended 31 December 2021 *HK$'000*	Year ended 31 December 2020 *HK$'000*
Loss before taxation has been arrived at after charging/(crediting):		
Staff costs:		
Directors' emoluments (included retirement scheme contributions)	**4,210**	2,261
Salaries and other benefits	**79,819**	75,885
Equity-settled share option expense	**696**	140
Retirement benefits scheme contributions	**1,824**	1,610
	86,549	79,896
Auditors' remuneration:		
Audit services:		
– HLB Hodgson Impey Cheng Limited	**700**	700
– Other auditor	**393**	120
	1,093	820
Cost of inventories sold	**41,640**	44,750
Impairment losses under expected credit loss ("ECL") model, net of reversal:		
– account and other receivables	**697**	(706)
– loan receivables	**(16)**	44
– amounts due from non-controlling interests	**3**	54
– loan to an associate and amount due from an associate	**5,013**	106
Impairment loss on non-financial assets:		
– goodwill	**9,152**	–
– plant and equipment	**4,635**	–
– right-of-use assets	**1,881**	–
Loss on cessation of business *(note (i))*	**16,903**	–
Fair value change of financial assets at FVTPL	**(78)**	245
Fair value change of derivative financial liabilities	**(486)**	420
Bad debt written off*	**421**	425
Written off on plant and equipment*	**–**	523
Utilities*	**2,842**	2,825
Legal and professional fee*	**4,599**	6,116
Entertainment and travelling*	**5,378**	7,896
Repair and maintenance*	**1,260**	1,217
Uniform and cleaning*	**2,358**	2,796
Bank charges*	**1,825**	1,864
Short term leases	**8,745**	8,710
Profit sharing for lease payment *(note (ii))*	**3,383**	3,313
	12,128	12,023
Depreciation of plant and equipment	**18,574**	19,141
Depreciation of right-of-use assets	**14,015**	19,126
Amortisation of intangible assets	**86**	114
	32,675	38,381

* These items were grouped under other operating expense.

Notes:

(i) During the year ended 31 December 2021, due to disputes between COD and the Group in relation to the operation of Club Cubic Macau at the Boulevard, City of Dreams, Macau, the Group would be unable to continue to operate Club Cubic Macau from 8 October 2021. For further details, please refer to note 16(a).

The loss on cessation of business represents the write off on plant and equipment, write off on intangible assets, write off on prepayment and deposits and gain on lease termination which amounted for approximately HK$7,824,000, HK$392,000, HK$10,800,000 and HK$2,113,000 respectively.

(ii) Profit sharing for lease payment was the contingent rental depending on the net profit of the club operation, net of royalty and provision for fixed assets maintenance, pursuant to the term and conditions as set out in the respective agreement.

9. DIVIDENDS

No dividend has been paid or proposed by the Company since its date of incorporation. The Board does not recommend the payment of a final dividend for the year ended 31 December 2021 (2020: nil).

10. 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:

	Year ended 31 December 2021	Year ended 31 December 2020
	HK$'000	*HK$'000*
Loss for the purpose of basic and diluted loss per share	**(71,997)**	(31,759)
	'000	*'000*
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**2,080,412**	1,800,000

Note: Diluted loss per share for the years ended 31 December 2021 and 2020 were the same as basic loss per share because the outstanding convertible bonds, the outstanding convertible promissory and the share option had an anti-dilutive effect on the basic loss per share.

11. INVESTMENT IN AN ASSOCIATE/LOAN TO AN ASSOCIATE

	2021	2020
	HK$'000	*HK$'000*
Investment in an associate		
As at 1 January	**–**	–
Capital injection *(note (a))*	**–**	1,989
Share of losses of an associate	**–**	(1,989)
	–	–
Loan to an associate *(note (b))*	**1,240**	3,494
Amount due from an associate *(note (c))*	**1,485**	1,383
As at 31 December	**2,725**	4,877
Less: Amounts shown under current assets	**(1,485)**	(1,383)
Amounts shown under non-current assets	**1,240**	3,494

Notes:

(a) During the year ended 31 December 2020, the Group had made further capital injection of approximately HK$1,989,000.

(b) Loan to an associate is unsecured, interest-free and no fixed term of repayment.

(c) The amount is unsecured, interest-free and recoverable on demand.

12. ACCOUNT AND OTHER RECEIVABLES

	As at 31 December 2021	As at 31 December 2020
	HK$'000	*HK$'000*
Account receivables	**5,484**	7,634
Less: Allowance for ECL	**(554)**	(308)
	4,930	7,326
Sponsorship receivables	**–**	485
Less: Allowance for ECL	**–**	(10)
	–	475
Other receivables	**11,095**	9,455
Less: Allowance for ECL	**(91)**	(202)
	11,004	9,253
Prepayments	**2,573**	9,555
Deposits	**7,447**	15,381
Less: Allowance for ECL	**(817)**	(242)
	6,630	15,139
Less: Portion classified as non-current	**25,137**	41,748
– Deposits	**(2,287)**	(4,771)
Current portion	**22,850**	36,977

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 ECL, presented based on the invoice date at the end of the reporting period:

	As at 31 December 2021 HK$'000	As at 31 December 2020 HK$'000
0 to 30 days	**1,986**	4,937
31 to 60 days	**98**	379
61 to 90 days	**51**	330
91 to 120 days	**487**	452
Over 120 days	**2,308**	1,228
	4,930	7,326

13. 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 (2020: HK$4,450,000) were carrying interest at 10% (2020: 10%) per annum. The loan receivables were recoverable according to repayment schedules, normally with contractual maturity within one year as at 31 December 2021 and 2020.

During the year ended 31 December 2021, the loan to a related party was fully repaid.

	As at 31 December 2021 HK$'000	As at 31 December 2020 HK$'000
Loan receivables, gross	**3,450**	4,450
Less: Allowance for ECL	**(79)**	(94)
Loan receivables, net	**3,371**	4,356

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

	As at 31 December 2021 HK$'000	As at 31 December 2020 HK$'000
Within one year	**3,371**	4,356

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

14. ACCOUNT AND OTHER PAYABLES

	As at 31 December 2021	As at 31 December 2020
	HK$'000	*HK$'000*
Account payables	**8,339**	10,304
Rental payables *(note (i))*	**1,898**	12,199
Other payables *(note (ii))*	**52,698**	41,146
Accruals	**11,375**	9,836
	74,310	73,485
Less: Portion classified as non-current		
– Other payables *(note (iii))*	**(18,627)**	(29,647)
Current portion	**55,683**	43,838

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

Notes:

(i) As at 31 December 2021, the rental payables represent the short-term leases expense and contingent rental expense of approximately HK$1,753,000 (2020: HK$4,991,000) and HK$145,000 (2020: HK$3,313,000) respectively.

(ii) As at 31 December 2021, the other payables included the total amounts due to cessation of business of approximately HK$15,328,000. For further details, please refer to note 16(a).

(iii) The other payables classified as non-current liabilities represent the design and renovation fee of Club Cubic Zhuhai 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 date, as of the end of the reporting period:

	As at 31 December 2021	As at 31 December 2020
	HK$'000	*HK$'000*
0–30 days	**4,910**	5,779
31–60 days	**1,578**	1,522
61–90 days	**308**	1,429
91 to 120 days	**1,543**	1,574
	8,339	10,304

15. CAPITAL COMMITMENTS

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

	As at 31 December 2021	As at 31 December 2020
	HK$'000	*HK$'000*
Unpaid balance of capital contribution to a subsidiary in the PRC	**55,821**	42,473

16. LITIGATION AND CONTINGENT LIABILITIES

(a) On 19 October 2021, the Company's subsidiary, 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, 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 珠海城建海韵資產經營管理有限公司 ("城建海韵"), 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 城建海韵 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, and requested Zhuhai Ruiye to pay all the outstanding rental expenses together with costs of the legal proceedings for approximately HK$8,346,000 (equivalent to approximately RMB6,924,000). Zhuhai Ruiye submitted to the Court that the condition of the property was substandard quality at the delivery date and suffered substantial losses due to the leakage of the property. Zhuhai Ruiye applied for a counterclaim to the landlords and the property management company and requested waiver for the rental fee and building management fee for the above period and compensation for the losses due to the water leakage of the property, repairs and maintenances, labor costs together with costs of legal proceedings for approximately HK$15,947,000 (equivalent to approximately RMB13,230,000). The arbitration committee requested Zhuhai Ruiye to provide the evidences of the substandard quality of the property and breakdown for the labor cost for further judgement. As of the reporting date, the liability of Zhuhai Ruiye in respect of the arbitration cannot be reliably measured as the case is still in its initial stages.

EXTRACT OF INDEPENDENT AUDITORS' REPORT

The following is an extract of the independent auditors' report on the Group's consolidated financial statements for the year ended 31 December 2021 which included a disclaimer of opinion:

DISCLAIMER OF OPINION

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements. In all other respects, in our opinion, the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Companies Ordinance.

BASIS FOR DISCLAIMER OF OPINION

Multiple uncertainties relating to going concern basis

We draw attention to Note 2.2 in the consolidated financial statements, which describes that the Group incurred a net loss of approximately HK$81,529,000 for the year ended 31 December 2021 and, as of that date, the Group's current liabilities exceeded its current assets and total liabilities exceeded its total assets by approximately HK$76,318,000 and HK$60,670,000 respectively. As at that date, the Group's aggregate bank loans, lease liabilities, convertible loans and convertible promissory notes amounted to approximately HK$19,975,000, HK$38,391,000, HK$8,873,000 and HK$18,117,000, respectively, whilst its cash and cash equivalents amounted to approximately HK$2,034,000. These events and conditions, along with other matters as set forth in note 2.2 to the consolidated financial statements, indicate the existence of material uncertainties which may cast significant doubt on the Group's ability to continue as a going concern.

The directors have certain plans and measures to improve the Group's liquidity and financial position, which are set out in Note 2.2 to the consolidated financial statements. The consolidated financial statements have been prepared on a going concern basis, the validity of which is dependent on the outcomes of these plans and measures, which are subject to multiple uncertainties, including (i) whether the Company is successful in implementing alternative capital raising initiatives to provide financial support for the Group; (ii) whether the Company is able to successfully complete the right issue and/or share subscription or placing to meet its repayment obligations; (iii) whether the Company is able to implement its cost control measures to attain positive cash flows from operations of the Group; (iv) whether the Group is able to successfully negotiate with the banks for renewing banking facilities; (v) whether the landlords of the properties leased by the Group will provide rental concessions to the Group due to the reduced number of customers brought about by the outbreak of COVID-19; (vi) whether the Group is able to successfully apply for COVID-19 related government subsidies applicable to its clubbing and restaurant business; and (vii) whether the Group needs to pay all the amounts claimed under the legal proceedings described in Note 16.

We have not been able to obtain sufficient appropriate audit evidence to satisfy ourselves about the appropriateness of the use of the going concern basis of accounting in the preparation of the consolidated financial statements because of the lack of detailed analyses provided by management in relation to its plans and measures for future actions in its going concern assessment which take into account the uncertainty of outcome of these plans and measures and how variability in outcome would affect the future cash flows of the Group.

Should the Group be unable to continue to operate as a going concern, adjustments would have to be made to write down the carrying values of assets to their recoverable amounts, to provide for further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effects of these adjustments have not been reflected in these consolidated financial statements and we were unable to determine whether such adjustments might have been found necessary.

MANAGEMENT DISCUSSION AND ANALYSIS

During the year ended 31 December 2021, the Group continued to engage in the operation of clubbing business including "Club Cubic Macau" and "CUBIC SPACE+" and the operation of restaurants namely "HEXA", "SIXA" and "GaGiNang" which are all through subsidiaries and associate of the Group.

BUSINESS REVIEW

The continued impact of COVID-19 pandemic has impeded the recovery of global tourism industry. The Group's clubbing and restaurant operations were inevitably affected by the continued travel bans, restrictions and quarantine requirements imposed by the governments in Macau, Hong Kong and Mainland China during the period under review.

Operation of Clubbing Business

Club Cubic Macau was up against non-stop challenges brought by the COVID-19 outbreak. Following the effective control of the COVID-19 situation by the Macau and Chinese governments, Macau travel restrictions loosen and mainland visitors gradually return with average daily visitors hit high during the five-day Labour Day holidays. Unfortunately, the fresh cases of COVID-19 infection in Guangdong province reported since late May and the local COVID-19 infections identified in Macau in late September led to temporarily suspensions of entertainment venues in Macau. The situation was unprecedently difficult for Club Cubic Macau. Despite the continuous effort of management to implement measures and closely monitor business performance, Club Cubic Macau could only regain 20% of the pre-COVID revenue performance. Apart from the effort to reduce operating expenses, management of Club Cubic Macau had attempted to liaise with COD Resorts Limited ("COD"), the cooperation partner of Club Cubic Macau for rental concessions, but the result was not very fruitful. Regrettably, Club Cubic Macau was unable to continue its operation from 8 October 2021 due to the disputes between COD and the Group in relation to Club Cubic Macau's operation at the Boulevard, City of Dreams, Macau. The Group performed an impairment assessment on the assets of Club Cubic Macau after the incident, a loss on cessation of business of HK$16.9 million for Club Cubic Macau was recognized as at 31 December 2021 which mainly included write-off on plant and equipment, deposit for DJs performance and deposit for renovation and gain on lease termination of Club Cubic Macau. (Please refer to the announcement of the Company dated 8 October 2021 for details on the cessation of operation of Club Cubic Macau and note 8(i) for details of the write-off expenses.)

Our operation in Mainland China, CUBIC SPACE+ maintained positive result performance in the first half of 2021. However, affected by the strict disinfection and quarantine measures adopted in Zhuhai after Guangdong reported Delta variant of COVID-19 in late May, CUBIC SPACE+ performed soften sales turnover in the second half of 2021 which dragged down the overall performance in year 2021. Nonetheless, CUBIC SPACE+ still contributed 45% of the Group's total revenue of year 2021and it maintained positive operating result for the year ended 31 December 2021. It was unfortunately that after COVID-19 Omicron variant jumped in Zhuhai in January 2022, CUBIC SPACE+ has temporary suspended its operations from 13 January 2022 to work with the strict social restriction measures of the local government. Due to the severe impact on the operation of the clubbing business caused by the disinfection and quarantine measures and the negative industry sentiments under the COVID-19 pandemic, an impairment of HK$9.2 million on the investment goodwill and impairment of HK$6.6 million on plant and equipment and right-of-use assets of CUBIC SPACE+ were recognized as at 31 December 2021 based on the valuation in the appraisal consulting report.

Operation of Restaurant Business

Our restaurant business operation was severely impacted by the pandemic in the first quarter of 2021 with government-imposed restrictions banning the dine-in service from 6:00 p.m. and 4:59 a.m. of the subsequent day from 10 December 2020. We observed an obvious sales rebound in our restaurants when the social distancing restrictions were changed to allow seating of four people per table until 10:00 p.m. from 18 February 2021 onwards. The uplift of sales coupled with various measures to cut general expenses resulted in the performance upturn in the second to fourth quarters of 2021. Unfortunately, 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 starting from 7 January 2022. This 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.

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. We have streamlined to improve the existing operations. We have taken cost reduction programs to minimize cashflows and rationalization efforts to control capital expenditures. Furthermore, we have explored funding sources to enhance the financial position of the Company. During the period under review, the Group received a total of HK$2.6 million under the Special 100% Loan Guarantee Scheme. The Group also completed the share subscription of HK$11.7 million to reinforce our balance sheet. 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 increased by 1.3% from HK$158.4 million in 2020 to HK$160.4 million in 2021 mainly contributed by the revenue increase from HEXA and SIXA partially offset by the negative impact of 37.7% year-on-year drop of revenue from Club Cubic Macau.

Expenses

Cost of inventories sold mainly represents for the costs of beverage, food and tobacco products sold. It decreased by 7.1% from HK$44.8 million in 2020 to HK$41.6 million in 2021. This was mainly attributable to the decrease of cost of inventories of Cubic Space+ partially offset by the increase of cost of inventories of HEXA and SIXA in line with the increase of revenue.

Staff costs is one of the major components of the Group's operating expenses, which mainly consists of Directors' emoluments, salaries, retirement benefit scheme contribution and other benefits. Staff costs increased by 8.3% from HK$79.9 million in 2020 to HK$86.5 million in 2021. This was explained by (i) CUBIC SPACE+ salary cost resumed to normal during the period under review while its operation had been temporarily suspended during the first half of 2020; and (ii) the share-based compensation of HK$2.6 million for the share options granted on 4 January 2021.

Property rentals and related expenses remained steady in 2021 as compared to 2020.

Advertising and marketing expenses decreased by 40% from HK$3.0 million in 2020 to HK$1.8 million in 2021 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 included mainly cleaning and laundry, utilities, credit card commission, repair and maintenance, insurance expense and contractor service fee. Other operating expenses decreased by 22.3% from HK$35.9 million in 2020 to HK$27.9 million in 2021. This was explained by the discontinued consolidation of GAGiNang after the deemed disposal transaction on 30 March 2020 and the adoption of stringent cost control measures.

Depreciation and Amortization decreased by 14.8% from HK$38.4 million in 2020 to HK$32.7 million in 2021. This was mainly due to the discontinued consolidation of GaGiNang after the deemed disposal transaction on 30 March 2020.

Impairment Losses on Non-current Assets and Intangible Assets

Severe impact on the operation coupled with the negative industry sentiments under the prolonged COVID-19 pandemic led to the decline of customers and sales revenue of CUBIC SPACE+. Management had performed impairment assessment for the carrying amount of the assets of CUBIC SPACE+. For the year ended 31 December 2021, the Group recognized impairment losses on non-current assets and intangible assets of CUBIC SPACE+. These included impairment losses on property and equipment, right-of-use assets, investment goodwill amounting to HK$4.6 million, HK$1.9 million and HK$9.2 million respectively. The impairment assessment was carried out by determining the recoverable amount of the assets or the cash generating units (CGUs) based on the value-in-use calculation. The carrying amount is written down to its recoverable amount. Discounted cash flow projections from the financial budgets are adopted to determine the recoverable amount under the value-in-use calculation for impairment assessment.

Loss on cessation of business

During the year ended 31 December 2021, due to disputes between COD and the Group in relation to the operation of Club Cubic Macau at the Boulevard, City of Dreams, Macau, the Group would be unable to continue to operate Club Cubic Macau from 8 October 2021. For further details, please refer to note 16(a). The loss on cessation of business represents for write off on plant and equipment, write off on intangible assets, write off on prepayment and deposits and gain on lease termination which amounted to HK$7.8 million, HK$0.4 million, HK$10.8 million and HK$2.1 million respectively.

Loss Attributable to Owners of the Company

Net loss attributable to owners of the Company was HK$72.0 million for the year ended 31 December 2021 as compared to the net loss of HK$31.8 million recorded for the corresponding period in 2020. Such increase in net loss was mainly attributable to (i) loss on cessation of business of our clubbing business in Macau namely Club Cubic Macau of HK$16.9 million subsequent to the event that Club Cubic Macau was unable to continue its operation from 8 October 2021 due to the disputes between COD and the Group in relation to Club Cubic Macau's operation at the Boulevard, City of Dreams, Macau; (ii) impairment on goodwill and asset of our Zhuhai clubbing business namely CUBIC SPACE+ of HK$15.7 million due to the severe impact on the operation of the clubbing business caused by the disinfection and quarantine measures and the negative industry sentiments under the COVID-19 pandemic; and (iii) impairment losses under expected credit loss on the outstanding receivables from the associate company of HK$5.1 million.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Below is a summary of the key financial ratio:

	Notes	**As at 31 December 2021**	As at 31 December 2020
Current ratio	1	**0.3**	0.8
Quick ratio	2	**0.3**	0.7
Debt ratio	3	**154.4%**	98.1%

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.

The Group had cash and cash equivalents of HK$2.0 million as at 31 December 2021 (31 December 2020: HK$9.9 million).

During the year ended 31 December 2021, the Group received pandemic subsidies from the Hong Kong Government of total HK$0.8 million under the Catering Business Subsidy Scheme and received subsidies from the Macau Government of HK$0.2 million. The Group also received a total of HK$2.6 million under the Special 100% Loan Guarantee Scheme.

As at 31 December 2021, The Group had external borrowing of HK$47.0 million (31 December 2020: HK$52.5 million), including an outstanding amount of HK$Nil (31 December 2020: HK$3 million) from the bank overdraft facility for which the Company provided its corporate guarantee. 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 2.2.

Share Subscription

On 23 March 2021, the Company entered into the subscription agreements with each of Trendy Pleasure Limited and Emperor Joy Limited (together, the “Subscribers”) (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 ordinary shares of HK$0.033 each for a cash consideration of approximately HK$11,880,000 (“the Subscriptions”). The aggregate nominal value of the Subscription Shares is HK$3,600,000. The market value of the Subscription Shares is HK$10,440,000, based on the closing price of HK$0.029 per Share as at the date of the Subscription Agreements.

All the conditions precedent to the Subscriptions had been fulfilled and the Completion took place on 9 April 2021. An aggregate of 360,000,000 Subscription Shares, representing (i) 20.00% of the existing issued share capital of the Company immediately before the completion of the Subscriptions; and (ii) approximately 16.67% of the total issued Shares of the Company immediately after the completion were allotted and issued to the Subscribers at the subscription price of HK$0.033 per Subscription Share in accordance with the terms of the Subscription Agreements.

The net proceeds from the Subscription, after deduction of the professional fee and other related expenses, amounted to approximately HK$11,751,000 representing a net subscription price of approximately HK$0.0326 per Subscription Share, which are intended to be used for general corporate purposes including payment of trade-related payables and bank facilities and also general working capital of the Group.

As at 31 December 2021, the net proceeds raised from the Subscription were applied and have been fully utilized in accordance with the planned use of proceeds as set out in the announcement of the Company dated 23 March 2021, among which approximately HK$2.4 million was used to settle payables and loans and approximately HK$9.4 million was used in general working capital such as salary payment. For details of the Subscription, please refer to the announcements of the Company dated 23 March 2021 and 9 April 2021.

CHARGES ON ASSETS

As at 31 December 2021, 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.

PRINCIPAL RISKS AND UNCERTAINTIES

Below is a summary of certain principal risks and uncertainties, which may materially and adversely affect the achievement of our business progress, and our corresponding measures.

Principal risks and uncertainties	Measures
(i) After years of effort in diversifying our sources of revenue, our CUBIC SPACE+ in Zhuhai constituted 45% of the total revenue of the Group for year 2021. As our first business in Mainland China, we are relatively not familiar with the local business environment. We may not be able to detect, deter and prevent all instances of infringement, illegal activities or other misconducts committed in such jurisdictions which may harm our reputation and affect our brand name.	(1) We have allied with experienced local business partners for the localization of our business. When expanding our clubbing business to other regions of Mainland China, we will also continue to work with business partners or investors who are more familiar with local environment to mitigate our risk exposure and ease our financial burden.
(ii) Our restaurants namely HEXA and SIXA contributed 40% of the total revenue of the Group for year 2021. The restaurants' future successes depend on their ability to constantly offer menu items, and dining services based on changing market trends and expectations of the target customers. Apart from that, the restaurants might not be able to renew existing leases on commercially acceptable terms which might have material adverse effect on the Group's future business development.	(2) HEXA and SIXA have been constantly reconstructing the menu and tailor-made set menu to meet the requirement of target customers. HEXA has also been in close discussion of renewing the existing lease with the landlord.
(iii) We made our purchases mainly from our largest supplier and our five largest suppliers. The purchases from these suppliers are either under annual contract or individual purchase order, and have not entered into any long-term contracts. In the event that our business relationship with these suppliers is terminated, we may not be able to have sufficient supply of products of similar quality and brand name, at sufficient quantity and on similar terms.	(3) We have explored opportunities to diversify our supplying sources and negotiating long-term contracts with suppliers to reduce the risks of constant supplying.

Principal risks and uncertainties	Measures
(iv) Compliance with Relevant Laws and Regulations.	The Group has in place compliance and risk management procedures and policies to monitor adherence with all significant legal and regulatory requirements. The Group has observed strict compliance with the applicable laws and regulations and implemented a comprehensive safety management system for the kitchens of the Group, with an objective to continuously improving the Group's food quality and hygiene standards.
(v) Coronavirus Disease ("COVID-19")	
(1) With the outbreak of COVID-19 suspending or limiting services in Macau, Hong Kong and Mainland China, the business activities of the Company have generally been suspended or slowed down. The COVID-19 outbreak and the social distancing measures had an adverse impact on our operations and financial results in 2021 and the adverse effect is expected to persist in at least a portion of 2022.	(1) The Group is closely observing the development of the outbreak of the COVID-19 while carrying out cost control measures to alleviate the overall impact of the outbreak on the business operations and financial position of the Group.
(2) The continuing spread and prolonged occurrence of COVID-19 have an adverse effect on the tourism Industry in Hong Kong and the ongoing impact may disrupt our business conditions and prospects.	(2) The Group is closely observing the development of the outbreak of the COVID-19 and the effect on the tourism industry. The management will closely monitor the development and change its policy and/or menu to match both the tourists and local customers.

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

Save as disclosed in Note 16, the Group did not have any other contingent liabilities.

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

Save for those disclosed in this announcement, there were no other significant investments held by the Group as at 31 December 2021, nor were there other material acquisitions and of subsidiaries and affiliated companies by the Group during the year.

DIVIDEND

The Board does not recommend the payment of dividend by the Company for the year ended 31 December 2021.

ADDITIONAL INFORMATION ON AUDITORS' DISCLAIMER OF OPINION AND THE COMPANY'S VIEW AND MEASURES TO ADDRESS THE DISCLAIMER OF OPINION

As explained in the "Basis for Disclaimer of Opinion", the auditors' disclaimer of opinion were principally caused by the multiple uncertainties relating to going concern.

The directors of the Company have been undertaking a number of measures to mitigate the liquidity pressure, to improve its financial position and to refinance its operation, including but not limited to:

(i) the management will 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;

(ii) The company is proactively exploring fund raising activities such as rights issue and/or share subscription or placing to meet its repayment obligations;

(iii) the directors of the Company will implement stronger measures aiming at improving the working capital and cash flows of the Group, including closely monitoring incurrence of other operating expenses;

(iv) the management will continue to 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;

(v) the management will continue its negotiation with the landlords for rent concessions due to the reduced number of customers arising from the outbreak of COVID-19; and

(vi) the Group will continue to apply for COVID-19 related government subsidies applicable to its clubbing and restaurant business in Hong Kong and Mainland China, including salary subsidies and costs of sterilization of business premises, which will reduce the operation costs of the Group to a certain extent.

With the measures mentioned above, we are expecting the Group's overall financial position to be further improved in the year to come. The Directors will continue to use their best efforts to protect and uphold the Company's best interest. The Group, the Directors and the management are keen to resolve matters relating to disclaimer of opinion throughout the financial year 2022.

AUDIT COMMITTEE'S VIEW ON THE DISCLAIMER OF OPINION

The audit committee of the Company (the "Audit Committee") had critically reviewed the disclaimer of opinion (the "Disclaimer") of the auditors and also the management's position and action plan of the Group to address the Disclaimer. The Audit Committee is in agreement with the management with respect to the Disclaimer and the Group's ability to continue as a going concern, and in particular the actions or measures to be implemented by the Group. The Audit Committee's views are based on (i) a critical review of the action plan to address the Disclaimer (and the assumption of successful and continued implementation), (ii) discussions between the Audit Committee, the auditors and the management regarding the Disclaimer; and (iii) the latest development of the COVID-19 pandemic. The Audit Committee is also of the view that the management should continue its efforts in implementing the actions and measures with the intention of mitigating the Group's liquidity pressure, and resolving matters relating to disclaimer of opinion throughout the financial year 2022.

CLARIFICATION TO PROFIT WARNING ANNOUNCEMENT

Reference is made to the announcement of the Company date 10 March 2022 (the "Profit Warning Announcement") in relation to the profit warning of the results of the Company for the year ended 31 December 2021. The Company would like to clarify that the actual net loss of the Company for the year ended 31 December 2021 amounted to HK$81.5 million which is less than the expected amount stated in the Profit Warning Announcement.

The Board would like to emphasize that the information contained in the Profit Warning Announcement was based on the preliminary assessment by the Board of the Group's unaudited consolidated management accounts for the year ended 31 December 2021 and the latest information available to the Board up the date of the Profit Warning Announcement. Such decrease in net loss was mainly due to the adjustment on the impairment and write-off on assets of our clubbing business in Macau namely Club Cubic Macau upon the finalization of the consolidated financial statements of the Group and completion of audit by the auditor of the Company.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2021.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Group has recognized 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 has adopted and complied with the principles and code provisions in the Corporate Governance Code and Corporate Governance Report (the "CG Code") as previously set out in Appendix 15 to the GEM Listing Rules for the year ended 31 December 2021, except for the below deviations.

A.2.1

Paragraph A.2.1 of the CG Code which provides that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The roles of the chairman of the Board and the chief executive officer of the Company 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.

Code A.6.7

Two executive Directors, three non-executive Directors and three independent non-executive Directors were absent from the last annual general meeting of the Company held on 18 June 2021 as they were away from Hong Kong due to other important engagements at the time of this meeting. The Board considered that sufficient measures had been taken for the absent Directors to understand the views of shareholders.

As at the date of this result announcement, the Board comprises six members with three executive Directors, one non-executive Director and two independent non-executive Directors while the Remuneration Committee and Nomination Committee of the Company comprise only two members. This results in non-compliance with the requirements under Rules 5.05(1), 5.05(A), 5.34 and 5.36A of the GEM Listing Rules. As such, the Company is in the process of identifying suitable candidates to fill the vacancy within three months from 11 February 2022 in order to ensure compliance by the Company with the requirements under the GEM Listing Rules.

AUDIT COMMITTEE

The Company established an audit committee with written terms of reference in compliance with Rules 5.28 and 5.29 of the GEM Listing Rules and paragraph C.3.3 and C.3.7 of the CG Code. The audit committee is chaired by our independent non-executive Director, Mr. Chan Ka Yin, who holds the appropriate professional qualifications as required under Rules 5.05(2) and 5.28 of the GEM Listing Rules, and consists of another independent non-executive Director Mr. Tang Tsz Tung and a non-executive Director, Mr. Au Wai Pong Eric.

The consolidated financial statements of the Group for the year ended 31 December 2021, including the accounting principles and practices, internal control and financial reporting matters have been reviewed and approved by the Audit Committee, and the Audit Committee is of the opinion that such financial statements comply with the applicable accounting standards, the Listing Rules and all other applicable legal requirements. The Audit Committee therefore recommended the Board's approval of the Group's consolidated financial statements for the year ended 31 December 2021.

ANNUAL GENERAL MEETING

It is proposed that the forthcoming annual general meeting of the Company (the "AGM") will be held on Friday, 17 June 2022. A notice convening the AGM will be published and despatched to the shareholders of the Company in the manner required by the GEM Listing Rules in due course.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the Annual General Meeting, the Register of Members of the Company will be closed from Tuesday, 14 June 2022 to Friday, 17 June 2022, both dates inclusive, during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the Annual General Meeting, unregistered holders of Shares shall ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Monday, 13 June 2022.

SCOPE OF WORK OF AUDITORS

The figures in respect of the preliminary announcement of the Group's result for the year ended 31 December 2021 have been agreed by the Group's auditors, HLB Hodgson Impey Cheng Limited ("HLB"), to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by HLB in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently, no assurance has been expressed by HLB on the preliminary announcement.

DEFINITIONS AND GLOSSARY

"Board"	the board of Directors
"City of Dreams"	an integrated resort located on two adjacent pieces of land in Cotai, Macau, which was opened in June 2009 and owned by Melco Crown (COD) Developments Limited (now known as COD Resorts Limited)
"Club Cubic Macau"	a clubbing venue operated by the Group under the name of Cubic which was opened in April 2011 and located at 2nd and 3rd floor, The Boulevard, City of Dreams, Cotai, Macau

"Club Cubic Zhuhai"	a clubbing venue in Zhuhai to be operated by a joint venture company in which the Group shall hold less than 20% interest, details of which are disclosed in the Company's announcement dated 12 December 2016, 10 February 2017, 11 April 2017, 11 May 2017 and 2 June 2017
"COD"	COD Resorts Limited, which merged with Melco Resorts (COD) Retail Services Limited (formerly known as Melco Crown (COD) Retail Services Limited), owner of the club premises of Club Cubic Macau
"Company"	Luk Hing Entertainment Group Holdings Limited (stock code: 8052), a company incorporated in the Cayman Islands with limited liability, and the issued Shares of which are listed on the GEM
"Controlling Shareholders"	has the meaning ascribed thereto in the GEM Listing Rules and in the case of our Company, means Welmen Investment Co. Ltd ("Welmen"), Yui Tak Investment Limited, Ocean Concept Holdings Limited, Toprich Investment (Group) Limited, Perfect Succeed Limited, Mr. Choi Yiu Ying, Mr. Choi Siu Kit, Mr. Au Wai Pong Eric, Mr. Au Ka Wai and Mr. Yeung Chi Shing. Mr. Choi Yiu Ying, Mr. Choi Siu Kit, Mr. Au Wai Pong Eric, Mr. Au Ka Wai and Mr. Yeung Chi Shing are regarded as parties acting in concert and a group of concerted shareholders by virtue of an acting in concert confirmation dated 2 March 2016
"Directors"	the directors of the Company
"DJ"	disc jockey
"GEM"	GEM operated by the Stock Exchange
"GEM Listing Rules"	The Rules Governing the Listing of Securities on GEM
"Group"	the Company and/or any of its subsidiaries
"HEXA"	a modern Chinese restaurant operated by the Group under the name of HEXA which was opened in October 2017 and located at shop OTE 101, ground floor, Ocean Terminal, Harbour City, Tsim Sha Tsui, Hong Kong
"HK$" or "HKD"	Hong Kong dollars, the lawful currency of Hong Kong

"Hong Kong"	The Hong Kong Special Administrative Region of the PRC
"Independent Third Party(ies)"	any person(s) or company(ies) and their respective ultimate beneficial owner(s), to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, are not connected persons of the Company and are third parties independent of the Company and its connected persons in accordance with the GEM Listing Rules
"Listing"	the listing of the Shares on GEM on 11 November 2016
"Macau"	The Macau Special Administrative Region of the PRC
"MOP"	Macau Pataca(s), the lawful currency of Macau
"M&A"	memorandum of association and articles of association
"Operating Agreement"	an operating agreement dated 28 April 2010 entered into between COD (as the owner) and Star Century Investments Limited (as the operator), novated by a novation agreement dated 14 January 2011 entered into between COD (as the owner), Star Century Investments Limited (as the old operator) and Luk Hing Investment Limited (as the new operator), and supplemented by a supplemental agreement dated 28 November 2012 and further supplemented by a second supplemental agreement dated 5 August 2016, concerning the operation of Club Cubic Macau. The operating agreement was renewed to a term until March 2017. On 26 September 2019, the Company renewed the Operating Agreement with COD for a term until March 2027
"PRC"	the People's Republic of China (for the purpose of this annual result announcement, exclude Hong Kong, Macau and Taiwan)
"Prospectus"	the prospectus of the Company dated 27 October 2016
"RMB"	Renminbi, the lawful currency of the PRC
"Shares"	the ordinary shares of HK$0.01 each in the issued share capital of the Company
"Shareholders"	the holders of the Shares

"SIXA"	a modern Chinese restaurant wholly-owned by HEXA which was opened in August 2019 and located at Shop 601, 6/F, Citygate, 1820 Tat Tung Road, Tung Chung, Lantau, Hong Kong
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"United States" or "US"	the United States of America
"US$" or "USD"	United States dollar, the lawful currency of the United States

BOARD OF DIRECTORS

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

Executive Directors:
Mr. Choi Yiu Ying *(Chairman and Chief Executive Officer)*
Mr. Choi Siu Kit
Mr. Yeung Chi Shing

Non-executive Director:
Mr. Au Ka Wai

Independent non-executive Directors:
Mr. Tang Tsz Tung
Mr. Chan Ka Yin

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

Hong Kong, 24 March 2022

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