2022 ANNUAL REPORT

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

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LUK HING ENTERTAINMENT GROUP

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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 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.

This report will remain on the "Latest Company Announcements" page of the GEM website at www.hkgem.com for at least 7 days from the date of its posting and on the Company's website at www.lukhing.com.

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Choi Yat Hon (formerly known as Choi Yiu Ying)
(Chairman and Chief Executive Officer)
Mr. Choi Siu Kit
Mr. Yeung Chi Shing
Mr. Zhang Rongxuan (appointed on 10 May 2022 and resigned on 23 November 2022)

Non-executive Director

Mr. Au Ka Wai

Independent Non-executive Directors

Mr. Ip Hoi Fan (appointed on 6 May 2022)
Mr. Wong Chung Wai (appointed on 10 January 2023)
Ms. Tse Mei Ling (appointed on 13 January 2023)
Mr. Chan Wai (appointed on 20 June 2022 and resigned on 9 January 2023)
Mr. Tang Tsz Tung (resigned on 13 October 2022)
Mr. Chan Ka Yin (resigned on 10 June 2022)

BOARD COMMITTEES

Audit Committee

Ms. Tse Mei Ling *(Chairman)* (appointed on 13 January 2023)
Mr. Au Ka Wai
Mr. Wong Chung Wai (appointed on 10 January 2023)
Mr. Chan Wai *(Chairman)* (appointed on 20 June 2022 and resigned on 9 January 2023)
Mr. Chan Ka Yin *(Chairman)* (resigned on 10 June 2022)
Mr. Tang Tsz Tung (resigned on 13 October 2022)

Remuneration Committee

Ms. Tse Mei Ling *(Chairman)* (appointed on 13 January 2023)
Mr. Wong Chung Wai (appointed on 10 January 2023)
Mr. Ip Hoi Fan (appointed on 6 May 2022)
Mr. Au Ka Wai
Mr. Tang Tsz Tung *(Chairman)* (resigned on 13 October 2022)

Nomination Committee

Mr. Choi Yat Hon (formerly known as Choi Yiu Ying) *(Chairman)*
Mr. Wong Chung Wai (appointed on 10 January 2023)
Mr. Ip Hoi Fan (appointed on 6 May 2022)
Mr. Tang Tsz Tung (resigned on 13 October 2022)

COMPANY SECRETARY

Mr. Lee Kun Yin

COMPLIANCE OFFICER

Mr. Choi Siu Kit

AUTHORISED REPRESENTATIVE

Mr. Choi Siu Kit
Mr. Lee Kun Yin

AUDITORS

HLB Hodgson Impey Cheng Limited

LEGAL ADVISORS

Hong Kong Law

Jingtian & Gongcheng LLP

Macau Law

Leong Hon Man Law Office

CORPORATE INFORMATION

PRINCIPAL BANKERS

Bank of East Asia Limited
Bank of China Limited Macau Branch

REGISTERED OFFICE

Windward 3, Regatta Office Park
P.O. Box 1350
Grand Cayman KY1-1108
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Room 1505, 15/F., Shun Tak Centre West Tower
168-200 Connaught Road Central
Sheung Wan
Hong Kong

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Ocorian Trust (Cayman) Limited
Windward 3, Regatta Office Park
P.O. Box 1350
Grand Cayman KY1-1108
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

STOCK CODE

8052

WEBSITE

www.lukhing.com

LETTER TO THE SHAREHOLDERS

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 2022.

2022 was another difficult year for the Company. With economic activities beginning to return to normal during the last few months of 2022, the restaurant business industry continues to face challenges due to labour shortage, lack of tourists from both Mainland China and overseas and rising operational costs.

BUSINESS ENVIRONMENT AND DEVELOPMENT

The businesses of HEXA and SIXA were seriously affected due to COVID-19 and as a result, our fine-dining restaurants had been hit hard in 2022. With dining restrictions, our restaurants have continued to prepare various menus that are available for delivery and take-away. At the same time, the Group regularly introduced special set menus, including various 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.

The Group had minimal clubbing business in Mainland China in 2022 due to declining business environment and disagreement with the landlords.

OUTLOOK

With the world learning to coexist with COVID-19, social restrictions have eased in many countries, leading to a rebound in domestic activities, border re-opening and a resumption of international travel. Whilst this may work well for economic recovery, the Board remains cautious in facing challenges that may arise from global political tensions, escalating food prices, increase in labour cost and other market uncertainties.

Looking forward to 2023, although the risks directly caused by the pandemic have been fully revealed, inflationary pressures and the risk of financing costs will be a key concern in the year ahead for the Group as its business operation is inevitably relying on capital leverage.

In addition, the Board believes that the recent fund raising activities by the Group in 2023 will help the Group to (a) settle some of the Group's indebtedness; (b) strengthen the financial position of the Group; (c) support its business operations; and (d) enable the Group to participate in certain investment opportunities. The Board believes 2023 will be a better year for the Group due to its improved financial position and more promising business environment and opportunities.

We firmly believe that China and the rest of the world will gradually step out of the pandemic and return to normal. Hence, the Group intends to revamp and optimise its existing businesses in 2023 for greater operational efficiency. Meanwhile, the management of the Group also seeks to capitalise on the momentum of the reopening after the pandemic to step up its efforts in the restaurant and/or new business sectors.

LETTER TO THE SHAREHOLDERS

Overall, 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. Despite the uncertain and challenging business environments in Hong Kong, we will try our best to leverage our brand and network in order to improve our financial positions for our shareholders and stakeholders.

APPRECIATION

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 Yat Hon
Chairman and Chief Executive Officer
Hong Kong, 30 March 2023

MANAGEMENT DISCUSSION AND ANALYSIS

During the year ended 31 December 2022, the Group was primarily engaged in the operation of clubbing business 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 half of 2022. During the period under review, the restaurant business has generated revenue of approximately HK$57.7 million (2021: HK$65.9 million), accounts for approximately 98.5% of the Group's total income and is the principal source income of the Group. With the resumption of cross-border travel with Mainland China from 8 January 2023, the local economy and retail market have started on the path of recovery and have improved recently. As at the date of this report, our restaurants have resumed to 90% of the pre-pandemic level of revenue performance. The restaurant business continues to contribute a stable source of income to the Group.

Operation of Clubbing Business

Our clubbing business, CUBIC SPACE+ in Zhuhai has temporary suspended its operation from 13 January 2022 in the wake of stringent anti-epidemic measures imposed by the local government. Further to the disclosure in the Company's annual report dated 24 March 2022 and interim report dated 9 August 2022 regarding the legal proceeding between Zhuhai Ruiye Bar Management Company Limited ("Zhuhai Ruiye"), the Company's subsidiary operating CUBIC SPACE+, 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+, Zhuhai Ruiye received judgement from Zhuhai Arbitration Commission dated 7 September 2022, ordered Zhuhai Ruiye to pay 城建集團 and 城建海韵 the outstanding rental and penalties in the sum of approximately HK$3.5 million which Zhuhai Ruiye had made the provisions for the payment. In addition, the Group would be unable to continue to operate CUBIC SPACE+ from 20 October 2022 due to the disputes between 城建集團 and 城建海韵 and the Group in relation to the operation of CUBIC SPACE+ at Zhuhai Grand Theatre, in Zhuhai, the PRC. The Group performed an impairment assessment on the assets of CUBIC SPACE+, a loss on cessation of business of approximately HK$11.3 million for CUBIC SPACE+ was recognized as at 31 December 2022 which mainly included write-off on plant and equipment, right-of-use assets and rental deposits and gain on lease termination of CUBIC SPACE+. Please refer to the announcement of the Company dated 21 October 2022 for details on the cessation of operation of CUBIC SPACE+.

Termination of the acquisition of the entire issued share capital of C45 Holdings Limited

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. The acquisition transaction was terminated on 10 October 2022 since the Vendor has not performed all of its obligations at Completion. Please refer to the announcement of the Company dated 10 October 2022 for details.

Winding up Petition

On 16 December 2022, the Company received a petition (the "Petition") from Jolly Rise Holdings Limited (the "Petitioner"), being Investor B, one of the Investors to the Convertible Promissory Note, in the matter of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32, Laws of Hong Kong) ("CWUMPO") filed in the High Court of The Hong Kong Special Administrative Region (the "High Court") under Companies Winding up Proceedings No. 467 of 2022 that the Company may be wound up by the High Court on the ground that the Company is unable to pay its debts. The Petition was filed against the Company for failure to settle an amount of USD500,000 plus interest accrued owed to the Petitioner in accordance with the respective Note Purchase Agreement. On 27 February 2023, the High Court has ordered that the Petition be dismissed. Please refer to the announcements of the Company dated 16 December 2022 and 27 February 2023 for details.

Disposal of entire issued share capital in a subsidiary

On 23 December 2022, the wholly owned subsidiaries of the Company, Luk Hing Development Limited and Luk Hing International Limited entered into the share transfer agreement with the purchaser, a limited private company incorporated in Macau which is wholly owned by Mr. Liu Liangfeng, pursuant to which the entire issued share capital in Luk Hing Investment Limited which is principally engaged in the operation of Club Cubic Macau, was disposed for a total consideration of HK$100,000. Luk Hing Investment Limited ceased to be a subsidiary of the Company and its financial results, asset and liabilities is no longer be consolidated into the financial statements of the Group. A gain on the disposal of approximately HK$16.4 million was recorded. Please refer to the announcement of the Company dated 23 December 2022 for details.

The business environment was extremely challenging in the past few years due to the COVID-19 pandemic, in particular the outbreak of the Omicron variant and the fifth wave of COVID-19 since the first quarter of 2022. The Group continued maintaining its proactive while prudent approach to position itself in the best of financial and operational health to counter the challenges posed by COVID-19. During the period under review, the Group has taken a number of measures to improve its liquidity and financial position including: (i) the Company has implemented stronger measures to improve the working capital and cashflow of the Group, including closely monitoring incurrence of other operating expenses; (ii) the management of the Company has continued to negotiate with the landlords of our business venues for rent concessions due to the reduced number of customers arising from the outbreak of COVID-19; (iii) the Group continued to apply for COVID-19 related government subsidies and for that a total of approximately HK$3.9 million was obtained in 2022; (iv) the Group has successfully applied for HK$8 million under the Special 100% Loan Guarantee Scheme to support the rental payment of the restaurants; (v) the Company has proactively explored fund raising activities included placing of shares under the General Mandate announced on 24 February 2023 and the net proceeds from the placing was approximately HK$7 million among which approximately HK$6.5 million was used to partial settlement of outstanding principal of convertible promissory note and convertible loan and the remaining HK$0.5 million will be used as working capital of the Company. Please refer to the announcements of the dated 24 February 2023 and 17 March 2023 for details.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

Total revenue of the Group decreased by 63.5% from approximately HK$160.4 million in 2021 to approximately HK$58.6 million in 2022 mainly due to the cessation of operation of Club Cubic Macau and 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 56.0% from approximately HK$41.6 million in 2021 to approximately HK$18.3 million in 2022 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 62.8% from approximately HK$86.5 million in 2021 to approximately HK$32.2 million in 2022. This was explained by the material decrease of salary costs resulted from the cessation of operation of Club Cubic Macau and CUBIC SPACE+.

Property rentals and related expenses decreased by 25.6% from approximately HK$12.1 million in 2021 to approximately HK$9.0 million in 2022 due to the decrease of rental expense from the cessation of operation of Club Cubic Macau from October 2021.

Advertising and marketing expenses decreased by 88.9% from approximately HK$1.8 million in 2021 to approximately HK$0.2 million in 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 and insurance expense. Other operating expenses decreased by 42.7% from approximately HK$27.9 million in 2021 to approximately HK$16.0 million in 2022. Decrease of other operating expenses resulted from the cessation of operation of Club Cubic Macau and CUBIC SPACE+.

Depreciation and Amortization decreased by 29.7% from approximately HK$32.7 million in 2021 to approximately HK$23.0 million in 2022. This was mainly due to the cessation of operation of Club Cubic Macau and CUBIC SPACE+.

Loss on Cessation of Business

The Group was unable to continue to operate CUBIC SPACE+ from 20 October 2022 due to the disputes between 城建集團 and 城建海韵 and the Group in relation to the operation of CUBIC SPACE+ at Zhuhai Grand Theatre, in Zhuhai, the PRC. The loss on cessation of business represents for write-off on plant and equipment, write-off on right-of-use assets, write-off on rental deposit, write-off on inventories and gain on lease termination which amounted to approximately HK$24.4 million, HK$10.8 million, HK$0.9 million, HK$0.2 million and HK$25.0 million respectively.

Loss Attributable to Owners of the Company

Net loss attributable to owners of the Company was approximately HK$32.1 million in 2022 compared to that of approximately HK$72.0 million in 2021. The significant decrease is primarily due to (i) a net gain of HK$16.4 million on disposal of the entire issued share capital in Luk Hing Investment Limited which is principally engaged in the operation of Club Cubic Macau (2021: Nil); (ii) the absence of impairment losses on non-current assets and intangible assets of CUBIC SPACE+; and (iii) the absence of loss on Cessation of Business of Club Cubic Macau.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Below is a summary of the key financial ratio:

	Notes	**As at 31 December 2022**	As at 31 December 2021
Current ratio	1	**0.1**	0.3
Quick ratio	2	**0.1**	0.3
Debt ratio	3	**358.9%**	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$0.6 million as at 31 December 2022 (31 December 2021: HK$2.0 million).

During the year ended 31 December 2022, the Group received pandemic subsidies from the Hong Kong Government of total HK$1.2 million and HK$2.2 million under the Catering Business Subsidy Scheme and Employment Support Scheme respectively and received subsidies from the Macau Government of HK$0.5 million. The Group also received a total of HK$8.0 million under the Special 100% Loan Guarantee Scheme.

As at 31 December 2022, The Group had external borrowing of HK$48.8 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 2.2.

CHARGES ON ASSETS

As at 31 December 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 year under review, a significant portion of revenues are denominated in Hong Kong dollar.

CONTINGENT LIABILITIES

Save as disclosed in note 42 to the consolidated financial statements of the Group, the Group did not have any 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 2022, nor were there other material acquisitions and disposal 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 2022.

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

The Board wishes to draw the attention of the shareholders of the Company (the "Shareholders") to the section headed "Basis for Disclaimer of Opinion" as contained in the Independent Auditor's Report dated 30 March 2022 issued by the Company's auditors, HLB Hodgson Impey Cheng Limited (the "Auditor"), contained in pages 64 and 65 of this report.

In respect of the basis for disclaimer of opinion as disclosed in the independent auditor's report for the year ended 31 December 2022 relating to the appropriateness of the assumption regarding the Company's ability to continue as a going concern, the Group has prepared a forecast covering a period of 15 months from the end of the reporting period taking into account of a number of measures undertaking to improve its liquidity and financial position including but not limited to:

(i) the bank and other borrowings repayable within one year of the Group amounted to approximately HK$31.4 million as at 31 December 2022, which included convertible loans obtained in June 2019 of approximately HK$9.1 million, convertible promissory notes issued in July 2019 of approximately HK$18.1 million and bank loans of approximately HK$4.2 million.

(ii) the Company has proactively explored fund raising activities included placing of shares under the General Mandate announced on 24 February 2023 and the net proceeds from the placing was approximately HK$7 million among which approximately HK$6.5 million was used to partial settlement of outstanding principal of convertible promissory note and convertible loan and the remaining HK$0.5 million will be used as working capital of the Company. Please refer to the announcements of the dated 24 February 2023 and 17 March 2023 for details.

(iii) 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;

(iv) 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;

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

Taking into account the successful and continued implementation of such measures, the Directors are of the opinion that the Group will have sufficient working capital and hence it is appropriate to prepare the Group's consolidated financial statements on a going concern basis.

Assuming all the plans and measures in the forecast can be successfully implemented as scheduled and there are no other material adverse changes to the business operation and financial conditions of the Group, the Company's auditor will consider to remove the Disclaimer in next year's audit report.

AUDIT COMMITTEE'S VIEW ON THE DISCLAIMER OF OPINION

The audit committee of the Company (the "Audit Committee") had critically reviewed the basis for disclaimer of opinion (the "Disclaimer") of the Auditor. The Audit Committee had also discussed with the Auditor regarding the financial position of the Group, the measures taken and to be taken by the Company, and considered the Auditor's rationale and understood their consideration in arriving the disclaimer of opinion. 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, (ii) discussions between the Audit Committee, the auditors and the management regarding the Disclaimer and the proposed measures and action plan together with the timeline stated therein to address the Disclaimer; and (iii) the latest development of the COVID-19 pandemic. The Audit Committee requested the management to take all necessary actions to address the effect on the basis for disclaimer of opinion to procure no such disclaimer of opinion to be made in the next financial year.

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

BOARD OF DIRECTORS

Executive Directors

Mr. Choi Yat Hon (蔡逸翰) (with former names Choi Yiu Ying (蔡耀陞), Choi Siu Man (蔡紹文) and Choi Siu Ying (蔡兆鈃)) ("Mr. Simon Choi"), aged 46**,** was appointed as our Director on 19 January 2016. He was re-designated as our executive Director and our chairman of the Board on 2 March 2016, and is primarily responsible for overall strategic planning and supervising daily operation of our Group. He has joined our Group as our chief executive officer since May 2010, with responsibilities to, among others, develop business plans, manage staff members, oversee daily operation and cost and budget control. He has also been a director of certain subsidiaries of the Group. Mr. Simon Choi is the chairman of the Nomination Committee of the Board.

Mr. Simon Choi has over 20 years of experience in the restaurant and bar and clubbing industry in Hong Kong and Macau. Since January 2001, he has invested in and was responsible for the management and operation of various bars and restaurants, such as (i) Shelter Lounge in Causeway Bay, Hong Kong (from January 2001 to December 2015), (ii) Census Lounge in Causeway Bay, Hong Kong (from October 2005 to December 2015), (iii) House Lounge in Causeway Bay, Hong Kong (from July 2006 to December 2015), (iv) Habitat Japanese Restaurant in Wanchai, Hong Kong (from December 2008 to April 2015), and (v) Shelter Italian Bar & Restaurant in Causeway Bay, Hong Kong (from May 2013 to June 2019), and he was also involved in the management of Old Cubic, acting as a managing director from its opening in December 2008 until May 2010.

Mr. Simon Choi received a bachelor degree of engineering from the City University of London, United Kingdom in June 2001. He is the elder brother of Mr. John Choi, one of the Controlling Shareholders and an indirect shareholder of our Company, and a director and a shareholder of Perfect Succeed Limited ("Perfect Succeed") and Welmen Investment Co. Ltd ("Welmen"), and a director and an indirect shareholder of Toprich Investment (Group) Limited ("Toprich"), Ocean Concept Holdings Limited ("Ocean Concept") and Yui Tak Investment Limited ("Yui Tak").

Mr. Choi Siu Kit (蔡紹傑) ("Mr. John Choi"), aged 45, was appointed as our Director on 30 November 2015. He was re-designated as our executive Director on 2 March 2016. He was also appointed as the compliance officer of our Company on 2 March 2016 and is currently the authorized representative of the Company. Mr. John Choi is primarily responsible for overall strategic planning and supervising marketing and entertainment aspects of our Group. He has joined our Group as our managing director since May 2010. He has been responsible for overseeing daily operation, developing business strategies, building client relationships and business reputation, liaising with suppliers and relevant government departments and implementing the overall business strategies. He has also been a director of certain subsidiaries of the Group.

Mr. John Choi has over 20 years of experience in the restaurant and bar and clubbing industry in Hong Kong and Macau. Since January 2001, he has invested in and was responsible for the management and operation of various bars and restaurants, such as (i) Shelter Lounge in Causeway Bay, Hong Kong (from January 2001 to December 2015), (ii) Census Lounge in Causeway Bay, Hong Kong (from October 2005 to December 2015), (iii) House Lounge in Causeway Bay, Hong Kong (from July 2006 to December 2015), (iv) Habitat Japanese Restaurant in Wanchai, Hong Kong (from December 2008 to April 2015), and (v) Shelter Italian Bar & Restaurant in Causeway Bay, Hong Kong (from May 2013 to June 2019), and he was also involved in the management of Old Cubic, acting as a managing director from its opening in December 2008 until May 2010.

Mr. John Choi received a bachelor degree in engineering from Queen Mary and Westfield College, University of London, United Kingdom in July 2001. He is the younger brother of Mr. Simon Choi, one of the Controlling Shareholders and an indirect shareholder of our Company, and a director and a shareholder of Perfect Succeed and Welmen, and a director and an indirect shareholder of Toprich, Ocean Concept and Yui Tak.

Mr. Yeung Chi Shing（楊志誠）, aged 51, was appointed as our Director on 19 January 2016. He was re-designated as our executive Director on 2 March 2016, and is primarily responsible for overall administration of our Group. He joined our Group as our administrative director since January 2011 and has been responsible for, among others, directing activities of subordinate staff, providing leadership to the managers of the administration, supervising administrative matters of the club and developing company policies.

Prior to joining our Group, Mr. Yeung served as a sales executive in PCCW Limited, a company listed on the main board of the Stock Exchange (stock code: 0008) which is principally involved in provision of telecommunications and information technology, from November 1989 to September 2004, where he was responsible for marketing of telecommunication products and services. From March 2005 to January 2008, Mr. Yeung worked at Mocha Clubs, Melco Crown Gaming (Macau) Limited, an operator of casino gaming and entertainment casino resort facilities, as a floor manager of gaming operations department where he supervised the operation of the gaming floor.

Mr. Yeung attended secondary school education and graduated from Man Kiu College, Hong Kong, in July 1988. He is one of the Controlling Shareholders and an indirect shareholder of our Company, and a director and a shareholder of Welmen.

Non-executive Director

Mr. Au Ka Wai（歐家威）, aged 46, was appointed as a non-executive Director of our company on 9 August 2018 and appointed as a member of each of the Audit Committee and the Remuneration Committee of the Board on 23 February 2022. Mr. Au is primarily responsible for overseeing management and strategic planning of our Group.

Mr. Au has over 14 years of working experience in real estate and tourism industries. He is the executive directors of J&C Real Estate Property Limited and Rich City Travel Agency Limited, both are private companies incorporated in Macau. Mr. Au also has extensive experience in retail management and general management.

Mr. Au received a bachelor degree in laws from Macau University of Science and Technology in 2004. Mr. Au is one of the Controlling Shareholders and an indirect shareholder of our Company, and a director and a shareholder of Welmen.

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

Independent non-executive Directors

Mr. Ip, Hoi Fan (葉凱帆), aged 36, was appointed as an independent non-executive Director of the Company, a member of the Remuneration Committee and Nomination Committee of the Company on 6 May 2022. Mr. Ip obtained a degree in Bachelor of Engineering (Hons) in Building Engineering (Building Services Engineering) from The City University of Hong Kong in 2011. Mr. Ip is currently a director of Flowering Lighting, a LED trading company in Hong Kong. Mr. Ip has worked as an E&M Engineer at Shinryo (Hong Kong) Limited from 2011 to 2015. From 2015 to 2020, Mr. Ip was appointed as a LED lighting Senior Sales Manager at Supreme Pro International Limited.

Mr. Wong Chung Wai (黃頌偉), aged 47, was appointed as an independent non-executive Director of the Company, a member of the Audit Committee, Remuneration Committee and Nomination Committee of the Company on 10 January 2023. Mr. Wong was educated at Monash University in Melbourne with a Degree in Civil Engineering and Masters in Business Systems (Information Technology). Upon graduation, he gained working experiences across industries such as construction, trading as well as manufacturing. Mr. Wong is currently the founder and director of K.S. Machinery (HK) Limited, a packaging machinery manufacturing and trading company while he held senior management position leading the sales team in a trading company which has its own manufacturing facilities in Southern China between 2004 and 2019.

Mr. Wong was appointed as an independent non-executive director of Hang Tai Yue Group Holdings Limited (a company previously known as Computech Holdings Limited, listed on the GEM Board of the Stock Exchange, stock code: 8081) between 10 June 2011 and 15 December 2011.

Ms. Tse Mei Ling (謝美玲), aged 43, was appointed as an independent non-executive Director of the Company, the chairman of the Audit Committee and Remuneration Committee of the Company on 13 January 2023. Ms. Tse is a fellow member of Association of Chartered Certified Accountants with 20 years of experience in accounting and financial management. Ms. Tse is currently a financial controller of the NEFIN Group. She served as financial controller of Energy International Investments Holdings Limited, a company listed on the Main Board of The Stock Exchange of Hong Kong Limited (stock code: 353) between 2016 and 2018. Ms. Tse has also served as financial controller of the Company between 2012 and 2015.

Ms. Tse also has 8 years of professional experience at two of the top-tier international accounting firms. She obtained a Bachelor of Arts Degree (Hons) major in Accounting at The Hong Kong Polytechnic University.

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 2022, except for the below deviations.

C.2.1

Paragraph C.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 Yat Hon ("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.

F.2

Two executive Directors, one non-executive Director and two independent non-executive Directors were absent from the last annual general meeting of the Company held on 17 June 2022 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, including having circulated the minutes of the annual general meeting to each of the absent Directors after the conclusion of the annual general meeting.

BOARD OF DIRECTORS

The Board will continue to review and enhance its corporate governance practice of the Company to ensure compliance with the CG Code and align with the latest developments.

The leadership, control and supervision of the Company is vested in the Board, which is primarily responsible for formulating the business strategy, reviewing and monitoring the business performance, approving the consolidated financial statements and directing and supervising the management of the Group. The Board delegates to the senior management the powers and responsibilities to conduct the Group's day-to-day management and operations and to organise the implementation of the resolutions of the Board. The Board has been regularly provided management with updated report to give a balanced and understandable assessment of the performance, position, recent development and prospect of the Group. Where necessary, all Directors can have access to all relevant information and obtain the advice and services of the Company Secretary. The Directors may, where appropriate, seek independent professional advice to ensure compliance with the procedures of the Board and all applicable rules and regulations, at the Company's expense. The Company has arranged appropriate insurance cover in respect of its legal action against its Directors.

The Board is also responsible for the corporate governance functions under paragraph A.2 of the CG Code and will review and monitor the corporate governance principles and practices to ensure compliance. The chairman of the Board takes primary responsibility for ensuring that good corporate governance practices and procedures are established.

The Board currently comprises 7 Directors, including 3 executive Directors, 1 non-executive Director and 3 independent non-executive Directors, and the Director's details during the year and up to the date of this annual report are as set out below:

Executive Directors
Mr. Choi Yat Hon *(Chairman and Chief Executive Officer)*
Mr. Choi Siu Kit
Mr. Yeung Chi Shing
Mr. Zhang Rongxuan (appointed on 10 May 2022 and resigned on 23 November 2022)

Non-executive Director
Mr. Au Ka Wai

Independent Non-executive Directors

Mr. Ip Hoi Fan	(appointed on 6 May 2022)
Mr. Wong Chung Wai	(appointed on 10 January 2023)
Ms. Tse Mei Ling	(appointed on 13 January 2023)
Mr. Chan Wai	(appointed on 20 June 2022 and resigned on 9 January 2023)
Mr. Tang Tsz Tung	(resigned on 13 October 2022)
Mr. Chan Ka Yin	(resigned on 10 June 2022)

An updated list of Directors identifying their roles and functions has been published on the websites of the Company and the Stock Exchange. The profiles of the Directors, including relationship between Board members, are set out in the section "Profiles of Directors and Senior Management" of this 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 2022 Interim Report of the Company, is set out below:

Mr. Choi Yat Hon changed his name from Choi Yiu Ying (蔡耀陞) to Choi Yat Hon (蔡逸翰) with effect from 1 February 2023.

Mr. TANG Tsz Tung resigned as an independent non-executive Director, ceased to be chairman of the Remuneration Committee, member of the Audit Committee and Nomination Committee of the Company with effect from 13 October 2022. This results in non-compliance with the requirements under Rules 5.05(1), 5.05(A), 5.28, 5.05(2) and 5.34 of the GEM Listing Rules.

Mr. ZHANG Rongxuan resigned as an executive Director of the Company with effect from 23 November 2022.

Mr. CHAN Wai resigned as an independent non-executive Director and ceased to be the chairman of the Audit Committee of the Company with effect from 9 January 2023. This results in non-compliance with the requirements under Rules 5.05(1), 5.05(A), 5.28 and 5.05(2) of the GEM Listing Rules.

Mr. Wong Chung Wai ("Mr. Wong") was appointed as an independent non-executive Director, member of the Audit Committee, Remuneration Committee and Nomination Committee of the Company with effect from 10 January 2023.

Ms. Tse Mei Ling ("Ms. Tse") was appointed as an independent non-executive Director, chairman of the Audit Committee and chairman of the Remuneration Committee of the Company with effect from 13 January 2023.

Following the appointment of Mr. Wong and Ms. Tse, the Company has fulfilled the requirements under Rules Rules 5.05(1), 5.05(A), 5.28, 5.05(2) and 5.34 of the GEM Listing Rules.

BOARD DIVERSITY POLICY

The Board has adopted the Board diversity policy since 10 November 2016 and reviewed its Board composition on a yearly basis. The Company recognizes and embraces the benefits of having a diverse Board to enhance the quality of its performance. With a view to achieving a sustainable and balanced development, the Company sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. All Board appointments will be based on meritocracy and candidates will be considered against appropriate criteria, having due regard for the benefits of diversity on the Board. The Company commits to selecting the best person for the role. Selection of candidates will be based on a range of diverse perspectives, including but not limited to gender, age, cultural background and ethnicity, in addition to educational background, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. The nomination committee reviews and monitors the implementation of the Board diversity policy periodically and the Board diversity policy has been published on the website of the Company up to the date of this annual report.

As at 31 December 2022, three of the Board members are independent non-executive Directors and at least one of whom has appropriate professional qualifications or accounting or related financial management expertise, in accordance with Rule 5.05(1)(2) and 5.05A of the GEM Listing Rules. All of the independent non-executive Directors have been appointed for an initial term of one year and none of the independent non-executive Directors has served the Company for more than 9 years. The Company has received from each independent non-executive Director an annual confirmation of his independence pursuant to Rule 5.09 of the GEM Listing Rules and considers all the independent non-executive Directors to be independent. All independent non-executive Directors are identified as such in all corporate communications of the Company containing the names of the Directors.

The Company has entered into a service agreement with each of our executive Directors for an initial term of three years whereas all of the non-executive Directors have been appointed for an initial term of two years. All the Directors are subject to retirement by rotation and eligible for re-election in accordance with the Company's articles and association. At each annual general meeting, not less than one-third of the Directors then in office shall retire and every Director is subject to retirement by rotation at least once every three years. Directors who are appointed to fill casual vacancies shall hold office only until the next following general meeting after their appointment, and are subject to re-election by shareholders of the Company. At the forthcoming annual general meeting of the Company, each of Mr. Au Ka Wai, Mr. Wong Chung Wai and Ms. Tse Mei Ling will retire from office as Directors and will offer themselves for re-election. Separate ordinary resolutions will be put forward to the shareholders of the Company in relation to the proposed re-election of each of them.

Gender diversity

Board composition

The Board believes that gender diversity is a manifestation of board diversity, among all other measurable objectives. For the year ended 31 December 2022, the Board only comprises five male directors but has since added one female and one male director in January 2023. The Company will continue to apply the principle of appointments based on merits with reference to the Board Diversity Policy as a whole.

Under the revised Rule 17.104 of the GEM Listing Rules that came into effect on 1 January 2022, a single gender Board will not be considered by the Stock Exchange to have achieved board diversity. The Company has complied with this new requirement from 13 January 2023 onwards.

The Group recognises the importance of diversity and has a diverse workforce in terms of gender, providing a variety of ideas and levels of competency that contribute to the Group's success. In the hiring process, the Company takes into account a number of measurable factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional specialisation, experience, skills, knowledge and other qualifications. Appointment of candidates is solely based on meritocracy, and candidates will be considered against objective criteria, having due regards for the benefits of diversity on the Group. As of 31 December 2022, the gender ratio of the Group's workforce is 67.09% male and 32.91% female.

Overall, the Board considers the recruitment strategy adopted by the Group is effective and adequate. In determining the independence of Directors, the Board follows the requirements as set out in the GEM Listing Rules.

TRAINING, INDUCTION AND CONTINUING PROFESSIONAL DEVELOPMENT OF DIRECTORS

Directors are continuously updated on the statutory and regulatory regime and the business environment to facilitate the discharge of their responsibilities by the Company. Directors are also encouraged to participate in continuous professional development to develop and refresh their knowledge and skills.

Up to the date of this report, all Directors have confirmed to the Company that they have participated in trainings by attending seminars, conferences and/or reading material, webcast, newspapers, journals and updates related to the economy, the company's business or directors' duties and responsibilities.

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 for the year ended 31 December 2022. The Company has also established written guidelines on no less exacting terms than the Model Code regarding securities transactions by relevant employees (including the employees and Directors of the subsidiaries or holding company) who are likely to possess inside information of the Company and/or its securities.

BOARD MEETINGS

The Board meets regularly throughout the year to discuss the overall strategy as well as the operation and financial performance of the Group. For the year ended 31 December 2022, the Company has held five Board meetings in total. The attendance record of each Director at Board meetings, audit committee meetings, remuneration committee meeting, nomination committee meeting and general meeting during the year ended 31 December 2022 is set out in the following table:

Name of Directors	Board Meetings (attendance/ total no. of meeting held)	Audit Committee Meetings (attendance/ total no. of meeting held)	Remuneration Committee Meetings (attendance/ total no. of meeting held)	Nomination Committee Meeting (attendance/ total no. of meeting held)	General Meeting (attendance/ total no. of meeting held)
Executive Directors					
Mr. Choi Yat Hon	5/5	N/A	N/A	1/1	1/1
Mr. Choi Siu Kit	5/5	N/A	N/A	N/A	1/1
Mr. Yeung Chi Shing	5/5	N/A	N/A	N/A	0/1
Mr. Zhang Rongxuan (appointed on 10 May 2022 and resigned on 23 November 2022)	1/4	N/A	N/A	N/A	0/1
Non-executive Director					
Mr. Au Ka Wai	4/5	3/4	1/1	N/A	0/1
Independent non-executive Directors					
Mr. Ip Hoi Fan (appointed on 6 May 2022)	3/4	N/A	N/A	N/A	0/1
Mr. Wong Chung Wai (appointed on 10 January 2023)	N/A	N/A	N/A	N/A	N/A
Ms. Tse Mei Ling (appointed on 13 January 2023)	N/A	N/A	N/A	N/A	N/A
Mr. Chan Wai (appointed on 20 June 2022 and resigned on 9 January 2023)	2/2	2/2	N/A	N/A	N/A
Mr. Tang Tsz Tung (resigned on 13 October 2022)	3/3	3/3	1/1	1/1	0/1
Mr. Chan Ka Yin (resigned on 10 June 2022)	2/3	2/2	N/A	N/A	N/A

BOARD COMMITTEES

As an important part of sound corporate governance practices and for supervision of the overall affairs of the Company in various areas, the Board has established three Board committees, namely, the audit committee, the remuneration committee and the nomination committee. All Board committees have respective specific terms of reference clearly defining their powers and responsibilities, which are posted on the websites of the Company and the Stock Exchange. All the Board committees should report to the Board on their decisions or recommendations made, and where appropriate, can seek independent professional advice to perform their duties at the Company's expense.

Nomination Committee

The Company established a nomination committee with written terms of reference in compliance with paragraph B.3.1 of the CG Code. As of the date of this Report, the nomination committee is chaired by the chairman of the Board, Mr. Simon Choi, and consists of two independent non-executive Directors, Mr. Ip Hoi Fan and Mr. Wong Chung Wai. The primary functions of the nomination committee include but not limited to: (i) making recommendations to the Board on matters relating to appointment of Directors; (ii) assessing the independence of independent non-executive Directors; and (iii) reviewing the structure, size and composition of the Board, and monitoring the implementation of the abovementioned Board diversity policy regularly. Up to the date of this annual report, the nomination policy (the "Nomination Policy") has been adopted by the nomination committee in assistance to the Board in making recommendations to the Board on the appointment of Directors of the Company and succession planning for Directors. The Nomination Policy provides the key selection criteria and principles of the nomination committee in making any such recommendations.

When making recommendations regarding the appointment of any proposed candidate to the Board or re-appointment of any existing member(s) of the Board, the nomination committee shall consider a variety of factors including without limitation the following in assessing the suitability of the proposed candidate:

(a) reputation for integrity;

(b) accomplishment, experience and reputation in the business and other relevant sectors relate to the Company and/or its subsidiaries;

(c) commitment in respect of sufficient time and attention to the Company's business;

(d) diversity in all aspects, including but not limited to gender, age, cultural/educational and professional background, skills, knowledge and experience;

(e) the ability to assist and support management and make significant contributions to the Company's success;

(f) compliance with the criteria of independence as prescribed under Rule 5.09 of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited for the appointment of an independent non-executive Director; and

(g) any other relevant factors as may be determined by the nomination committee or the Board from time to time.

The appointment of any proposed candidate to the Board or re-appointment of any existing member(s) of the Board shall be made in accordance with the Company's Articles of Association and other applicable rules and regulations.

The secretary of the nomination committee shall convene a meeting, and invite nominations of candidates from Board members (if any), for consideration by the nomination committee. The nomination committee may also nominate candidates for its consideration. In the context of appointment of any proposed candidate to the Board, the nomination committee shall undertake adequate due diligence in respect of such individual and make recommendations for the Board's consideration and approval. In the context of re-appointment of any existing member(s) of the Board, the nomination committee shall make recommendations to the Board for its consideration and recommendation, for the proposed candidates to stand for re-election at a general meeting. Please refer to the "Procedures for Shareholders to Convene General Meetings", which is available on the Company's website, for procedures for shareholders' nomination of any proposed candidate for election as a director. The Board shall have the final decision on all matters relating to its recommendation of candidates to stand for election at a general meeting.

Any subsequent amendment of the Nomination Policy shall be reviewed by the nomination committee and approved by the Board.

One meeting was held during the year ended 31 December 2022. All members attended the meeting. The members of the nomination committee reviewed the composition of the Board, the retirement and re-election of Directors and made recommendation to the Board.

Remuneration Committee

The Company established a remuneration committee with written terms of reference in compliance with paragraph E.1.2 of the CG Code. As of the date of this Report, the remuneration committee is chaired by our independent non-executive Director, Ms. Tse Mei Ling, and consists of a non-executive Director, Mr. Au Kai Wai and two independent non-executive Directors, Mr. Ip Hoi Fan and Mr. Wong Chung Wai. The primary functions of the remuneration committee include but not limited to: (i) making recommendations to our Directors on the policy and structure for remuneration of all Directors and senior management and on the establishment of a formal and transparent procedure for developing policies on such remuneration; (ii) determining the terms of the specific remuneration package of all Directors and senior management; and (iii) reviewing and approving performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time. No Director shall be involved in deciding his or her own remuneration.

One meeting was held during the year ended 31 December 2022. All members attended the meetings. They made recommendation to the Board regarding the Company's remuneration policy, the remuneration package of all directors (excluding his own remunerations) of the Company and the grant of Company's share options. No Director was involved in deciding his or her own remuneration during the year under review.

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 CG Code. As of the date of this report, the audit committee is chaired by our independent non-executive Director, Ms. Tse Mei Ling, who holds the appropriate professional qualifications as required under Rules 5.05(2) and 5.28 of the GEM Listing Rules and consists of another independent non-executive Director Mr. Wong Chung Wai and a non-executive Director, Mr. Au Kai Wai. The primary functions of the audit committee include but not limited to: (i) assisting the Board in providing an independent view of the effectiveness of the Group's financial reporting process, internal control and risk management systems; (ii) overseeing the audit process; and (iii) performing other duties and responsibilities as assigned by the Board.

Four meetings were held by the Audit Committee during the year ended 31 December 2022. Please refer to the attendance sheet table under Board Meeting for the individual attendance of each member. The Group's quarterly reports, interim report and annual report had all been reviewed by the audit committee and recommendation was provided to the Board for approval.

RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENT AND REMUNERATION OF AUDITORS

The Directors acknowledge their responsibility for the preparation of the Group's consolidated financial statements, which are prepared on a going concern basis. Such responsibility of the Directors, and the responsibilities of the auditors in respect of the consolidated financial statements are set out in the report of the auditors of this annual report.

The Directors were aware that the Group incurred a net loss of approximately HK$48,935,000 for the year ended 31 December 2022 and, as of that date, the Group's current liabilities exceeded its current assets and total liabilities exceeded its total assets by approximately HK$122,041,000 and HK$107,718,000 respectively. As at that date, the Group's aggregate bank loans and lease liabilities amounted to approximately HK$21,605,000 and HK$14,757,000 respectively and the Group owed HK$9,080,000 and HK$18,109,000 respectively in respect of convertible loans and convertible promissory notes which were defaulted during the year and remained unsettled as of 31 December 2022. On the other hand, the Group's cash and cash equivalents amounted to only approximately HK$626,000.

These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

Notwithstanding the above conditions, the financial statements were prepared based on the assumption that the Group can be operated as a going concern.

The audit committee has reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2022 and recommended approval to the Board.

The consolidated financial statements of the Group for the year ended 31 December 2022 were audited by HLB Hodgson Impey Cheng Limited ("HLB") whose term of office will expire upon the forthcoming annual general meeting of the Company. The audit committee has recommended the Board the reappointment of HLB as the auditors of the Company at the forthcoming annual general meeting.

A breakdown of the remuneration (including disbursement) paid/payable to the external auditors (including its affiliates) of the Company in respect of audit and non-audit services provided to the Company during the year is set out below:

Items	Fees (HK$'000)
Audit services and disbursements	600
Total	600

COMPANY SECRETARY

Mr. Lee Kun Yin is the company secretary of the Company pursuant to Rule 5.14 of the GEM Listing Rules. Mr. Lee is a member of the Chartered Accountants in Australia & New Zealand and Hong Kong Institute of Certified Public Accountants. His primary contact person of the Company is Mr. Choi Siu Kit, an executive Director of the Company. Mr. Lee has confirmed that he has taken no less than 15 hours of relevant professional training during the year ended 31 December 2022 and in compliance with Rules 5.15 of the GEM Listing Rules.

COMPLIANCE OFFICER

Mr. Choi Siu Kit is the compliance officer of the Company. Please refer to the section headed "Profile of Directors and Senior Management" in this annual report for Mr. John Choi's biography.

DIVIDEND POLICY

The Company has adopted a policy concerning the payments of dividend. The Company gives priority to distributing dividend in cash and shares its profits with its shareholders. The dividend payout ratio shall be determined or recommended, as appropriate, by the Board at its absolute discretion after taking into account the Company's financial results, future prospects and other factors, and subject to:

– the Articles of Association of the Company;

– the applicable restrictions and requirements under the laws of the Cayman Islands;

– any banking or other funding covenants by which the Company is bound from time to time;

– the investment and operating requirements of the Company; and

– any other factors that have material impact on the Company.

The Board may consider distributing special dividend to all shareholders, and the amount of which shall be determined and approved by the Board at its absolute discretion.

Under the Cayman Islands Companies Act and the Articles of Association of the Company, all of our shareholders have equal entitlement to dividends and distributions. The Board shall have the right to review the dividend policy from time to time as it deems fit according to the financial and business development requirements of the Company.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is ultimately responsible for the risk management of the Group and has full authority to maintain the soundness and effectiveness of the internal control system and risk management procedures of the Group to ensure efficient and effective use of the Group's resources to assist the Group in achieving its operation objectives, safeguarding the Group's assets against any unauthorized use or disposal, ensuring an appropriate maintenance of accounting records and the availability of reliable financial information and ensuring compliance of the operating activities with laws and regulations. The control system is to be reasonably safeguards, if not absolute assurances, against material misstatement or loss, and is designed to manage, rather than eliminate the risk of failing to achieve objective. In meeting its responsibility, the Board has put in place policies and procedures which provide a framework for the identification and management of risks. During the year, the Group has complied with Principle D.2 of the Corporate Governance Code by establishing appropriate and effective risk management and internal control systems.

A risk management team consists of, among others, our executive Directors and management who in general have experiences in club or restaurant management over ten years, was formed at operational level. The risk management team oversees the implementation and monitoring of our internal control, which includes but not limited to (i) quarterly risk identification and analysis exercise which involves assessment of the consequence and likelihood of risks and the development of risk management plans for mitigating such risks; and (ii) quarterly review of the implementation of the risk management plans and fine tune when necessary. The management also pays particular attention to potential risk exposure in conducting its monthly and quarterly operation analysis and takes corresponding countermeasures and issues pre-warnings against certain material risks. The Company endeavours to integrate its internal control and risk management with its day-to-day operations, and proactively adopts Information Technology ("IT") to assimilate the internal control and risk management processes into the IT system.

Internal Control System

The Company has in place an internal control system which enables the Company to achieve objectives regarding effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable laws and regulations. The components of the internal control system are shown as follow:

- Control Environment: a set of standards, processes and structures that provide the basis for carrying out internal control across the Group;
- Risk Assessment: a dynamic and iterative process for identifying and analyzing risks to achieve the Group's objectives, forming a basis for determining how risks should be managed;
- Control Activities: action established by policies and procedures to help ensure that management directives to mitigate risks to the achievement of objectives are carried out;
- Information and Communication: internal and external communication to provide the Group with the information needed to carry out day-to-day controls;
- Monitoring: ongoing and separate evaluations to ascertain whether each components of internal control is present and functioning.

During the year, the audit committee appointed external professional adviser to conduct an internal control review on the effectiveness of the Group's internal control systems. The external professional adviser is assigned with the task to perform reviews on operational, financial and compliance aspects and will alert the management on the review findings or irregularities, if any, advise on the implementation of necessary steps and actions to enhance the internal control systems of the Group. The risk management team had implemented rectifications and remediated internal weakness identified. The result of internal control review and agreed action plans are reported to the Audit Committee and the Board.

The executive Directors closely monitored the Group's business and corporate developments and events so that potential inside information would be identified promptly. The Company regulates the handling and dissemination of inside information by restricting access to inside information to a limited number of employees and parties on a need-to-know basis. Employees who are in possession of inside information are conversant with their obligations to preserve confidentiality. External parties, such as financial printer, are required to sign confidentiality agreement or non-disclosure agreement. Inside information remains confidential until the disclosure of such information is appropriately approved and the dissemination of such information is efficiently and consistently made. Inside information shall be disseminated via the electronic publication system operated by the Stock Exchange before the information is released via other channels, such as the press or posting on the Company's website.

Save as disclosed above, the Board has conducted a review of the effectiveness of the risk management and internal control system of the Group pursuant to D.2.1 of the CG Code and considers them effective and adequate. With a view of further enhancing the Group's internal control system on an ongoing basis, the Group will continue to engage external professional advisers to conduct review and consider to establish a formal in-house internal audit department where necessary from time to time, taking into account the development of the business and the scale and complexity of our operation in future.

INVESTOR RELATIONS

The Company has established a range of communication channels between itself and its shareholders, investors and other stakeholders, including the holding of forthcoming general meetings and corporate communications published on the Stock Exchange and information disclosed in the Company's website at www.lukhing.com.

Constitutional Documents

The Company has not made any change to its constitutional documents during the year. A consolidated version of the Company's constitutional documents is available on the Company's website and the website of the Stock Exchange.

Shareholders' Rights

There are no provisions governing shareholders' rights to put forward proposals or move resolutions at a general meeting under the M&A or the laws of the Cayman Islands. Shareholders who wish to put forward proposals or move a resolution may however, convene an extraordinary general meeting (the "EGM") to be called by the Board by following the procedures below.

Procedures for Shareholders to convene an EGM (including making proposals/moving a resolution at the EGM) to be called by the Board:

- Any one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company (the "Eligible Shareholder(s)") shall at all times have the right, by written requisition to the Board or the Company Secretary, to require an EGM to be called by the Board for the transaction of any business specified in such requisition, including putting forward proposals or moving a resolution at the EGM.

- Eligible Shareholder(s) who wish to require an EGM to be called by the Board for the purpose of making proposals or moving a resolution at the EGM must deposit a written requisition (the "Requisition") signed by the Eligible Shareholder(s) concerned to the principal place of business of the Company in Hong Kong at Room 1505, 15/F, Shun Tak Centre West Tower, 168-200 Connaught Road Central, Sheung Wan, Hong Kong, for the attention of the Company Secretary.

- The Requisition must state clearly the name of the Eligible Shareholder(s) concerned, his/her/their shareholding in the Company, the reason(s) to convene an EGM, the agenda of the EGM including the details of the business(es) proposed to be transacted at the EGM, signed by the Eligible Shareholder(s) concerned.

- The Company will check the Requisition and the identity and the shareholding of the Eligible Shareholder(s) will be verified with the Company's branch share registrar. If the Requisition is found to be proper and in order, the Company Secretary will ask the Board to convene an EGM within 2 months and/or include the proposal or the resolution proposed by the Eligible Shareholder(s) at the EGM after the deposit of the Requisition. On the contrary, if the Requisition has been verified as not in order, the Eligible Shareholder(s) concerned will be advised of this outcome and accordingly, the Board will not convene an EGM and/or include the proposal or the resolution proposed by the Eligible Shareholder(s) at the EGM.

- If within 21 days of the deposit of the Requisition, the Board has not advised the Eligible Shareholder(s) of any outcome to the contrary and fails to proceed to convene such EGM, the Eligible Shareholder(s) himself/herself/themselves may do so in accordance with the M&A, and all reasonable expenses incurred by the Eligible Shareholder(s) concerned as a result of the failure of the Board shall be reimbursed to the Eligible Shareholder(s) concerned by the Company.

When necessary, Shareholders can send their enquiries and concerns to the Board by addressing them to the Group's principal place of business in Hong Kong at Room 1505, 15/F., Shun Tak Centre West Tower, 168-200 Connaught Road Central, Sheung Wan, Hong Kong, by post or by fax to (852) 2402 1244, for the attention of the Company Secretary.

Shareholders are also encouraged to participate in general meetings. Board members, in particular, either the chairmen of Board committees or their delegates, appropriate management and external auditors will attend annual general meetings to answer Shareholders' questions.

Shareholders' Communication Policy

To promote effective communication, the Company adopts a shareholders' communication policy which aims at establishing a two-way relationship and communication between the Company and the Shareholders. The Company has established several channels to communicate with the shareholders as follows:

– corporate communications such as annual reports, interim reports, quarterly reports and circulars are issued in printed form and are available on the website of the Stock Exchange and on the website of the Company at www.lukhing.com;

– periodic announcements are published on the websites of the Stock Exchange and the Company;

– corporate information is made available on the Company's website; and

– annual and extraordinary general meetings, if any, provide a forum for the shareholders to make comments and exchange views with the Directors and senior management.

The Company reviewed the implementation and effectiveness of the shareholders' communication policy and considered it to be effective for the year ended 31 December 2022.

CONCLUSION

Going forward, the Company will continue to review its corporate governance practices on a timely basis to maintain its high level of transparency. The Company will also try to enhance its competitiveness and operating efficiency in order to generate greater returns for its stakeholders.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

INTRODUCTION

This is the seventh Environmental, Social and Governance Report ("ESG Report") prepared in accordance with our environmental, social and governance ("ESG") performance. During 2022, an independent professional adviser has been appointed to report on the ESG performance of Luk Hing Entertainment Group Holdings Limited (the "Company", together with its subsidiaries, the "Group").

I. DEFINITION AND INTERPRETATION

Throughout this report, the following terms, except where the context otherwise requires, have the following meanings:

• **Group**	:	LUK HING ENTERTAINMENT GROUP HOLDINGS LIMITED and its subsidiaries
• **ESG**	:	ENVIRONMENTAL, SOCIAL AND GOVERNANCE
• **Appendix 20 or ESG Reporting Guide**	:	Appendix 20 – Environmental, Social and Governance Reporting Guide
• **GEM**	:	GEM of the Stock Exchange of Hong Kong Limited
• **Hong Kong**	:	The Hong Kong Special Administrative Region of the People's Republic of China, including Hong Kong Island, Kowloon and the New Territories
• **Macau**	:	The Macao Special Administrative Region of the People's Republic of China
• **The PRC/China**	:	The People's Republic of China
• **KPIs**	:	Key Performance Indicators
• **Listing Rules**	:	the Rules Governing the Listing of Equity Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited
• **HKEx**	:	the Stock Exchange of Hong Kong Limited

II. OVERVIEW

(I) Purpose

In accordance with the requirements of HKEx, listed companies are required to provide an environmental, social and governance report ("ESG Report"). This ESG Report is prepared mainly with reference to the ESG Reporting Guide contained in Appendix 20 to the Rules Governing the Listing of Securities on the GEM of HKEx, covering the ESG related information of the Group. The purpose of this ESG report is to disclose an overall review to shareholders the management measures and performance of the Group in 2022 in terms of the environment, society and governance. ESG Report outlines the Group's vision, policies and measures including KPIs, and reports its performance regarding environmental and social issues for internal assessment and management control, and for communication to the internal and external stakeholders.

(II) Scope of Report

The Group is engaged in the operation of clubbing business and restaurant business. The clubbing business includes the operation of the nightclub of CUBIC SPACE+ located in Zhuhai, the PRC, whereas the restaurant business includes the operations of the restaurants of HEXA, SIXA and "GaGiNang" in Hong Kong.

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. CUBIC SPACE+ located in Zhuhai has suspended its operation since 13 January 2022 in the wake of stringent anti-epidemic measures imposed by the local government. And 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.

This ESG report covers the operations and activities of the two restaurants "HEXA" and "SIXA" and an administrative office in Hong Kong.

(III) Basis of Preparation

This ESG Report is compiled in accordance with the ESG Reporting Guide outlined in Appendix 20 of the GEM Listing Rules and Guidance Governing the Listing of Securities on HKEx. The content of this report includes two main subject areas as outlined and required by the ESG Reporting Guide, being Area A – ENVIRONMENTAL and Area B – SOCIAL and includes disclosure of climate change related issues which have or may impact the Group.

This ESG Report, which has been reviewed and approved by the board of the directors (the "Board"), both reviews and reports the core business operations and activities of the Group and follows the principles of materiality, quantification, balance and consistency to disclose relevant statistics and information.

(IV) Reporting Period

This ESG Report is for the period from 1 January 2022 to 31 December 2022 (the "2022 Reporting Period").

(V) Corporate Goals and Visions

The Group's vision is to be a leading operator of music entertainment and restaurant establishments in the Greater China region. We are committed to undertaking this business with a reasonable return on investments to our shareholders, whilst being a socially and environmentally responsible company and providing a safe, healthy and pleasant working environment to our employees.

(VI) ESG Governance

Our ESG strategies, management policy and approach are based on compliance with relevant legal and regulatory requirements, the principle of sustainability and opinions from our key stakeholders. The Group's visions and goals, and the ESG management policy and approach can be summarized in the following statements.

1. We strive to operate our business with the objectives to: lessen the impact on the environment; provide a safe and pleasant working environment for our employees and customers; comply with legal and regulatory requirements; adhere to high ethical standards, and contribute back to the communities in which we operate.

2. The Board determines and approves the ESG strategies, policies and guidelines, and is ultimately responsible for the ESG reporting. The Chief Executive Officer has the overall responsibilities to implement the Board's approved targets, strategic direction and policies on the Group's ESG activities. In managing the priorities, we take into account of the opinions and views of its stakeholders. The Group has assigned the board members and senior management to constantly review and to communicate with its stakeholders including but not limited to its employees, clients, investors, suppliers and business partners, to gain insights on ESG material aspects in 2022 Reporting Period.

3. The Group identified the following material aspects and have managed them strictly in accordance with the Group's policies and guidelines and in compliance with the relevant legal and regulatory standards:

    - Environmental safety and pollution (noise and light) during our operation and events;
    - Working conditions and environment on employees' health and safety;
    - Employee development and growth;
    - Quality of products and services;
    - Public safety and security;
    - Privacy information protection; and
    - Anti-corruption.

4. Together with the Board and the Chief Executive Officer ("CEO"), the relevant departments are responsible for exploring and developing KPIs and targets where appropriate and necessary in accordance with the Group's policies and goals.

5. The material Environmental and Social areas, aspects and related KPIs chosen since our first ESG report in 2016, have continued to be monitored and managed with the keen attention of management, which in our opinion, further identifies and clarifies relevant issues for stakeholders.

III. STAKEHOLDERS COMMUNICATION AND MATERIALITY

The Group strives to conduct its business in a transparent, equitable, legal and socially responsible manner, and continues to care about the impact its daily operation may bring to the environment, customers and community, making an effort to safeguard the interests of all stakeholders and strike a balance between environmental, social and economic development.

Over the years, we have continued to maintain close communication with internal and external stakeholders such as government/regulatory bodies, shareholders, suppliers, employees, customers and the community public through a wide range of channels such as regular meetings, activities, reports, websites, etc., to understand their opinions. After collecting their views and opinions, the CEO will carry out materiality assessments internally with the related managers and externally with related stakeholders through various means. The Group continues to assign a board member and duty managers to constantly communicate with its stakeholders under the following established channels in order to gain insights on ESG material aspects in 2022 Reporting Period.

Stakeholder	ESG Expectations	Our ESG Engagement
Shareholders/Investors	• Profit returns • Business development • Corporate image • Corporate governance • Non-financial risk relating to ESG	• Group announcement on HKEx • Annual general meeting
Customers	• Quality of products and services • Legal compliance	• Customer surveys • Company's websites • Corporate reporting and announcements
Employees	• Safe, healthy and meaningful working environment and career opportunities • Employment law compliance	• Internal employee policies • Regular staff meetings • Suggestion box
Suppliers	• Fair and responsible treatment as business partner • Open engagement with corporate procedures in place • Quality control • Legal compliance	• Regular supplier engagement • Review and evaluation • Supplier feedback questionnaire
Community	• Sustainable and environmentally friendly business practices • Community contributions • Legal compliance	• ESG reporting • Press releases/announcements
Government/Regulators	• Compliance with laws and regulations • Payment of taxes	• Information disclosure • Tax returns • Communication with regulatory authorities

A. ENVIRONMENTAL AREAS AND ASPECTS

1.1 Overview

The Group understands the importance of environmental protection, strictly controls emission generation, waste discharges and the usage of resources in adherence to the relevant laws and regulations, for instance, the Air Pollution Control Ordinance of Hong Kong and the Waste Disposal Ordinance of Hong Kong., etc.

As a responsible corporation, the Group abides by all the local environmental laws and regulations and is committed to environmental protection and pollution prevention. The Group has implemented company-wide policies and taken measures which aim to ensure our operations and activities strike a balance between maximising returns to our shareholders, reducing our effect on the environment and being sustainable and resources usage efficient.

Given the nature of our business, our activities do not generate materially hazardous emissions and wastes except for some gas emissions from gas and electricity in the course of restaurant operations.

Purpose

To establish and maintain policies and procedures to identify, evaluate and determine the significance of environmental aspects and impacts on the company and by the company, and ensuring compliance with all relevant national and local environmental laws and regulations.

Procedure

(i) The CEO working with relevant operational management teams shall identify and evaluate the environmental aspects all operational activities that are most likely to give rise to any significant environmental impact.

(ii) The CEO will review the environmental aspects with the relevant operational management team at least once a year. They shall also update regularly based on new knowledge obtained from daily operations and incidents (if any), new laws and regulations and organisational work activities and processes.

(iii) When identifying the environmental aspects, considerations of sustainability on environment include but are not limited to the following:

- Climate change and greenhouse gas emissions;
- Air emissions;
- Noise and light emissions;
- Water discharge;
- Waste disposal;
- Sustainability and the efficient use of raw materials, energy, water and other natural resources;

- Other local environmental issues; and
- National and local laws and regulations.

1.2 Environmental Areas Overview

The Group advocates the importance of sustainable development in relation to our ongoing business operations and activities. We have employed various measures to ensure full compliance with all relevant rules and regulations regarding emissions and effluent water and solid waste discharge and to ensure minimal impact to the environment. All of our employees are made aware of their respective roles and responsibilities in conserving energy and natural resources and reducing pollution and improving sustainability.

During the 2022 Reporting Period, same as the previous 4 years, the Group was not subject to any breach of environmental legislation in relation to emissions and waste discharge or other environmental issues that could have an adverse impact on the local environment.

A1: Emissions and Wastes

(i) Air Emission

(a) Non-Hazardous and Hazardous Air Emissions

The operations and activities of the Group generate minimal hazardous greenhouse gas (“GHG”) emissions, and the only non-hazardous gas emission of carbon dioxide (“CO_2”) is generated directly from the use of gas in cooking at our restaurants, and indirectly from the use of electricity across all the operations of the Group.

For the 2022 Reporting Period, the Group’s operations generated a total of 452.84 tonnes of CO_2 (2021: 763.29), which comprised 256 tonnes generated indirectly from electricity used (2021: 604.40), and 196.84 tonnes directly from restaurants cooking gas used (2021: 158.89). The overall decrease amounted to 310.45 tonnes or approximately 40.67% over 2021, and in term of intensity of CO_2 generation per staff, was 5.73 tonnes. Additionally, there was no fuel used during the 2022 Reporting Period as the vehicle has been disposed.

We are formulating a climate change strategy that will continue to improve our energy saving practices including strictly controlling the electricity and gas consumption and avoiding unnecessary resource wastage in our restaurant operations and their cooking facilities, and by investing in new equipment and processes which improve energy efficiency and thus reduce indirect and direct GHG emissions. We target to lower the overall GHG emissions by 3%-5% to save costs and to reduce our impact on global warming for the coming year.

Gaseous fuel consumption was mainly for the operations of restaurants in Hong Kong.

The table below recorded air pollutant emissions, and direct and indirect air emissions from the usage of gaseous fuel and electricity the 2022 Reporting Period.

	Items of emissions	Unit	2022 Quantities	2021 Quantities
1.	SOx direct emission	kg	**0.074**	0.09
2.	NOx direct emission	kg	**14.8**	17.75
3.	PM direct emission	kg	**nil**	nil
4.	CO_2e direct emission	tonnes	**196.84**	158.89
	CO_2e indirect emission			
	– Hong Kong	tonnes	**256**	332.67
	– the PRC	tonnes	**nil**	271.73

As shown above, SOx and NOx generated directly from gaseous used for the operation of restaurants decreased 17.78% and 16.62% over 2021 respectively due to the business hours of the restaurants shortened enforced by the government. Given the disposal of the vehicle, emission generated from vehicle fuel consumption such as PM was zero for the 2022 Reporting Period.

Although the total emissions of hazardous pollutants remained at a low level, the Group targets to lower the overall GHG emissions by 3%-5% to save costs and to reduce our impact on global warming for the coming year.

(b) *Hazardous and Non-Hazardous Wastes emission*

The major hazardous wastes were light bulbs, printer toner cartridges, batteries and obsolete computer and small machines during the 2022 Reporting Period. All these hazardous wastes were collected by qualified collectors for further handling.

On non-hazardous wastes, due to the nature of our business, certain sewage and garbage, mainly non-hazardous emissions from solid wastes are produced in our restaurants. A major non-hazardous waste of our restaurant division is cooking oil. We have implemented grease traps to prevent the seepage of oil into the waste water system and we are reducing our environmental footprint further by providing our used cooking oil for recycling.

We proactively separate our waste where possible into recyclable and non-recyclable materials. While in our offices, only daily living waste from staff and recyclable waste (including paper, cards, packaging materials for goods sold and purchased) from daily operation, and the amount was not substantial. All of them are non-hazardous and were collected and discharged separately.

During the Reporting Period, in continuance with our record in the previous 4 years, the Group had not received any complaints or warning notices from relevant government authorities regarding our wastes discharge and disposal.

Mitigation Measures and Reduction Initiatives

Given the nature of our business activities, the Group did produce hazardous and non-hazardous emissions. However, as a responsible corporation, we are conscious of the effects our operations may have on the environment at all times and constantly strive to maximise energy efficiency and minimise waste. We fully comply with the Environmental Law No.2/91/M especially on section 1 of article 8, everyone is entitled to air quality suiting basic health and well-being, whether in public places, residential areas, workplaces and others, and section 3 of article 8, any installation, machine or means of transportation which activity may affect the air quality must be equipped with a device or other mean that can ensure compliance with legal emission standards. Furthermore, we have integrated eco-friendly measures to reduce the environmental impact of our daily operations. We encourage the economic and efficient use of resources, while enhancing our recycling efforts to prevent the waste of resources.

Electricity is the principal energy consumed in the daily operations of the Group. The Group regularly monitors the electricity consumption of the restaurants and the office in Hong Kong. The Group has installed LED lights with higher energy efficiency in the restaurants and head office to replace traditional fluorescent tubes, and encourages employees to minimise the use of lights and to raise employees' awareness of energy conservation. We have taken the following special measures to reduce the emission of greenhouse gas and hazardous air pollutants, discharges into water and land, and generation of hazardous and non-hazardous waste, as well as to save energy in our daily operations:

- Encourage the establishment of a waste-classification system and the practice of recycling used papers and double-sided printing in workplace;
- Reduce unnecessary business trips and promote the use of information technology such as video conference;
- Encourage our staff to take public transportation and minimize the use of private vehicles and taxi;
- Adjust the temperature of our offices appropriately and switch office equipment to energy–saving mode, such as the automatically power down of printers and computers after a period of inactivity, to economize the use of electricity;
- Utilize temperate and lighting controls and efficient energy bulbs where possible in the restaurant establishments so as to reduce energy inefficiencies;
- Usage of grease traps to prevent cooking oil seeping into the waste water system;
- Utilisation of more energy efficient cooking equipment and processes where possible;
- Utilize recycled packaging and products in our restaurant operations; and
- Encourage water-saving habits of our staff.

In keeping with our record in previous years, the Group did not have any violation related to hazardous or non-hazardous air emissions and wastes discharges, fines or warning notices from the relevant environmental agencies in Hong Kong in 2022. Not only do we target, but are determined to, take all required measures to continue to achieve and improve on our results in coming years, but also are committed to doing our part to combat global warming and reduce the generation of GHG emissions and pollutants.

A2: Use of Resources

The Group mainly uses electricity, fresh water, paper for napkins and takeaway packaging and printing for our activities in the offices and restaurants. We also use gas and cooking oil in our restaurant activities and consume a small amount of gasoline fuel for our small transport fleet.

Although the Group's activities and operations do not generate much environmental hazards, we are committed to act environmentally responsibly and aim at minimizing the impact on the environment and doing our part to help combat climate change. We promote smart usage to reduce consumption of electricity and gas, fresh water, and paper through the introduction of various measures as previously disclosed.

(i) Electricity & Fuel Consumption

Electricity is supplied to our operations in Hong Kong from the local electricity grid. We are committed to reducing energy consumption both from a cost efficiency standpoint and also to combat climate change and greenhouse gas emissions. The Group regularly monitors its electricity consumption across all parts of its operations of the restaurants and the head office. For the 2022 Reporting Period, the Group consumed an aggregate of 490,920 kWh (2021: 1,167,292 kWh). While this was an aggregate 57.94% less than 2021, and in term of intensity of energy consumption per staff, was 6,214.18 kWh. This was mostly due to the cessation of the clubbing business and COVID-19 restriction of opening hours for the restaurants.

For the coming year, the Group targets a reduction of 3%-5% through improvement in energy efficiency management measures across all operations.

Gas is supplied to our restaurant operations from the local gas networks in Hong Kong. For the 2022 Reporting Period, we consumed a total of 77,106 cubic metres of gas used for the restaurant operations. This is a 20.06% decrease in our gas usage from 2021 of 96,456 cubic metres, and in term of intensity of gas usage per staff, was 976.03 cubic metres and is mostly due to the curfew and dinner bans imposed by the Hong Kong Government as to curb COVID-19.

For the coming year, the Group targets a reduction of 3%-5% through improvement in energy efficiency management measures across the operations and to continually look at ways to improve gas usage efficiencies through more efficient processes and equipment for the restaurant operations.

The Group recognises that investing in energy efficiency initiatives helps us to minimise our environmental impact while also reducing costs. To save energy which also saves costs, we have installed energy saving LED lights and control metres. We have also promulgated rules and encouraged staff and workers to use resources efficiently and environmentally friendly including:

- Lights and equipment must be turned off if not in use;
- Maintaining work environments at pre-determined and energy efficient temperatures;
- Installing more energy efficient cooking burners in our restaurants; and
- Encouraging the use of natural ventilation instead of air-conditioning whenever the conditions allow.

(ii) Fresh Water Consumption and Sourcing

Water is supplied from the city central water systems in Hong Kong and there are no problems with water supply. Prior to the commencement of restaurant operations, the Group did not consume material amounts of water in its operations and on a like-for like basis. For the 2022 Reporting Period, the Group has consumed 20,076 cubic metres which has significantly decreased its water consumption of 14,971 cubic metres or approximately 42.72% from 2021 of 35,047 cubic metres and in term of intensity of water consumption per staff, was 254.13 cubic metres.

At all times, we request the staff and workers to use fresh water smartly and be responsible and we monitor water usage patterns constantly via the use of smart metres. We will continue to monitor this KPI closely and we target to reduce our water consumption overall by 3%-5% in the next operating year.

(iii) Paper and Packaging Materials Consumption

Given its business nature, the Group does not use much paper and packaging materials. Paper is used only for printing and writing purposes in the offices. This is further evidence of the success of the Group's continuing measures to reduce paper usage at source including using papers from sustainable sources, encouraging recycling of paper, replacing paper records by electronic records, and reducing the use of paper by writing on whiteboards during presentations and meetings. We will continue to monitor our usage and look at ways to introduce more sustainable and environmentally friending materials where possible and we target a further 3% reduction in paper usage in the next year.

A3: Environment and Natural Resources

The Group's activities and operation do not utilise many natural resources nor generate many environmental hazards. Fresh water, electricity, cooking gas and paper-based packaging materials were the only key elements which were considered to have an impact on the environment and with the restaurant operations. We are even more acutely aware of this and have instigated strong operational procedures to ensure this. We have not polluted any air, water and land, and have complied with all the environmental laws and regulations of the regions which we have operations. As a responsible corporation, the Group is committed to conserving resources in order to reduce its impact on the environment as well as saving operation costs. We continue to actively promote energy efficiency, conservation and environmental awareness to our employees and stakeholders. As set out in our environmental policies, staff must pay attention to the use of air conditioning and electricity, and implement practices such as turning off lights, air conditioning and computers when not in use. We encourage the regular maintenance and prolonged use of our computers, printers, fax machines, photocopiers, POS machines and other common office and retail equipment to reduce the frequency of replacement. The Group has also implemented green purchasing practices and best practice technologies to conserve natural resources where applicable and we discontinued the use of one transport vehicle as means to reduce our carbon footprint. We will continue to cooperate with the local government agencies and support environmental organizations. Overall, same as in the previous 4 years, we did not receive any complaints from the public or government or regulatory bodies and target to continue to explore new ways to conserve resources and contribute to sustainability and reduce climate change.

A4: Climate Change

The Group is aware that there are significant and well known risks associated with climate change and global warning and understands that stakeholders expect us to be managing and mitigating climate change risks in line with local and global commitments and recommendations. While we operate in industries that are not directly affected by the physical effects of climate change, we recognise that the impacts of climate change are varied and long-ranging as we move to a low carbon economy and changes in society, customers and markets and regulatory responses could prevent us from meeting our strategic objectives and could result in adverse operational, compliance and financial impacts.

In order to reduce carbon emissions in business operations and jointly cope with climate change, the Group actively advocates the green policy of sustainable development and strives to save energy, water, paper and other resources within its capacity. We proactively raised our staff's environmental awareness and implemented relevant measures in energy saving and reducing emission in daily operation so as to establish a low-carbon office.

Thus, climate change risks are considered by the Board to be an emerging material risk and oversight is given to the senior management who is developing an overarching climate change strategy to reduce greenhouse gas emissions and assist with the movement to a lower carbon economy with policies and procedures to manage such potential risks including:

- Measuring and monitoring greenhouse gas emissions;
- Consideration of potential disruption to our operations due to extreme weather events and changing weather patterns;

- Consideration of changing customer behaviours and requirements as demand moves towards more carbon neutral and organic based food and beverages;

- Changes in cost and availability of raw materials (organic produce) and utilities such as renewable electricity, water and gas and relevant costs of securing and maintaining sufficient supply;

- Changes to government policy, law and regulation (including pricing carbon, renewable electricity pricing, sustainable waste including food scrap disposal etc), which could result in increased operational costs and potential for litigation; and

- Failure to meet expectations of stakeholders.

Climate change is mainly caused by the release of CO_2 into the atmosphere, which is directly and indirectly the result of the use of fossil fuels for electricity generation and fuels for gas cooking and transportation. As the world transitions to a lower-carbon sustainable economy there are inevitable areas that the Group can contribute to this. After discussions with our stakeholders we have identified energy and water, and logistics as immediate areas that we can tackle to both combat climate change and reduce potential costs in the future.

Energy

During the 2022 Reporting Period, we produced material direct greenhouse gas emissions through our use of gas for cooking in our restaurants, and indirect greenhouse gas emissions were also generated through the use of electricity from non-renewable sources and consumption of gas and water. As outlined previously, we have implemented extensive policies and procedures to improve the efficient use of electricity, gas and water across our organisation and we will continue to invest in more energy efficient processes and equipment in the near future.

Water

The Group has taken measures to encourage employees to more efficiently use water in order to reduce its consumption especially in our restaurant operations.

Logistics

While we have outsourced our logistics services, however, in line with our Climate Change Strategy, the carbon footprint and sustainability of suppliers is an important consideration and we are actively seeking logistics partners that utilize electric vehicles and sort to minimize their own carbon footprint where possible.

For the 2022 Reporting Period, the Group's business operations and activities, except for the above three aspects, did not lead to any events or issues that might impact the climate or result in a change in the climate significantly.

B. SOCIAL AREAS AND ASPECTS

1.1 Overview

The Group is committed to conducting business in an honest, accountable and ethical way and strives to build mutually beneficial relationships with our stakeholders, including our employees, customers, suppliers, communities, as well as the public and governing authorities. On formulation of ESG strategies and policies, we incorporate our long term corporate development goals with considerations on the stakeholders and society with a belief that we can make a difference to the world at large and the communities in which we operate.

1.2 Employment and Labour Practices Aspects

B1: Employment

The Group recognizes its success and depends highly on the skills, passion and commitment of its employees. We consider that our employees and their intrinsic talent are important resources and assets and we ensure employment and labour practices are implemented according to labour laws and the Employment Ordinance in Hong Kong. We are committed to an inclusive culture, providing equal employment opportunities for all without discrimination in hiring, promotion, dismissal, remuneration, benefits, training and development and treating all people with dignity and respect.

The Human Resources Department is responsible for the employment and the relevant policies, which are clearly laid out in our Employee Handbook, including but not limited to, appointment, termination, working hours, rest days, statutory holidays, remunerations, various compensations, dismissals, health, general safety and other benefits and welfares.

Our recruitment and selection process are based on merit, in respect of essential and desirable criteria of the job nature and in line with the policy of equal opportunity. We strike to hire talented employees in the market by offering competitive wages and benefits, focused training and internal promotion opportunities. We specify the requirements of the vacancies and will advertise as well as headhunt through employment agencies. The selection process will be standard, and positions will be decided after background checks, tests and interviews by our human resources manager as well as the related departmental head. Senior managers will be decided by the CEO.

(i) ***Employment Mix***

At 31 December 2022, the Group employed a total of 79 employees, among which 79 full-time staffs and no part-time staffs. Further analysis of the Group's employment situations for 2022 Reporting Period and comparison with 2021 Reporting Period are summarised below:

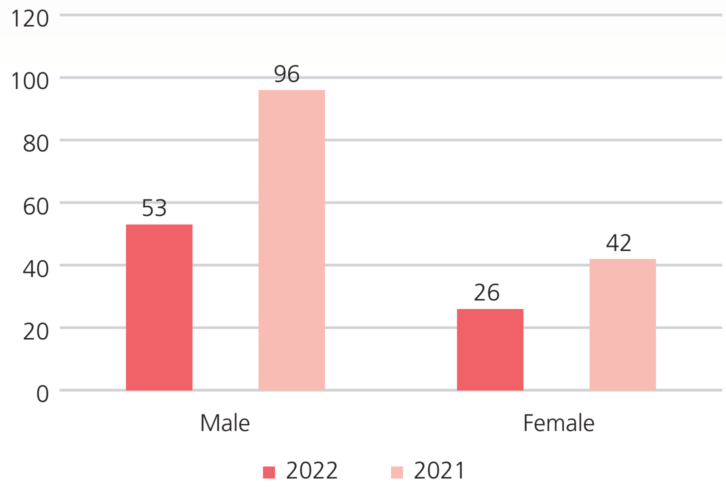

Figure 1: Number of Employee by Sex

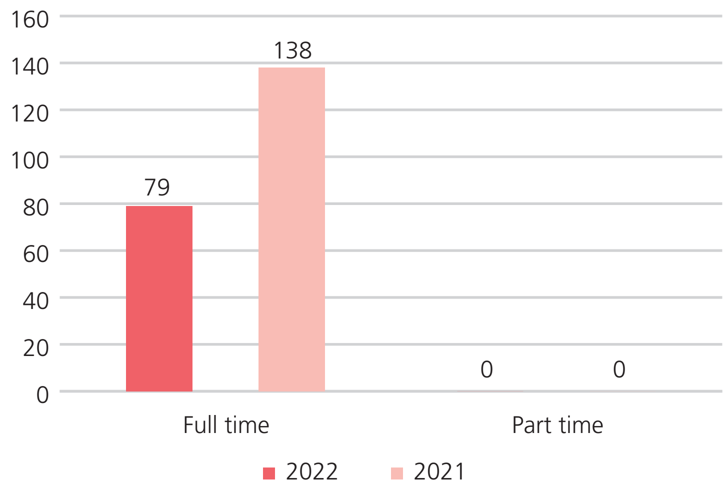

Figure 2: Number of Employee by Employment Type

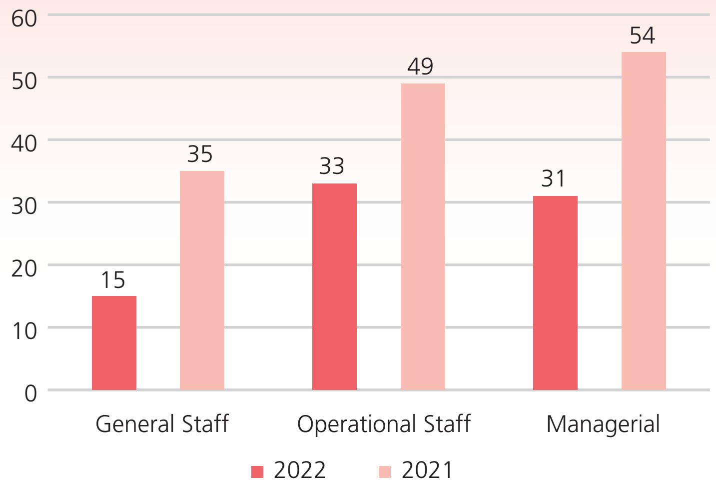

Figure 3: Number of Employee by Employment Role

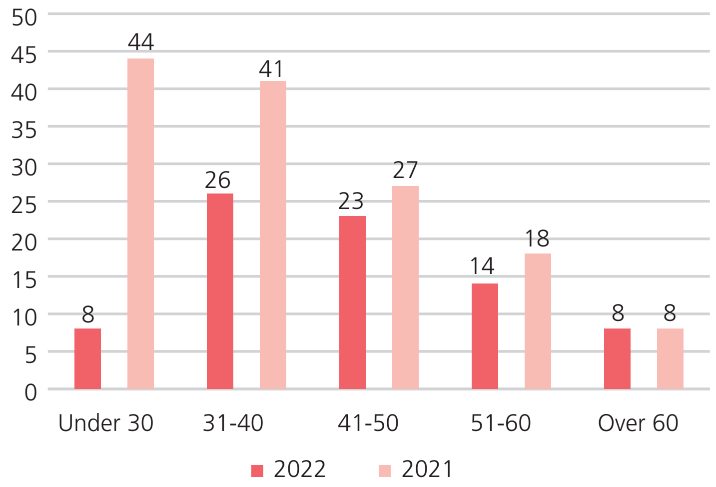

Figure 4: Number of Employee by Age

The Group honoured all obligations to our employees including but not limited to the payment of salaries and wages, holidays and leave, compensation, and insurance for the 2022 Reporting Period.

(ii) Employee Turnover Rate

It is a well known fact that the employee turnover rate within the food and beverage industry is high. A primary reason for leaving is to further developing their careers, whether it is developing a career in restaurants or bars. As such, market competition is a high within the industry and provides many opportunities for their employees to grow along with the Group.

During the 2022 Reporting Period, a total of 63 employees voluntarily left for various reason. The attrition rate of the Group is 79.75% for the 2022 Reporting Period. A breakdown of the employee turnover rate during the 2022 Reporting Period was provided below:

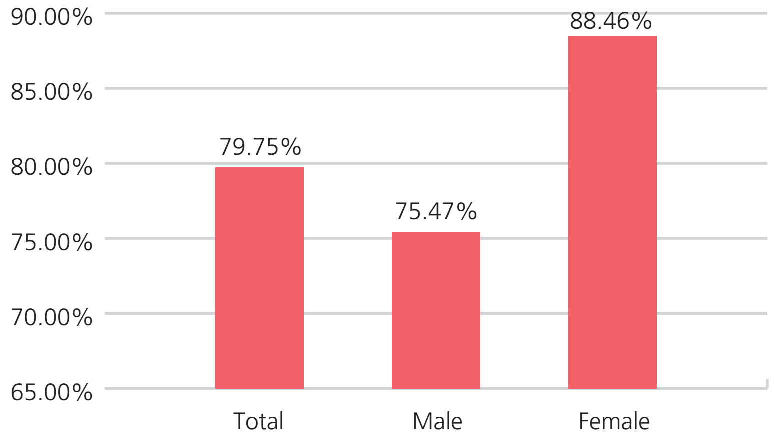

Figure 5: Turnover Rate by Sex

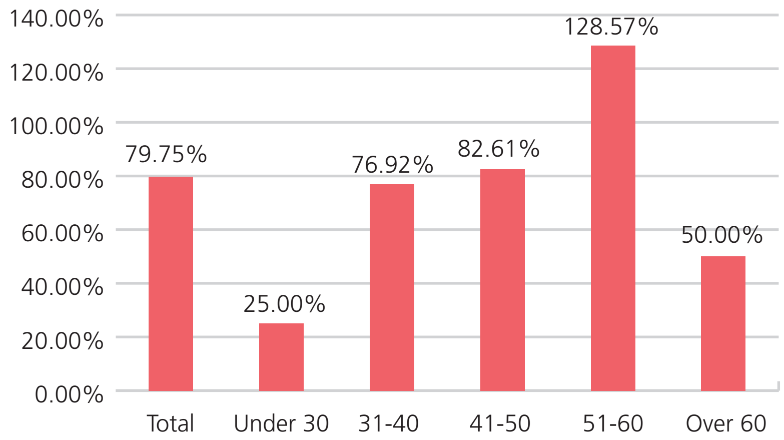

Figure 6: Turnover Rate by Age

(iii) Employee Compensation and Benefits – Policies and Compliance with Relevant Laws

As mentioned before, one of the major materials ESG aspects raised by the Group's employees was salary and compensation packages. The Group addresses salary and compensation packages in a transparent manner by disclosing its salary benchmarking exercises to employees. We provide and maintains statutory benefits to all qualified staff in Hong Kong a including but not limited to coverage by the Mandatory Provident Fund in Hong Kong, work injury insurance and compensation and statutory holidays.

We implement our staff structure on the philosophy of "making the best use of ability" and offer reasonable yet competitive compensation packages. All employees are required to sign a contract with the Group, which contains terms and conditions according to the local labour laws and employment ordinances. The Group has developed clear 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.

The Group promotes a diverse and respectful workplace to ensure that employees are not treated differently due to factors such as gender, age, nationality, race, religion, family and health conditions, and eliminate any form of discrimination. We have created a fair and non– discriminatory atmosphere where male and female staff are equally entitled to employment and promotion opportunities, as well as the prevention of child labour and forced labour.

Remuneration packages are linked to individual performance, the Group's business performance, and taking into consideration of industry practices and market conditions and will be reviewed on an annual basis. Senior management staff and directors' remuneration is determined with reference to his/her duties and responsibilities with the Group, the Group's standards for emoluments and market conditions. Share options are also granted to eligible employees based on individual performance as well as the Group's performance.

To build a harmonious employees' relationship, the Group's senior management regularly organises meetings with the employees to listen to their concerns and thereafter to take appropriate actions, and also arranges social and sport events for employee participation.

During the 2022 Reporting Period, and as per our track record in previous years, the Group was not aware of any incidents of non-compliance with relevant laws and regulations that have a significant impact on the Group relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare. We are confident that the Group will achieve the same result for the coming year.

B2: Health and Safety

The Group continued its commitment to provide a safe, healthy and pleasant working environment to the employees. We conduct all our business in full compliance with relevant workplace health and safety laws and regulations including the Occupational and Health Ordinances of Hong Kong. We have equipped the offices and our hospitality establishments with adequate equipment and facilities to ensure safety and convenience to employees. All permanent staff have been covered with social, medical and accidental insurance as required by laws. All employees are also requested to strictly observe the health and safety policies and to follow safety rules at work and to place safety as their priority during work at all times. The Group has implemented customer service and work safety guidelines for all of its employees which set its work safety policies and promote safety on premises. The Group has also provided the required insurance for all employees in accordance with the statutory requirements of their employment locations.

Taking occupational health and safety as one of our prime responsibilities, we have established relevant safety policies and provide training to our staff and in particular to kitchen staff. In general, our safety training will be carried out by explaining the safety management policy, case analysis simulation in respect of on-site safety measures and emergency arrangement as well as allocation of responsibilities.

For the 2022 Reporting Period, the Group has recorded 3 injury cases in the course of the operation of HEXA comprising of one light injury and two medium injuries. The Group provided 37-working-day leaves for the staffs injuried. Additionally, there was zero case of work-related fatalities occurred in the past three years including the 2022 Reporting Period. Through the continued efforts in training and monitoring of health and safety in our workplaces. The Group continues to target to achieve a zero injury and causality result for the coming year.

B3: Development and Training

As a fast-developing organisation, we are actually aware of the value and contribution of its employees and is willing to invest and to provide our employees with numerous career development and job– specific training courses for them to enhance their capabilities. Employees are encouraged to engage in self-development by taking external training programs and seminars and we arrange senior staff to provide directional advice and guidance and short-term training to junior staff. We implement a system that links our employees' remuneration and promotion to their work experience, capabilities and performance, which incentivizes their proactivity and eagerness of advancement through continuous learning.

The human resources department is responsible for employee training. The Group has introductory and continuous training programmes for our employees to ensure the consistency of our high-quality customer services across all of our establishments, and the relevant policies and guidelines in respect of their respective posts. Work safety training are also provided to our operational staff. We review our training programmes based on market trends and updates as well as changes in compliance and regulatory environment.

In 2022, no training was provided due to the social distance policy and the lockdowns and curfew enforced by the China and Hong Kong Governments. However, the managers of the Group's establishments provide training to the operational staff when time was available. Such trainings are not recorded.

B4: Labor Standards

The Group adopts the legal requirements and standards applicable to our business operations to be our minimum labor standard on labor protection and welfare. The Group is committed to ensuring its full compliance and all management and supervisory levels are made aware of this.

In line with our continuing record of previous years, in 2022, there were no labour strikes within the Group and we did not experience any material labour disputes nor any material insurance claims related to employees' injuries. We firmly believe that we have maintained a good working relationship with our employees. Equal opportunities have been given to employees in respect of recruitment, training and development, job advancement, and compensation and benefits. The employees have not been discriminated against or deprived of opportunities on the basis of gender, ethnic background, religion, colour, sexual orientation, age, marital status, family status, retirement, disability, pregnancy or any other discrimination prohibited by applicable laws.

The Group, same as the previous records, also did not experience any material safety problems and no material safety accidents occurred due to the fault of the Group. Besides, we regularly monitor information and data related to employment to prevent non-compliance with rules on child labour and forced labour. We are not aware of any material non-compliance with the relevant standards, rules and regulations in relation to the employment and labour practices in 2022.

1.3 Operation Practices Aspects

B5: Supply Chain Management

Supply chain management in the ESG Guide mainly refers to management of sourcing and procurement. The Group mainly procures food and beverage products, and our suppliers mainly include fresh food and beverage suppliers as well as for tobacco.

The Group has established a material and supplier management system, covering the process and procedure for procurement. Based on the requirements and plans of the respective departments and categories of purchases, the Group usually places orders through price competitiveness and shortlisting, and chooses suppliers through a screening and evaluation process. Our suppliers are selected carefully based on a set of selection criteria, which includes (i) ability to meet specification and standards; (ii) product and service quality; (iii) pricing of the products and services; (iv) quality control methods and practices, and reliable delivery method; and (v) past performance. When necessary, the Group will carry out field investigations to ensure the suppliers are well equipped to provide guaranteed quality and are able to manage safety and other environmental issues. We maintain a list of suppliers who have track records in dealing with us or in the market. Regular assessments on the suppliers including requests to provide basic certifications, licenses and product catalogues will be conducted to ensure that the suppliers are not only committed to the cost and quality of the products supplied, but also have not violated any laws and practices.

During the 2022 Reporting Period, same as the previous 4 years, we did not experience any significant problems with the quality of our fresh food or beverage products provided by our suppliers, any material limitations in the supply nor any shortage of any products. We believe that our supply chain management and procedures ensure the safety and quality of our supply chain.

During the Reporting Period, we had a total of 47 suppliers, a decrease of 31.88% from the 69 suppliers we had in 2021. The decrease was mainly due to the COVID-19 restrictions to opening hours of restaurants imposed by Hong Kong government leading to less businesses and less food supplies are needed. Additionally, given less revenue of restaurant operations, the Group has continued narrowing down the suppliers that were favourable to the Group, both financially and environmentally. All suppliers were local, which reaffirmed our strategy of supporting the local economy and was also in line with our local and fresh food supply strategy for our restaurants.

B6: Product Responsibilities

(i) Safety, Fire and Hygiene

One major condition imposed by applicable laws and regulations in respect of our operations includes compliance of relevant safety, hygiene and fire requirements. Our operation managers across all lines of business are responsible to ensure compliance of these requirements by conducting checks and inspections of the restaurants regularly. For example, fire escape corridors shall be kept clear from obstruction. Fire extinguishers and other equipment shall be kept at the correct location and that they are accessible and remain free from obstruction.

Fire and evacuation drills are conducted annually. The restaurant premises and the head office with the same previous records that we passed all the safety inspection checks by the Fire Departments of Hong Kong and China.

(ii) Security

As the Group offers our services in open places with public access, security is a major issue to us. We have therefore engaged independent security companies to provide a security staff, working under the supervision of our operation managers to ensure safety. We have established safety and anti-crime manual and implemented strictly by the security team.

During the Reporting Period, same as the previous 4 years, our restaurant establishments had reported any serious cases resulting in serious life threatening events and accidents to our employees and customers.

(iii) Privacy

The Group's business operations generate a large volume of private, confidential and sensitive information of suppliers, co-operation partners including the operation status and financial positions, commercial terms of contracts, etc., background information of customers and customer credit card information. These types of information are extremely sensitive and important, can only be used for our own business purposes, not for other unrelated purposes, and by law, we have to cautiously safeguard and protect such information.

The Group fully understands its obligation, and has exercised caution in its daily operations to safeguard client information, protecting customer information from unauthorized access, usage and leakage through various technologies and procedures. Our employees' employment contracts specifically contain confidential provisions and employees are prohibited from accessing information without approval and/or leaking private and confidential information.

All employees are trained to handle and use customer information with extreme caution, protect customer information, and comply with statutory requirements in privacy law. Legal action will be taken against any violation.

During the 2022 Reporting Period, same as the previous 4 years, there were no cases initiated against us, nor any complaints received, regarding any breach of relevant privacy laws, regulations and policies in any jurisdiction in which we operate. We will continue to target for zero cases to be initiated or complaints received in the future.

(iv) Customer Service and Complaints

The Group is committed to deliver high quality services and products to our customers. As such, we dedicate efforts to deal with complaints by our customers and establish procedures to handle complaints and implement corrective measures, with a view to preventing the reoccurrence of similar complaints.

For complaints at the restaurant premises, if any staff receives a complaint from a customer, the staff shall immediately report this to their supervisor, who would review and understand the matter with the relevant customer and offer remedial proposals to the customer. The complaint will be recorded for internal review. If the complaint cannot be resolved on site or if a complaint has been received online through emails, the incident will be reported to the general manager, who will investigate the incident and file a report to the management with solutions to improve or avoid similar incidents in the future. An explanation will be sent to the relevant customer to ensure the matter has been resolved and to maintain good customer relationships. Our management will review complaints records regularly, and accordingly arrange necessary training to our staff to consistently improve the operation of the restaurant.

During the 2022 Reporting Period, same as the previous 4 years, we were not aware of any incident of customer complaint claiming material compensation, or any investigation by any government authorities in relation to such complaint, that could have a material adverse impact on our business.

(v) Insurance and Third Party Liability

The landlords of our restaurant venues have maintained the relevant third party liability insurance for fire or other accidents inside the premises. During all fit out and renovation works for our restaurants, we have maintained relevant third party insurance. For events held outside our restaurant, we have also arranged appropriate insurance cover in respect of contractor's liability, public liability, accidental death and permanent disability. We maintain at all times relevant employees' compensation insurance for injuries or death in the course of employment.

(vi) Intellectual Property Right

Our Group's principal intellectual property rights include the trademark registered for the "Cubic" brand as well as "HEXA" and "SIXA" brands and we have taken appropriate steps to protect our intellectual property rights and registered the relevant trademark in various jurisdictions including Greater China, Taiwan, Japan, England, and Singapore. We primarily rely on trademark and intellectual property laws, and confidentiality agreements with our senior employees to protect our intellectual property.

We respect and observe intellectual property rights and pay for the music under licenses and copyrights to allow us to broadcast and the background music in our restaurants. We select music and maintain regular discussions and reviews with DJs to optimise customers' experience.

For the events we hold in Hong Kong as well as for background music in our restaurant establishments, we also obtain the relevant permit and licences for public performance of music recordings from Hong Kong Recording Industry Alliance Limited, Composers and Authors Society of Hong Kong Limited and Phonographic Performance (South East Asia) Limited.

For the 2022 Reporting Period, the Group was not aware of any infringement of its or any other intellectual property rights which had or could have a material adverse effect on our business, and same as the previous 4 years, there were no legal proceedings against the Group with respect to our use of musical works in our restaurant establishments in Hong Kong. We will continue to target zero infringement in coming years.

B7: Anti-corruption

As discussed in the introduction section, the prevention of bribery, extortion, fraud, and money laundering is a material aspect to all the stakeholders. The Group adopts a zero-tolerance approach to these crimes. Detailed policies and measures have been disclosed in and implemented since we started our ESG Reporting and KPIs in 2016. In our daily operations, the directors, management and staff must comply with related government laws and regulations on prevention of bribery, extortion, fraud and money laundering. With the implementation of clear policies and well-structured processes on purchases, sales, operation and finance, and the adoption of a high code of conduct especially in our senior management, all employees not only have responsibility to understand but also comply with the above regulations and any person, who contravenes the regulations, will be subject to disciplinary sanction.

In 2022, no training on anti-corruption was provided to the directors and employee due to the social distance policy and the lockdowns and curfew enforced by the China and Hong Kong Governments. The Group will provide the related training to the directors and employee in the coming year.

Same as the previous 4 years, there were no complaints of corruption against the Group or its staff in the 2022 Reporting Period, and we will continue to target and are confident to achieve a similar result in the future.

B8: Community Investment

The Group strives to fulfil its responsibilities as a corporate citizen and makes contributions to society, taking into consideration the needs and interests of the communities where we expand our operations. By recruiting staff from local communities, we assist both local employment and at the same time we have a local team who is familiar with the local environment which is important in the hospitality industry, thereby creating a win-win situation. We also try to build a beneficial corporate-community relationship by addressing the local community concerns, such as those related to environmental issues and cultural promotion and encouraging and supporting staff to engage in voluntary community activities.

During the 2022 Reporting Period, we continued to focus on areas with higher local priority making small donations to local charities and the Group will continue to devote more resources towards community.

REPORT OF THE DIRECTORS

The Directors submit herewith their report, together with the audited consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2022.

PRINCIPAL ACTIVITIES

The Company is an investment holding company incorporated in Cayman Islands. The Company and its subsidiaries are principally engaged in the food and beverage industry. Their principal activities are operation of restaurants as well as granting loans to entities in the food and beverage and entertainment industry.

BUSINESS REVIEW

A review of the business of the Group as required under Schedule 5 to the Companies Ordinance, including an indication of likely future development in the Group's business, as set out in the section of "Letter to the Shareholders" and "Management Discussion and Analysis" in this annual report. Those discussion forms part of this report of the Directors.

Principal Risks and Uncertainties

The Group's financial condition, results of operations, businesses and prospects would be affected by a number of risks and uncertainties, including market risk, credit risk and impairment assessment, and liquidity risk. The risk management objectives and policies of the Group are set out in note 4 to the Financial Statements.

In addition, the Directors have acknowledged that the Group is exposed to certain principal risks in relation to the Group's operation that could have impact on the Group. The Group monitors the risks on an ongoing basis. Some of the principal risks that may materially affect our business include:

- Increase in food and beverage costs and/or labour costs may adversely affect our operation and financial performances;
- We depend on our major suppliers for the timely, stable and adequate supply of food and beverages;
- There is no guarantee that certain licences which are vital to operating our business could be acquired or renewed; and
- Our Group may not be able to find commercially favourable locations for our new business or renew property leases for our existing shops on terms that are agreeable to us.

Key Performance Indicators

The key performance indicators are detailed in the Financial Review set out in the "Management Discussion and Analysis" section of this annual report, which constitutes a part of this report of the Directors.

Compliance with Laws and Regulations

To the best of the knowledge of the Board and the management, the Group complied with the relevant laws and regulations which constitutes material impact on the business and operation of the Company and its subsidiaries in all material respects during the year ended 31 December 2022.

Key Relationships with Employees, Customers and Suppliers

The Group recognizes that employees are one of the significant assets of the Group. The Group aims to continue establishing a caring environment to employees and emphasis the personal development of its employees.

The Group maintains a good relationship with our customers and suppliers. The Group aims to continuously provide quality services and consumption experiences to our customers and establishing long-term cooperation relationships with our suppliers.

Betula Profit Holdings Limited ("Betula"), an indirect non-wholly owned subsidiary of the Company, and Wharf Realty Limited entered into a Tenancy Agreement dated 15 August 2022. Pursuant to the Tenancy Agreement, Betula as the tenant and Wharf Realty Limited as the Landlord had agreed to renew the tenancy of the Premises for a term of two years commencing on 26 June 2022 and expiring on 25 June 2024. Please refer to the announcement dated 19 August 2022 for further details.

Environmental Policies

The Group is committed to building an environmentally-friendly corporate environment that pays close attention to conserving natural resources. The Group strives to minimise its impact on the environment by reducing its electricity consumption and encouraging recycle of office supplies and other materials. For further details, please refer to the "Environmental, Social and Governance Report" section of this annual report.

SEGMENT INFORMATION

The analysis of geographical locations of the Company and its subsidiaries for the year are set out in notes to the consolidated financial statements. Details of the segment information of the Group for the year are set out in notes to the consolidated financial statements.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2022 and the state of the affairs of the Company and the Group as at that date are set out in the consolidated financial statements of this annual report.

The Directors do not recommend the payment of any dividend for the year ended 31 December 2022.

SUMMARY OF FINANCIAL INFORMATION

A summary of the published results and assets and liabilities of the Group for the last four financial years, as extracted from the audited consolidated financial statements, is set out in the "Summary of Financial Information" section of this annual report.

PLANT AND EQUIPMENT

Details of the movements in plant and equipment of the Group during the year are set out in notes to the consolidated financial statements.

SHARE CAPITAL

Details of the movements in the share capital of the Company during the year are set out in notes to the consolidated financial statements.

RESERVES

Details of the movements in reserves of the Group and the Company during the year are set out in the Consolidated Statements of Changes in Equity and notes to the consolidated financial statements, respectively.

As at 31 December 2022, the Company had no reserves available for distribution in accordance with the Company law of Cayman Islands while the Company's share premium account was approximately HK$79,169,000.

DIRECTORS

The Directors during the year and up to the date of this report were as follows:

Executive Directors

Mr. Choi Yat Hon (Formerly known as Choi Yiu Ying) *(Chairman and Chief Executive Officer)*
Mr. Choi Siu Kit
Mr. Yeung Chi Shing
Mr. Zhang Rongxuan (appointed on 10 May 2022 and resigned on 23 November 2022)

Non-executive Director

Mr. Au Ka Wai

Independent Non-executive Directors

Mr. Ip Hoi Fan	(appointed on 6 May 2022)
Mr. Wong Chung Wai	(appointed on 10 January 2023)
Ms. Tse Mei Ling	(appointed on 13 January 2023)
Mr. Chan Wai	(appointed on 20 June 2022 and resigned on 9 January 2023)
Mr. Tang Tsz Tung	(resigned on 13 October 2022)
Mr. Chan Ka Yin	(resigned on 10 June 2022)

The Company has entered into a service agreement with each of our executive Directors for an initial term of three years whereas all of the non-executive Directors have been appointed for an initial term of two years. All of the independent non-executive Directors have been appointed for an initial term of one year.

In accordance with Article 108 of the Company's articles of association, at each annual general meeting one third of the Directors for the time being, shall retire from office by rotation. Accordingly, Mr. Au Ka Wai, Mr. Wong Chung Wai and Ms. Tse Mei Ling shall retire from office as Directors by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

According to Article 112 of the Articles of Association, any Director appointed by the Board to fill a casual vacancy shall hold office only until the first general meeting of the company after his appointment and be subject to re-election at such meeting.

REMUNERATION OF DIRECTORS AND FIVE INDIVIDUALS WITH HIGHEST EMOLUMENTS

Details of the emoluments of the Directors and five individuals with highest emoluments of the Group are set out in notes to the consolidated financial statements. Directors' remuneration is mainly determined by their jobs duties and relevant market standard.

RETIREMENT BENEFIT SCHEME

Details of the retirement benefit scheme of the Group are set out in notes to the consolidated financial statements.

PERMITTED INDEMNITY PROVISION FOR THE BENEFIT OF DIRECTORS

The Company has arranged appropriate insurance cover in respect of its legal action against its Directors, effective from the date of Listing and remained in force as of the date of this report. According to Article 191 of the Company's articles of association, the Directors shall be indemnified and secured harmless out of assets of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them, their or any of their executors or administrators, shall or may incur or sustain.

EMPLOYEES AND REMUNERATION POLICY

The Group had a total of 79 employees as at 31 December 2022 (2021: 138 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 and social security fund schemes operated and managed by the Macau Government to its qualified Macau employees.

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

As at 31 December 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[(4)]
Mr. Choi Yat Hon (Notes 2 and 3)	The Company	Interest of a controlled corporation, interest held jointly with another person	1,093,500,000 ordinary shares of the Company (L)	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%
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 interests	18,000,000 ordinary shares of the Company (L)	0.79%
	Welmen	Beneficial owner	1,234.44 ordinary shares of Welmen (L)	12.3444%

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[(4)]
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 interests	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 Yat Hon, Mr. Choi Siu Kit, Mr. Au Wai Pong Eric, Mr. Au Ka Wai, Mr. Yeung Bernard Sie Hong and Mr. Yeung Chi Shing entered into an acting in concert confirmation whereby each of them confirmed that since 31 January 2011, they acted in concert with each other when dealing with matters concerning operation management, accounts, finance and treasury and human resources management of the Group, details of which are set out in the Prospectus. On 20 August 2019, Mr. Yeung Bernard Sie Hong sold all his shares in Welmen to Mr. Choi Kuen Kwan (father of Mr. Choi Yat Hon and Mr. Choi Siu Kit). On 4 June 2020, Mr. Choi Kuen Kwan sold 50% and 50% of his shares in Welmen to Mr. Choi Yat Hon and Mr. Choi Siu Kit respectively. As such, pursuant to the acting in concert arrangement, each of Mr. Choi Yat Hon, Mr. Choi Siu Kit, Mr. Au Wai Pong Eric, Mr. Au Ka Wai and Mr. Yeung Chi Shing is deemed to be interested in 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 Yat Hon and as to 50% by Mr. Choi Siu Kit. By virtue of the SFO, each of Mr. Choi Yat Hon and Mr. Choi Siu Kit is deemed to be interested in 30.3111% of the issued share capital of Welmen held by Yui Tak and 47.74% of the issued share capital of the Company held by Welmen.

(4) The "approximate percentage of shareholding interest" has not taken the 317,064,220 Consideration Shares into account as mentioned in the Company's announcement dated 10 October 2022.

Save as disclosed above and so far as is known to the Directors, as at 31 December 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 31 December 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[(10)]
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%
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 Welmen (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%

Name of shareholder	Nature of interest	Number and class of securities[1]	Approximate percentage of shareholding interest[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") (Note 8)	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%
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 Yat Hon and as to 50% by Mr. Choi Siu Kit. By virtue of the SFO, each of Toprich, Perfect Succeed, Mr. Choi Yat Hon and Mr. Choi Siu Kit is deemed to be interested in 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.

(10) The "approximate percentage of shareholding interest" has not taken the 317,064,220 Consideration Shares into account as mentioned in the Company's announcement dated 10 October 2022.

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

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Saved as disclosed under the paragraph headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company or any associated company", at no time during the year was the Company or any of its subsidiaries or fellow subsidiaries, a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTEREST IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Saved as the related party transactions disclosed in notes to the consolidated financial statements, no other transactions, arrangements or contracts of significance in relation to the Group's business to which the Company, its controlling shareholders or any of its subsidiaries or fellow subsidiaries was a party and in which a Director of the Company and the director's connected party had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year ended 31 December 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"). Set out below are the details of his interests in the Retained HK Restaurant and Bar Business during the twelve-month period ended 31 December 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 before the Group's Listing, such business are excluded from the Group and is not covered by the Deed of Non-competition entered between the Controlling Shareholders and the Company.

Saved as disclosed, during the twelve-month period ended 31 December 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. The Controlling Shareholders have provided information necessary for annual review by our Company's independent non-executive Directors and the enforcement of the Deed of Non-competition. The Controlling Shareholders have provided written confirmation to the Company declaring compliance with the Deed of Non-competition. Our independent non-executive directors have reviewed and concluded their compliance with the Deed of Non-competition signed between controlling shareholders and the Company.

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 Share Option Scheme became effective on the date of the Company's listing (i.e. 11 November 2016) and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of shares which may be issued upon exercise of all options granted and to be granted under the Share Option Scheme is 180,000,000 shares, representing 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 this 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

On 2 October 2018, certain employees and consultants of the Group who are not director, chief executive or substantial shareholder of the Company were granted shares options to subscribe for 30,142,308 shares at an exercise price of HK$0.061 per share.

On 4 January 2021, six Directors, a director and minority shareholder of a subsidiary of the Company, a consultant and an employee of the Group were granted share options to subscribe for 144,000,000 shares at an exercise price of HK$0.029 per share. The closing price of the share immediately before the date of the grant (i.e. 31 December 2020) was HK$0.029.

				Number of share options				
Category/ Name of Grantee	Date of Grant	Exercise Date/ Period	Exercise Price Per Share	Outstanding as at 1 January 2022	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding as at 31 December 2022
(1) Employees and Consultants	2 October 2018	(Note 1)	HK$0.061	7,485,000	–	–	–	7,485,000
	2 October 2018	(Note 2)	HK$0.061	7,485,000	–	–	–	7,485,000
	2 October 2018	(Note 3)	HK$0.061	7,485,000	–	–	–	7,485,000
	2 October 2018	(Note 4)	HK$0.061	2,495,000	–	–	–	2,495,000
Sub-total				24,950,000	–	–	–	24,950,000
(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				74,550,000	–	(36,000,000)	(13,600,000)	24,950,000

Notes:

1. 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.

2. 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.

3. 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.

The Share Option Scheme will expire on 11 November 2026.

EQUITY-LINKED AGREEMENTS

Save for the share option scheme of the Group as set out in note 37 to the consolidated financial statements of the Group, and the convertible loans and the convertible promissory notes issued in 2019 as set out in notes 32 and 33 to the consolidated financial statements of the Group, no other equity-linked agreements were entered into by the Group or existed during the year ended 31 December 2022.

During the year ended 31 December 2022, no convertible loans or convertible promissory notes issued in 2019 as set out in notes 32 and 33 to the consolidated financial statements of the Group were converted to shares of subsidiary of the Group while the Company is negotiating with the convertible promissory notes holders to extend the repayment date of the convertible promissory note.

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 2022.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association, or the applicable laws of the Cayman Islands, that would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

SUFFICIENCY OF PUBLIC FLOAT

As at the date of this report, based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company maintained a sufficient public float as required under the GEM Listing Rules.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

CORPORATE GOVERNANCE

Details of the Company's corporate governance practices are set out in the "Corporate Governance Report" section of this annual report.

MAJOR CUSTOMERS AND SUPPLIERS

For the reporting period, the revenue from sales of goods or rendering of services to the five largest customers of the Group represented less than 10% of the total revenue of the Group. The purchases from the five largest suppliers of the Group accounted for 69.3% of the total purchase of the Group and the purchase from the largest supplier accounted for 26.9% of the total purchase of the Group. To the best knowledge of the Board, none of the Directors, their close associates or any shareholder holding more than 5% of the issued share capital of the Company, had any beneficial interests in the Group's five largest customers or suppliers.

DONATIONS

During the year ended 31 December 2022, the Group made no charitable and other donations.

CONNECTED TRANSACTIONS

Related party transactions entered into by the Group during the year ended 31 December 2022 are disclosed in notes to the consolidated financial statements. These related party transactions are also connected transactions which are exempted from the reporting, annual review, announcement, circular and shareholders approval under Chapter 20 of the GEM Listing Rules.

EVENTS AFTER THE REPORTING PERIOD

The Group is not aware of any significant event subsequent to 31 December 2022 which would materially affect the Group's operating and financial positions except for (a) Placing of new shares and Proposed Share Consolidation; (b) Dismissal of Winding up Petition; and (c) Proposed Change in board lot size. For further details, please refer to the Company's announcements dated 22 February 2023, 24 February 2023, 27 February 2023, 1 March 2023 and 17 March 2023 respectively. As of the date of this Annual Report, the net proceeds of the Placing has been used to settle the Group's indebtedness.

AUDITORS

The consolidated financial statements of the Group for the year ended 31 December 2022 were audited by HLB Hodgson Impey Cheng Limited ("HLB"). A resolution will be proposed at the forthcoming annual general meeting to reappoint HLB as the auditors of the Group.

The Group has not changed its external auditor in any of the preceding 3 years.

On behalf of the Board

Choi Yat Hon
Chairman and Chief Executive Officer

Hong Kong, 30 March 2023

INDEPENDENT AUDITORS' REPORT

國衛會計師事務所有限公司
HODGSON IMPEY CHENG LIMITED

31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

TO THE SHAREHOLDERS OF
LUK HING ENTERTAINMENT GROUP HOLDINGS LIMITED
(Incorporated in the Cayman Islands limited liability)

DISCLAIMER OF OPINION

We were engaged to audit the consolidated financial statements of Luk Hing Entertainment Group Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 66 to 167, which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Material 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$48,935,000 for the year ended 31 December 2022 and, as of that date, the Group's current liabilities exceeded its current assets and total liabilities exceeded its total assets by approximately HK$122,041,000 and HK$107,718,000 respectively. As at that date, the Group's aggregate bank loans and lease liabilities amounted to approximately HK$21,605,000 and HK$14,757,000 respectively and the Group owed HK$9,080,000 and HK$18,109,000 respectively in respect of convertible loans and convertible promissory notes which were defaulted during the year and remained unsettled as of 31 December 2022. On the other hand, the Group's cash and cash equivalents amounted to only approximately HK$626,000. 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 Group is able to successfully negotiate with the banks for renewing banking facilities; (ii) whether the Company is successful in implementing alternative capital raising initiatives to provide additional funds for the Group; and (iii) whether the Group is able to implement its cost control measures to attain positive cash flows from operations of the Group.

BASIS FOR DISCLAIMER OF OPINION *(Continued)*

Material uncertainties relating to going concern basis *(Continued)*

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.

RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our responsibility is to conduct an audit of the Group's consolidated financial statements in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA and to issue an auditor's report sole to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. However, because of the matters described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements.

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

The engagement director on the audit resulting in this independent auditors' report is Kwok Tsz Chun.

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Kwok Tsz Chun
Practising Certificate Number: P06901

Hong Kong, 30 March 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Year ended 31 December 2022 HK$'000	Year ended 31 December 2021 HK$'000
Revenue	6	**58,590**	160,409
Other income and gain	7	**4,596**	7,210
Cost of inventories sold		**(18,313)**	(41,640)
Staff costs		**(32,189)**	(86,549)
Property rentals and related expenses		**(8,965)**	(12,128)
Advertising and marketing expenses		**(155)**	(1,781)
Other operating expenses		**(15,987)**	(27,927)
Depreciation and amortisation		**(22,969)**	(32,675)
Impairment losses under expected credit loss model, net of reversal		**(11,654)**	(5,697)
Impairment of non-financial assets		**–**	(15,668)
Loss on cessation of business		**(11,341)**	(16,903)
Fair value change of financial assets at fair value through profit or loss		**315**	78
Fair value change of derivative financial liabilities	31	**–**	486
Gain on disposal of a subsidiary	41	**16,424**	–
Share of losses of joint ventures		**(764)**	(648)
Finance costs	8	**(6,523)**	(8,073)
Loss before taxation	11	**(48,935)**	(81,506)
Taxation	10	**–**	(23)
Loss for the year		**(48,935)**	(81,529)
Other comprehensive income/(loss):			
Items that may be reclassified to profit or loss:			
Exchange difference on translating of financial statements of overseas subsidiaries		**2,134**	(415)
Other comprehensive income/(loss) for the year		**2,134**	(415)
Total comprehensive loss for the year		**(46,801)**	(81,944)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Year ended 31 December 2022 HK$'000	Year ended 31 December 2021 HK$'000
Loss for the year attributable to:			
Owners of the Company		**(32,093)**	(71,997)
Non-controlling interests		**(16,842)**	(9,532)
		(48,935)	(81,529)
Total comprehensive loss for the year attributable to:			
Owners of the Company		**(31,083)**	(72,289)
Non-controlling interests		**(15,718)**	(9,655)
		(46,801)	(81,944)
Loss per share (in HK cents)			
– Basic	14	**(1.41)**	(3.46)
– Diluted	14	**(1.41)**	(3.46)

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 31 December 2022 HK$'000	As at 31 December 2021 HK$'000
Assets			
Non-current assets			
Plant and equipment	15	**6,815**	44,611
Intangible assets	16	**130**	130
Financial assets at fair value through profit or loss ("Financial assets at FVTPL")	17	**6,209**	5,894
Right-of-use assets	18	**13,521**	21,455
Investment in joint ventures	26	**3**	562
Loan to an associate	24	**–**	1,240
Deposits	20	**3,903**	2,287
		30,581	76,179
Current assets			
Inventories	19	**560**	2,996
Account and other receivables	20	**8,027**	22,850
Loan receivables	21	**–**	3,371
Amount due from an associate	24	**–**	1,485
Amounts due from non-controlling interests	22	**1,808**	2,563
Cash and cash equivalents	23	**626**	2,034
		11,021	35,299
Liabilities			
Current liabilities			
Account and other payables	27	**101,352**	55,683
Lease liabilities	18	**10,105**	8,243
Convertible loans	32	**–**	8,873
Convertible promissory notes	33	**–**	18,117
Income tax payables		**–**	11
Bank loans	34	**21,605**	19,975
Provision for reinstatement costs	29	**–**	715
		133,062	111,617
Net current liabilities		**(122,041)**	(76,318)
Total assets less current liabilities		**(91,460)**	(139)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 31 December 2022 HK$'000	As at 31 December 2021 HK$'000
Non-current liabilities			
Other payables	27	–	18,627
Lease liabilities	18	4,652	30,148
Amounts due to non-controlling interests	28	10,041	10,906
Provision for reinstatement costs	29	1,565	850
		16,258	60,531
Net liabilities		(107,718)	(60,670)
Equity			
Share capital	30	22,904	22,544
Reserves		(94,505)	(61,312)
Equity attributable to owners of the Company		(71,601)	(38,768)
Non-controlling interests		(36,117)	(21,902)
Total equity		(107,718)	(60,670)

The accompanying notes form an integral part of these consolidated financial statements.

The consolidated financial statements on pages 66 to 167 were approved and authorised for issue by the Board of Directors on 30 March 2023 and signed on its behalf by:

Choi Yat Hon
Director

Choi Siu Kit
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Equity attributable to owners of the Company								Attributable to non-controlling interests	Total
	Share Capital	Share premium	Share-based compensation reserve	Legal reserve	Exchange reserve	Accumulated losses	Other reserve	Sub-total		
	HK$'000	HK$'000	HK$'000	HK$'000 (Note)	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As at 1 January 2021	18,000	66,235	896	12	543	(68,363)	(863)	16,460	(12,247)	4,213
Loss for the year	–	–	–	–	–	(71,997)	–	(71,997)	(9,532)	(81,529)
Other comprehensive loss for the year	–	–	–	–	(292)	–	–	(292)	(123)	(415)
Release upon derecognition of financial assets at FVTOCI	–	–	–	–	–	(178)	178	–	–	–
Ordinary shares issued	3,600	8,280	–	–	–	–	–	11,880	–	11,880
Transaction costs attributable to issue of new shares	–	(129)	–	–	–	–	–	(129)	–	(129)
Equity-settled share option arrangement	–	–	2,572	–	–	–	–	2,572	–	2,572
Lapsed of share options	–	–	(161)	–	–	161	–	–	–	–
Exercise of share options	944	3,453	(1,659)	–	–	–	–	2,738	–	2,738
As at 31 December 2021 and 1 January 2022	22,544	77,839	1,648	12	251	(140,377)	(685)	(38,768)	(21,902)	(60,670)
Loss for the year	–	–	–	–	–	(32,093)	–	(32,093)	(16,842)	(48,935)
Other comprehensive loss for the year	–	–	–	–	1,010	–	–	1,010	1,124	2,134
Lapsed of share options	–	–	(246)	–	–	246	–	–	–	–
Exercise of share options	360	1,330	(646)	–	–	–	–	1,044	–	1,044
Others	–	–	–	–	(29)	29	–	–	–	–
Disposal of a subsidiary (note 41)	–	–	–	(12)	–	12	–	–	–	–
Change in ownership in a subsidiary (note 23)	–	–	–	–	(39)	–	(2,755)	(2,794)	1,503	(1,291)
As at 31 December 2022	**22,904**	**79,169**	**756**	**–**	**1,193**	**(172,183)**	**(3,440)**	**(71,601)**	**(36,117)**	**(107,718)**

Note: In accordance with the provisions of the Macau Commercial Code, the subsidiary of the Company in Macau is 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.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	Year ended 31 December 2022 HK$'000	Year ended 31 December 2021 HK$'000
Operating activities			
Loss before taxation		**(48,935)**	(81,506)
Adjustments for:			
Impairment losses under expected credit loss model, net of reversal	11	**11,654**	5,697
Impairment of non-financial assets	11	**–**	15,668
Depreciation of plant and equipment	11	**12,785**	18,574
Depreciation of right-of-use assets	11	**10,184**	14,015
Amortisation of intangible assets	11	**–**	86
Bad debt written off	11	**–**	421
Loss on cessation of business	11	**11,341**	16,903
Fair value change of financial assets at FVTPL	11	**(315)**	(78)
Fair value change of derivative financial liabilities	11	**–**	(486)
Gain on disposal of plant and equipments		**(62)**	–
Gain on disposal of a subsidiary	41	**(16,424)**	–
Share of losses of joint ventures	26	**764**	648
Loss on lease termination	7	**–**	70
COVID-19 related rent concession	7	**(881)**	(2,333)
Equity-settled share option expense	38	**–**	2,572
Finance costs	8	**6,523**	8,073
Bank interest income		**(6)**	(7)
Operating cash flows before movements in working capital		**(13,372)**	(1,683)
Decrease in inventories		**1,159**	5,194
Decrease in account and other receivables		**5,546**	4,930
Decrease in loan receivables		**–**	1,000
Increase/(decrease) in account and other payables		**6,625**	(480)
Cash (used in)/generated from operations		**(42)**	8,961
Income tax paid		**–**	(23)
Net cash (used in)/generated from operating activities		**(42)**	8,938

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	Year ended 31 December 2022 HK$'000	Year ended 31 December 2021 HK$'000
Investing activities			
Purchase of plant and equipment	15	**(1,139)**	(3,907)
Net cash outflow on disposal of a subsidiary	41	**(127)**	–
Capital injection to joint ventures	26	**(230)**	(1,210)
Disposal of financial assets at FVTOCI		**–**	2,000
Proceed from disposal of plant and equipment	15	**220**	–
Increase in amount due from an associate		**(1,232)**	(2,861)
Interest received		**6**	7
Net cash used in investing activities		**(2,502)**	(5,971)
Financing activities			
Repayment of amounts due to non-controlling interests		**(106)**	–
Proceed from issue of shares		**–**	11,880
Transaction costs attributable to issue of shares		**–**	(129)
Proceed from exercise of share options		**1,044**	2,738
Proceeds from other loans		**7,000**	1,275
Repayment of other loans		**(2,370)**	(1,030)
Proceeds from bank loans	34	**8,000**	2,631
Repayment of bank loans	34	**(5,843)**	(5,583)
Repayment of convertible promissory notes		**(92)**	–
Decrease in bank overdrafts		**–**	(2,992)
Interest paid		**(592)**	(3,341)
Repayment of lease liabilities	40	**(3,365)**	(11,611)
Interest element of lease rentals paid	40	**(2,499)**	(4,328)
Net cash generated from/(used in) financing activities		**1,117**	(10,490)
Net decrease in cash and cash equivalents		**(1,367)**	(7,523)
Cash and cash equivalents at the beginning of the year		**2,034**	9,875
Effect of foreign exchange rate		**(41)**	(318)
Cash and cash equivalents at the end of the year		**626**	2,034
Represented by:			
Cash and bank balances		**626**	2,034

The accompanying notes form an integral part of these consolidated financial statements.

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 2017, 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 industry ("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$") for the convenience of the investors as the shares of the Company are listed on the GEM of the Stock Exchange. All values are rounded to the nearest thousand ("HK$'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 2022 for the preparation of the consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020

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.

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 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback[3]
Amendments to HKAS 1	Classification of Liabilities as Current or Non–current and related amendments to Hong Kong Interpretation 5 (2020)[3]
Amendments to HKAS1	Non-current liabilities with Covenants[3]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendments to HKAS 8	Definition of Accounting Estimates[1]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1]

1 Effective for annual periods beginning on or after 1 January 2023.
2 Effective for annual periods beginning on or after a date to be determined.
3 Effective for annual periods beginning on or after 1 January 2024.

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

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$48,935,000 for the year ended 31 December 2022 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$122,041,000 and HK$107,718,000 respectively. As at that date, the Group's aggregate bank loans and lease liabilities amounted to approximately HK$21,605,000 and HK$14,757,000 respectively and the Group owned HK$9,080,000 and HK$18,109,000 respectively, in respect of convertible loans and convertible promissory notes which were defaulted during the year and remained unsettled as of 31 December 2022. On the other hand, the Group's cash and cash equivalents amounted to only approximately HK$626,000.

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 therefore, the Group may not be able to realise its assets and discharge its liabilities in the normal course of business.

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 Basis of preparation of consolidated financial statements *(Continued)*

Going concern *(Continued)*

In order to ensure the Group's ability to operate as a going concern, the directors of the Company have implemented measures to deal with the conditions referred to above, as follows:

(i) the Company has proactively explored fund raising activities included placing of shares under the General Mandate announced on 24 February 2023 and the net proceeds from the placing was approximately HK$7 million among which approximately HK$6.5 million was used to partial settlement of outstanding principal of convertible promissory note and convertible loan and the remaining HK$0.5 million will be used as working capital of the Company. For further details, please refer to the announcements of the dated 24 February 2023 and 17 March 2023;

(ii) 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;

(iii) 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; and

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

Having considered the above and after reviewing the 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 2022 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.

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 Basis of preparation of consolidated financial statements *(Continued)*

Going concern *(Continued)*

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.

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.3 Significant accounting policies

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to owners of the Company and to the non-controlling interest even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.3 Significant accounting policies *(Continued)*

Basis of consolidation *(Continued)*

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Changes in the Group's interests in existing subsidiaries

Changes in the Group's interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKFRS 9 Financial Instruments or, when applicable, the cost on initial recognition of an investment in an associate.

Business combinations or asset acquisitions

Optional concentration test

The Group can elect to apply an optional concentration test, on a transaction-by-transaction basis, that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. If the concentration test is met, the set of activities and assets is determined not to be a business and no further assessment is needed.

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.3 Significant accounting policies *(Continued)*

Business combinations or asset acquisitions *(Continued)*

Asset acquisitions

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to financial assets/financial liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to the other identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

Business combinations

Acquisitions of business are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisitionrelated costs are generally recognised in profit or loss as incurred.

Except for certain recognition exceptions, the identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the Framework for the Preparation and Presentation of Financial Statements (replaced by the Conceptual Framework for Financial Reporting issued in October 2010).

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 Income Taxes and HKAS 19 Employee Benefits respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 Share-based Payment at the acquisition date;

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard; and

- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in HKFRS 16) as if the acquired leases were new leases at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.3 Significant accounting policies *(Continued)*

Business combinations or asset acquisitions *(Continued)*

Business combinations *(Continued)*

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any noncontrolling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the noncontrolling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets or at fair value.

When the consideration transferred by the Group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured to fair value at subsequent reporting dates, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquire is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss or other comprehensive income, as appropriate. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income and measured under HKFRS 9 would be accounted for on the same basis as would be required if the Group had disposed directly of the previously held equity interest.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted retrospectively during the measurement period (see above), and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date.

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.3 Significant accounting policies *(Continued)*

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units ("CGUs") (or group of CGUs) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A CGU (or group of CGUs) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the CGU (or group of CGUs) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of CGUs).

On disposal of the relevant CGU or any of the CGU within the group of CGUs, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the CGU (or a CGU within a group of CGUs), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the CGU) disposed of and the portion of the CGU (or the group of CGUs) retained.

The Group's policy for goodwill arising on the acquisition of an associate is described below.

Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.3 Significant accounting policies *(Continued)*

Investments in associates and joint ventures *(Continued)*

The results and assets and liabilities of associates or joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with HKFRS 5. Any retained portion of an investment in an associate or joint ventures that has not been classified as held for sale continues to be accounted for using the equity method. The financial statements of associates or joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Appropriate adjustments have been made to conform the associate's or joint ventures accounting policies to those of the Group. Under the equity method, an investment in an associate or joint ventures is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint ventures. Changes in net assets of the associate or joint ventures other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate or joint ventures exceeds the Group's interest in that associate or joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint ventures), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint ventures.

An investment in an associate or joint ventures is accounted for using the equity method from the date on which the investee becomes an associate or joint ventures. On acquisition of the investment in an associate or joint ventures, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The Group assesses whether there is an objective evidence that the interests in an associate may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.3 Significant accounting policies *(Continued)*

Investments in associates and joint ventures *(Continued)*

When the Group ceases to have significant influence over an associate or joint ventures, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture. When the Group retains an interest in the former associate or a joint venture and the retained interest is a financial asset within the scope of HKFRS 9, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate or a joint venture and the fair value of any retained interest and any proceeds from disposing the relevant interest in the associate or a joint venture is included in the determination of the gain or loss on disposal of the associate of a joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or a joint venture on the same basis as would be required if that associate or a joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or a joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant associate or a joint venture.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interests in an associate but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

The Group applies HKFRS 9, including the impairment requirements, to long-term interests in an associate or joint venture to which the equity method is not applied and which form part of the net investment in the investee. Furthermore, in applying HKFRS 9 to long-term interests, the Group does not take into account adjustments to their carrying amount required by HKAS 28 (i.e. adjustments to the carrying amount of longterm interests arising from the allocation of losses of the investee or assessment of impairment in accordance with HKAS 28).

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.3 Significant accounting policies *(Continued)*

Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or

- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

Revenue from sales of food, beverage and other products is recognised at the point in time when control of the products has transferred, being at the point the products are delivered to the customer and the customer has accepted the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products.

A receivable is recognised when the products are delivered and the customers accept the products, as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

Revenue from club and restaurant operations (including entrance fees income, events rental income and cloakroom income) is recognised at the point in time when the services have been provided to the customers.

Revenue from sponsorship income is recognised at the point in time when the promotion events have been held.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.3 Significant accounting policies *(Continued)*

Revenue from contracts with customers *(Continued)*

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to a contract are accounted for and presented on a net basis.

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Leases

For contracts entered into or modified on or after the date of initial application of HKFRS 16 or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative standalone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group applies practical expedient not to separate non-lease components from lease component, and instead account for the lease component and any associated non-lease components as a single lease component.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of club premises, restaurants, staff quarters and warehouses that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis or another systematic basis over the lease term.

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.3 Significant accounting policies *(Continued)*

Leases *(Continued)*

The Group as a lessee *(Continued)*

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities other than adjustments to lease liabilities resulting from Covid-19-related rent concessions in which the Group applied the practical expedient.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 Financial Instruments and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.3 Significant accounting policies *(Continued)*

Leases *(Continued)*

The Group as a lessee *(Continued)*

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

Variable lease payments that do not depend on an index or a rate are not included in the measurement of lease liabilities and right-of-use assets, and are recognised as expense in the period in which the event or condition that triggers the payment occurs.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review/ expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.3 Significant accounting policies *(Continued)*

Leases *(Continued)*

The Group as a lessee *(Continued)*

Lease modifications

Except for Covid-19-related rent concessions in which the Group applied the practical expedient, the Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities and lease incentives from lessor by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Covid-19-related rent concessions

In relation to rent concessions that occurred as a direct consequence of the Covid-19 pandemic, the Group has elected to apply the practical expedient not to assess whether the change is a lease modification if all of the following conditions are met:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

- any reduction in lease payments affects only payments originally due on or before 30 June 2022; and

- there is no substantive change to other terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying HKFRS 16 if the changes are not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.3 Significant accounting policies *(Continued)*

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. HK$) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of foreign currency translation reserve (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to noncontrolling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint arrangements that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.3 Significant accounting policies *(Continued)*

Borrowing costs

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Government grants relating to compensation of expenses are deducted from the related expenses, other government grants are presented under "other income and gain".

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

Employee benefits

Retirement benefit costs

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.3 Significant accounting policies *(Continued)*

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from loss before taxation because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.3 Significant accounting policies *(Continued)*

Taxation *(Continued)*

For lease transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 Income Taxes requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption. Temporary differences arising from subsequent revision to the carrying amounts of right-of-use assets and lease liabilities, resulting from remeasurement of lease liabilities and lease modifications, that are not subject to initial recognition exemption are recognised on the date of remeasurement or modification.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

In assessing any uncertainty over income tax treatments, the Group considers whether it is probable that the relevant tax authority will accept the uncertain tax treatment used, or proposed to be use by individual group entities in their income tax filings. If it is probable, the current and deferred taxes are determined consistently with the tax treatment in the income tax filings. If it is not probable that the relevant taxation authority will accept an uncertain tax treatment, the effect of each uncertainty is reflected by using either the most likely amount or the expected value.

Plant and equipment

Plant and equipment are stated in the consolidated statements of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of assets less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.3 Significant accounting policies *(Continued)*

Plant and equipment *(Continued)*

The estimated useful lives for plant and equipment are as follows:

Motor vehicles	5 years
Security surveillance-camera system	5-10 years
Furniture, fixtures and equipment	3-10 years
Tableware	3-5 years
Leasehold improvement	2-10 years

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on weighted average method. Net realisable value represents the estimated selling price for inventories less costs necessary to make the sale. Cost necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

Cash and cash equivalents

Cash and cash equivalents presented on the consolidated statement of financial position include:

(a) cash, which comprises of cash on hand and demand deposits, excluding bank balances that are subject to regulatory restrictions that result in such balances no longer meeting the definition of cash; and

(b) cash equivalents, which comprises of short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

For the purposes of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts which are repayable on demand and form an integral part of the Group's cash management. Such overdrafts are presented as short-term borrowings in the consolidated statement of financial position.

Intangible assets

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses. Licenses have a finite useful life and are carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight-line method to allocate the cost of licenses over its estimated useful lives. Licenses are amortised over its estimated useful lives. Both the period and method of amortisation are reviewed annually.

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.3 Significant accounting policies *(Continued)*

Impairment on plant and equipment, right-of-use assets and intangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its plant and equipment, right-of-use assets and intangible assets to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of plant and equipment, right-of-use assets and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the CGU to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cashgenerating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a CGU) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or a CGU) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a CGU, the Group compares the carrying amount of a group of CGUs, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of CGUs, with the recoverable amount of the group of CGUs. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of CGUs. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of CGUs. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.3 Significant accounting policies *(Continued)*

Share-based payments

Equity-settled share-based payment transactions

Share options granted to employees

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share options reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share options reserve. For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

When share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to accumulated losses.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets at fair value through profit or loss are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest and dividend income which are derived from the financial assets and shareholders' rights are presented as other revenue and other income.

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.3 Significant accounting policies *(Continued)*

Financial instruments *(Continued)*

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at FVTOCI:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in OCI if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 Business Combinations applies.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.3 Significant accounting policies *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Equity instruments designated as at FVTOCI

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in OCI and accumulated in the FVTOCI reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will continue to be held in the FVTOCI reserve.

Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "other income and gain" line item in profit or loss.

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss.

Impairment of financial assets

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including account and other receivables, loan receivables, amount due from an associate, amounts due from non-controlling interests, loan to an associate and cash and bank balances) which are subject to impairment assessment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting period. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting period as well as the forecast of future conditions.

The Group always recognises lifetime ECL for account receivables.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.3 Significant accounting policies *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (Continued)

Significant increase in credit risk
In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting period with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor;

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default
For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full without taking into account any collateral held by the Group.

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.3 Significant accounting policies *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (Continued)

Credit-impaired financial assets
A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy
The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

Measurement and recognition of ECL
The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Lifetime ECL for account receivables are considered on a collective basis taking into consideration past due information and relevant credit information such as forward looking macroeconomic information.

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.3 Significant accounting policies *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (Continued)

Measurement and recognition of ECL (Continued)
For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables where the corresponding adjustment is recognised through a loss allowance account.

Derecognition of financial assets
The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the other reserve is not reclassified to profit or loss, but is transferred to accumulated losses.

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.3 Significant accounting policies *(Continued)*

Financial instruments (Continued)

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method.

Financial liabilities at amortised cost

Financial liabilities (including account and other payables, lease liabilities, bank overdrafts, bank loans, amounts due to non-controlling interests, provision for reinstatement costs, convertible loans and convertible promissory notes) are subsequently measured at amortised costs, using the effective interest method.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognised in profit or loss.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Convertible loans and promissory notes

A conversion option that will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Group's own equity instruments is a conversion option derivative.

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.3 Significant accounting policies *(Continued)*

Financial instruments (Continued)

Derivative financial instruments *(Continued)*

Convertible loans and promissory notes (Continued)

At the date of issue, both the debt component and derivative components are recognised at fair value. In subsequent periods, the debt component of the convertible loan notes is carried at amortised cost using the effective interest method. The derivative component is measured at fair value with changes in fair value recognised in profit or loss.

Transaction costs that relate to the issue of the convertible loan notes are allocated to the debt and derivative components in proportion to their relative fair values. Transaction costs relating to the derivative component are charged to profit or loss immediately. Transaction costs relating to the debt component are included in the carrying amount of the debt portion and amortised over the period of the convertible loan notes using the effective interest method.

Embedded derivatives

Derivatives embedded in hybrid contracts that contain financial asset hosts within the scope of HKFRS 9 are not separated. The entire hybrid contract is classified and subsequently measured in its entirety as either amortised cost or fair value as appropriate.

Derivatives embedded in non-derivative host contracts that are not financial assets within the scope of HKFRS 9 are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

Generally, multiple embedded derivatives in a single instrument that are separated from the host contracts are treated as a single compound embedded derivative unless those derivatives relate to different risk exposures and are readily separable and independent of each other.

Related parties

A party is considered to be related to the Group if:

(i) A person or a close member of that person's family is related to the Group if that person:

  (a) has control or joint control over the Group;

  (b) has significant influence over the Group; or

  (c) is a member of the key management personnel of the Group or the Group's parent.

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.3 Significant accounting policies *(Continued)*

Related parties *(Continued)*

(ii) An entity is related to the Group if any of the following conditions apply:

(a) the entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiaries is related to the others);

(b) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group which the other entity is a member);

(c) both entities are joint ventures of the same third party;

(d) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(e) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(f) the entity is controlled or jointly controlled by a person identified in (i);

(g) a person identified in (i)(a) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); or

(h) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influence by, that person in their dealings with the entity and include:

- that person's children and spouse or domestic partner;
- children of that person's spouse or domestic partner; and
- dependants of the person or that person's spouse or domestic partner.

A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between the Group and a related party, regardless of whether a price is charged.

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.3 Significant accounting policies *(Continued)*

Provision

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Provisions for the costs to restore leased assets to their original condition, as required by the terms and conditions of the lease, are recognised at the date of inception of the lease at the directors' best estimate of the expenditure that would be required to restore the assets, Estimates are regularly reviewed and adjusted as appropriate for new circumstances.

Contingent liabilities

A contingent liability is a present obligation arising from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Where the Group is jointly and severally liable for an obligation, the part of the obligation that is expected to be met by other parties is treated as a contingent liability and it is not recognised in the consolidated financial statements.

The Group assesses continually to determine whether an outflow of resources embodying economic benefits has become probable. If it becomes probable that an outflow of future economic benefits will be required for an item previously dealt with as a contingent liability, a provision is recognised in the consolidated financial statements in the reporting period in which the change in probability occurs, except in the extremely rare circumstances where no reliable estimate can be made.

3. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 2.2, the directors of the Group are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(a) Estimated impairment of plant and equipment and right-of-use assets

Plant and equipment and right-of-use assets are stated at costs less accumulated depreciation and impairment, if any. In determining whether an asset is impaired, the Group has to exercise judgment and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset (including right-of-use assets), the Group estimates the recoverable amount of the CGU to which the assets belongs, including allocation of corporate assets when a reasonable and consistent basis of allocation can be established, otherwise recoverable amount is determined at the smallest group of CGUs, for which the relevant corporate assets have been allocated. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the recoverable amounts. Further, the cash flows projections, growth rate and discount rate are subject to greater uncertainties in the current year due to uncertainty on how the Covid-19 pandemic may progress and evolve and volatility in financial markets, including potential disruptions in the Group's clubbing and catering operations.

As at 31 December 2022, the carrying amounts of plant and equipment and right-of-use assets subjected to impairment assessment were of approximately HK$6,815,000, and HK$13,521,000 (2021: approximately HK$44,611,000 and HK$21,455,000) respectively.

(b) Estimated impairment of account receivables

Account receivables with significant balances and credit-impaired are assessed for ECL individually. In addition, for account receivables which are individually insignificant or when the Group does not have reasonable and supportable information that is available without undue cost or effect to measure ECL on individual basis, collective assessment is performed by grouping debtors based on the Group's internal credit ratings. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

The provision of ECL is sensitive to changes in estimates. Due to greater financial uncertainty triggered by the COVID-19 pandemic, the Group has increased the expected loss rates in the current year as there is higher risk that a prolonged pandemic could led to increased credit default rates. The information about the ECL and the Group's account receivables are disclosed in Notes 4(b), 20 and 21.

4. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	As at 31 December 2022 HK$000	As at 31 December 2021 HK$'000
Financial assets		
At amortised cost		
– Account and other receivables	6,271	15,934
– Deposits	4,940	6,630
– Loan receivables	–	3,371
– Loan to an associate	–	1,240
– Amounts due from non-controlling interests	1,808	2,563
– Amount due from an associate	–	1,485
– Cash and cash equivalents	626	2,034
Financial assets at FVTPL	6,209	5,894
Financial liabilities		
At amortised cost		
– Account and other payables	101,352	74,310
– Amounts due to non-controlling interests	10,041	10,906
– Bank loans	21,605	19,975
– Lease liabilities	14,757	38,391
– Convertible loans	–	8,873
– Convertible promissory notes	–	18,117

4. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies

The directors of the Group monitors and manages the financial risks relating to the operations of the Group through internal risks reports which analyse exposures by degree and magnitude of risks. These risks include credit risk, market risk (including currency risk and interest rate risk) and liquidity risk.

The Group's major financial instruments include financial assets at FVTPL, account and other receivables, loan receivables, deposits, amount due from an associate, amounts due from non-controlling interests, cash and cash equivalents, account and other payables, amounts due to non-controlling interests, bank loans and lease liabilities. Details of these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Credit risk

The credit risk of the Group mainly arises from cash and cash equivalents, account and other receivables, loan receivables, deposits and amounts due from non-controlling interests. The carrying amounts of these balances represent the Group's maximum exposure to credit risk in relation to financial assets.

Cash and cash equivalents

In respect of cash deposited at banks, the credit risk is considered to be low as the counterparties are reputable banks. The existing counterparties do not have defaults in the past. Therefore, ECL rate of cash at bank is assessed to be close to zero and no provision was made for the years ended 31 December 2022 and 2021.

Account receivables

For trade receivables, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. Trade receivables are assessed individually for impairment assessment based on the Group's internal credit rating, historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions, and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate. In this regard, the directors of the Company considered that the credit risk for trade receivables is significantly reduced at the end of the reporting period. For credit card trade receivables, the credit risks are limited because the counterparties are financial institutions and there was no history of defaults. ECL is expected to be insignificant.

As at 31 December 2022 and 2021, account receivables that are individually significant have been separately assessed for impairment. The Group makes periodic assessments on the recoverability of the receivables based on the background and reputation of the customers, historical settlement records and past experience.

4. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Credit risk *(Continued)*

Account receivables *(Continued)*

Majority of the Group's revenue is received from individual customers in relation to sales of food, beverage and other products sold and are transacted in cash or credit. The Group's account receivables arise from sales of food, beverage and other products to the customers. In view of the history of business dealings with the debtors and the sound collection history of the receivables due from them, management believes that there is no material credit risk inherent in the Group's outstanding receivable balance due from these debtors saved for the debtor related to the impaired account receivable disclosed in the below. Management makes periodic assessment on the recoverability of the account receivables based on historical payment records, the length of overdue period, the financial strength of the debtors and whether there are any disputes with the debtors.

Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Account receivables are due within 60 days from the date of billing. Normally, the Group does not obtain collateral from customers.

In addition, the Group performs impairment assessment under ECL model on account receivables with significant balances and credit-impaired individually and/or collectively. Except for, which are assessed for impairment individually, the remaining account receivables are grouped based on shared credit risk characteristics by reference to the Group's internal credit ratings. Impairment of HK$656,000 (2021: HK$554,000) is recognised as at 31 December 2022. Details of the quantitative disclosures are set out below in this note.

4. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Credit risk *(Continued)*

Loan receivables

The services provided by the Group's money lending segment principally include loan financing targeted at both high-net-worth individual customers, private and listed enterprises, which are usually referred to the Company. The major means of customer solicitation are referrals by business acquaintances of the Group.

The Group has developed a credit policies and procedures manual for its money lending business. The credit policies and procedures manual specifies the Group's credit policy towards its money lending business, the risk management of the Group's money lending business, and the credit procedures for the Group's money lending business, which include, among others, the loan application, credit processes and procedures, and portfolio planning, management and reporting. All new customers of the Group are subject to loan application procedures, which include customer due diligence, reference check for credit and character, and financial background check. The following internal control procedures are put in place:

(i) *Credit risk assessment of customers*

The internal control procedures for credit risk assessment of the customers of the Company's money lending segment include: (a) the conducting of background searches on the customer, the security providers (if any) and their assets; (b) the request for and the reviewing of financial reports of the customer (if the customer is a company) or companies owned by the customers or the financial position of the customer (if the customer is an individual); (c) the checking of market value of properties and shares owned by the customer and security providers; (d) calculation of the loan-to-value ratio for the customer and security providers; and (e) for loan renewal applications, considering the repayment behaviour of each individual and corporate customer.

(ii) *Mechanism in determining terms of loans*

The loan terms of the Company's money lending segment are determined by the negotiation between the Group (as lender) and the customer (as borrower). The interest rates quoted by the Group are normally several hundred basis points over the prevailing prime rate quoted by retail banks in Hong Kong. The loan tenure quoted by the Group would normally depend on the individual customer's requirements, subject to loan renewals by mutual consent. In considering loan applications, the Group would normally explore the possibility of getting collateral/ guarantee from the customer during the loan negotiation process but depending on the attitude/ response of the customer, the Group adopted a pragmatic approach to maintain its competitiveness. To ensure the terms are fair and reasonable and at normal commercial terms, the Group would normally only grant loans at interest rate of several hundred basis points over the prevailing prime rate quoted by retail banks in Hong Kong.

4. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Credit risk *(Continued)*

Loan receivables *(Continued)*

(iii) Approval process for granting loans

The Group requires its loan applicants to complete a loan application form, a Know Your Customer questionnaire and a personal financial information form. The officers would seek to verify the information provided by the loan applicants with the supporting documents provided by them, and submit the loan application and their analysis to the responsible directors for approval. Following the responsible directors' approval, the officers would calculate the size tests for the approved loan application and to check with the connected person and related party control list to ensure that the loan applicant has no connection with the Company. Depending on the results of the size test calculations, the officers would present any loan files constituting notifiable transactions under Chapter 19 of the GEM Listing Rules to be tabled at the board meeting for approval by the board of directors of the Company. The officers have already compiled a set of template loan documentation for signing by the loan applicant. Announcements will be prepared by the officers, if the grant of a loan constitutes a notifiable or connected transaction under the GEM Listing Rules. If the grant of a loan does not constitute a notifiable or connected transaction under the GEM Listing Rules, the grant of the loan is only required to be approved by the executive board of the Company, comprising the Company's executive directors.

(iv) Monitoring loan repayment

A monthly repayment schedule would be prepared by the officers to assist the responsible directors to monitor the contractual payment records of each customer. Any delay in interest or principal payment would be brought to the attention of the responsible directors. A more detailed loan monitoring process would be performed twice every year, normally at the time of interim and annual financial reporting. Normally, updated information would be requested from the customers to identity any signs of deterioration, and any signs of deterioration would be reported to the responsible directors to formulate the debt recovery strategy. Debt recovery strategies cover a wide range of actions depending on the circumstances of each case, but would normally include one or more of the following electives: (a) immediate partial repayment; (b) the addition of further collateral/guarantees; (c) reduction of the outstanding principal amount; (d) revised repayment schedule; and (e) increase of interest rate.

(v) Actions for recovering problem loans

The Group would normally contact the customers to understand the reason for each overdue payment. Normally, if the customers can come up with credible explanations and can offer feasible solution in positive attitude, the Group would be more prepared to work out a solution to handle the case along the lines of the various combinations of actions mentioned in paragraph (iv) above. If the customers take an evasive attitude or if the financial deterioration is drastic and irreversible, the Group would have no choice but to consider the appointment of collection agencies and to contact lawyers to instigate legal or enforcement actions against the customers as last resort.

4. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Credit risk *(Continued)*

Loan receivables *(Continued)*

The directors consider that the above internal control procedures significantly reduce the Group's credit risk.

The board of directors is responsible to ensure the credit policies and procedures manual is appropriate to the market needs and the procedures as set out in the manual are strictly followed and carried out by the staff.

For internal credit risk management, the Group considers a loan receivable as underperforming if (i) the repayment of principal and/or interest has been overdue for more than 30 days, and (ii) the principal, accrued interest, and/or future interest of the loan may not be fully secured by the fair value of the collateral at its prevailing market price. The Group considers a loan receivable as nonperforming if (i) the repayment of principal and/or interest has been overdue for more than 90 days, and (ii) the collection of principal and/or interest in full is improbable after taking into account the fair values of the collateral at prevailing market price.

The Group performed credit risk assessment of each customer to calculate the ECL, taking into consideration of the estimates of expected cash shortfalls which are driven by estimates of possibility of default and the cash inflow that are expected from foreclosure on the collaterals (if any) less the costs of selling the collaterals. In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument as at the reporting date with the date of initial recognition.

In determining the recoverability of the loan receivables, the Group will consider the change in the credit quality of the loan receivables, if any, from the date the loans were initially granted up to the reporting date. This includes assessing the credit history of the customers, such as past due information or default in payments, and the market value of the collaterals pledged to the Group.

The management estimates the estimated loss rates of loan receivables based on historical credit loss experience of the debtors the internal credit risk assessment. The Group provided impairment base on credit-impaired using lifetime ECL and loss allowance of approximately HK$3,450,000 (2021:HK$79,000) are recognised as at 31 December 2022.

Other receivables and deposits

For other receivables and deposits, the management makes periodic individual assessment on the recoverability of other receivables and deposits based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. The Group provided impairment based on credit-impaired using lifetime ECL and loss allowances of approximately HK$3,982,000 (2021: HK$908,000) are recognised as at 31 December 2022.

4. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Credit risk *(Continued)*

The Group's internal credit risk grading assessment comprises, the following categories:

Internal rating	Description	Account receivables	Loan and other receivables and deposits
Performing	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL – not credit-impaired	12m ECL
Under performing	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Non-performing	There is evidence indicating the asset is credit impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

The tables below detail the credit risk exposures of the Group's financial assets, which are subject to ECL assessment:

	Note	External credit rating	Internal rating	12m or lifetime ECL	2022 Gross carrying amount HK$'000	HK$'000	2021 Gross carrying amount HK$'000	HK$'000
Financial assets at amortised cost								
Account receivables	20	N/A	Performing	Lifetime ECL – not credit impaired	1,082		2,121	
			Under-Performing	Lifetime ECL – not credit impaired	–		53	
			Non-Performing	Lifetime ECL – credit impaired	643	1,725	3,310	5,484
Other receivables	20	N/A	Non-Performing	Lifetime ECL – credit impaired		9,075		–
			Performing	12m ECL		–		11,095
Deposits	21	N/A	Performing	12m ECL		5,049		7,447
Loan receivables	21	N/A	Non-Performing	Lifetime ECL – credit impaired		3,450		–
			Performing	12m ECL		–		3,450
Loan to an associate and amount due from an associate	24	N/A	Non-Performing	Lifetime ECL – credit impaired		9,076		7,844
Amounts due from non-controlling interests	22	N/A	Performing	12m ECL		1,851		2,622

* The gross carrying amounts disclosed above include the relevant interest receivables which are presented in other receivables.

4. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Credit risk *(Continued)*

Loan to an associate and amount due from an associate

The Group regularly monitors the business performance of the associate. The Group's credit risks in these balances are mitigated through the value of the assets held by these entities and the power to participate or jointly control the relevant activities of these entities. Details of the quantitative disclosure are set out below in this note.

Amounts due from non-controlling interests

The Group accounts for its credit risk by appropriately providing for ECL on a timely basis. The Group has assessed that the ECL rate for these receivables under 12m ECL method and loss allowance of approximately HK$43,000 (2021: HK$59,000) was recognised as at 31 December 2022.

Financial assets are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period greater than 60–90 days past due.

Impairment losses on financial asset are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

The following table shows the movement in lifetime ECL that has been recognised for accounts receivables under the simplified approach.

	Lifetime ECL not credit impaired HK$'000	Lifetime ECL credit-impaired HK$'000	Total HK$'000
As at 1 January 2021	72	246	318
Reversal of impairment loss recognised	(72)	–	(72)
Impairment loss recognised	39	269	308
As at 31 December 2021 and 1 January 2022	39	515	554
Disposal of subsidiary	(1)	(485)	(486)
Reversal of impairment loss recognised	(38)	–	(38)
Impairment loss recognised	18	608	626
As at 31 December 2022	18	638	656

4. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Credit risk *(Continued)*

Amounts due from non-controlling interests *(Continued)*

The following table shows the movement in 12m ECL and lifetime ECL that has been recognised for other receivables under the general approach.

	12m ECL HK$'000	Lifetime ECL not credit impaired HK$'000	Lifetime ECL credit-impaired HK$'000	Total HK$'000
As at 1 January 2021	202	–	–	202
Reversal of impairment loss recognised	(111)	–	–	(111)
As at 31 December 2021 and 1 January 2022	91	–	–	91
Disposal of subsidiary	(11)	–	–	(11)
Transfer to lifetime ECL	(80)	–	80	–
Impairment loss recognised	–	–	3,793	3,793
As at 31 December 2022	–	–	3,873	3,873

As at 31 December 2022, the Group's other receivables of approximately HK$3,873,000 (2021: nil) which are past due 90 days or more. The directors of the Company considered that credit risks have increased significantly for other receivables past due more than 90 days. Moreover, the credit risk of the other receivables related to CUBIC SPACE+ increase significantly due to cessation of business of CUBIC SPACE+. Furthermore, the outstanding balance of the loan interest receivables from an individual under the money lending business are considered as credit-impaired as the Company has taken legal action against the individual to recover the outstanding receivables.

The following table shows the movement in 12m ECL and lifetime ECL that has been recognised for loan receivables under the general approach.

	12m ECL HK$'000	Lifetime ECL not credit impaired HK$'000	Lifetime ECL credit-impaired HK$'000	Total HK$'000
As at 1 January 2021	95	–	–	95
Reversal of impairment loss recognised	(16)	–	–	(16)
As at 31 December 2021 and 1 January 2022	79	–	–	79
Transfer to lifetime ECL	(79)	–	79	–
Impairment loss recognised	–	–	3,371	3,371
As at 31 December 2022	–	–	3,450	3,450

4. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Credit risk *(Continued)*

Amounts due from non-controlling interests *(Continued)*

The following table shows the movement in 12m ECL and lifetime ECL that general approach has been recognised for loan to an associate and amount due from an associate under the simplified approach.

	12m ECL HK$'000	Lifetime ECL not credit impaired HK$'000	Lifetime ECL credit-impaired HK$'000	Total HK$'000
As at 1 January 2021	106	–	–	106
Transfer to lifetime ECL	(106)	–	106	–
Impairment loss recognised	–	–	5,013	5,013
As at 31 December 2021 and 1 January 2022	–	–	5,119	5,119
Impairment loss recognised	–	–	3,957	3,957
Written-off	–	–	(9,076)	(9,076)
As at 31 December 2022	–	–	–	–

As at 31 December 2022, the Group's loan to an associate and amount due from an associate of approximately HK$9,076,000 (2021: HK$7,844,000) which are past due 90 days or more. Luk Hing Mandarin Limited, the Group's associate, which had received a winding up petition from one of their employees as at 14 February 2023. The directors of the Company considered that credit impaired for those past due more than 90 days and the associate was in winding up petition. The loan to an associate and amount due from associate are considered as credit-impaired and written-off during the year.

Market risk

Currency risk

The Group has minimal exposures to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in the functional currencies of the respective subsidiary. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should be the need arise.

Interest rate risk

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group's cash flow interest rate risk relates primarily to floating-rate borrowing. The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group currently does not have any interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

4. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Credit risk *(Continued)*

Sensitivity analysis

If interest rates had been 50 basis point higher/lower and all other variables were held constant, the Group's loss for the year ended 31 December 2022 would increase/decrease by approximately HK$29,600 (2021: HK$35,000). This is mainly attributable to the Group's exposure to interest rates on its floating-rate borrowings.

As management considers the Group's exposure to the above fair value interest rate risk is not significant, no interest rate swaps or other hedging activities are undertaken by management during the year.

Liquidity risk

The Group is exposed to minimal liquidity risk as a substantial portion of its financial assets and financial liabilities are due within one year and it can finance its operations from internally generated cash flows.

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effect of fluctuations in cash flows.

The following tables detail the Group's contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest dates on which the Group can be required to pay. The tables include both interest and principle cash flows.

	Weighted average interest rate %	On demand or within one year HK$'000	More than one year but less than two years HK$'000	More than two years but less than five years HK$'000	More than five years HK$'000	Total undiscounted cash flow HK$'000	Carrying amount HK$'000
As at 31 December 2022							
Non-derivative financial liabilities							
Account and other payables	–	101,352	–	–	–	101,352	101,352
Lease liabilities	5.72	10,865	4,749	–	–	15,614	14,757
Bank loans	3.32	4,662	3,942	9,378	5,934	23,916	21,605
Amounts due to non-controlling interests	–	–	–	10,041	–	10,041	10,041

4. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Liquidity risk *(Continued)*

	Weighted average interest rate %	On demand or within one year HK$'000	More than one year but less than two years HK$'000	More than two years but less than five years HK$'000	More than five years HK$'000	Total undiscounted cash flow HK$'000	Carrying amount HK$'000
As at 31 December 2021							
Non-derivative financial liabilities							
Account and other payables	–	55,683	18,627	–	–	74,310	74,310
Lease liabilities	5.72	10,882	8,332	22,533	5,561	47,308	38,391
Bank loans	2.5–4.8	6,166	5,959	8,233	–	20,358	19,975
Amounts due to non-controlling interests	–	–	–	10,906	–	10,906	10,906
Convertible loans	9.17	9,415	–	–	–	9,415	8,873
Convertible promissory notes	11.55	19,509	–	–	–	19,509	18,117

(c) Fair value of financial instruments

Fair value measurements of financial instruments

This note provides information about how the Group determines fair values of its financial assets and liabilities.

The management of the Group considers that the carrying amounts of financial assets and liabilities at amortised cost in the consolidated financial statements approximate to their fair values.

Some of the Group's financial instruments are measured at fair value for financial reporting purposes. In estimating the fair value, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. The management of the Group works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model.

The following table analysed the financial instruments which are measured at fair value at the end of the reporting period into the three-level hierarchy.

	Fair value as at 31 December 2022 HK$'000	2021 HK$'000	Fair value hierarchy	Valuation techniques and key inputs
Financial assets				
Financial assets at FVTPL	**6,209**	5,894	Level 2 (2021: Level 2)	Discounted cash flow. The key inputs is market interest rate

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The above table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

The carrying amount of other financial assets and liabilities carried at amortised cost, approximate their respective fair values due to the relatively short-term nature of these financial instruments.

4. FINANCIAL INSTRUMENTS *(Continued)*

(d) Capital risk management

The primary objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximize shareholders' value. The Group manages the capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the year.

The Group monitors capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group overall strategy remains unchanged during the year.

The capital structure of the Group consists of debt, cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure regularly. The Group considers the cost of capital and the risks associated with each class of capital, and balance its overall capital structure through the payment of dividends and injection of capital.

The Group's adjusted debt-to-asset ratio at the end of the current and previous reporting periods was as follows:

	As at 31 December 2022 HK$'000	As at 31 December 2021 HK$'000
Total liabilities	**149,320**	172,148
Total assets	**41,602**	111,478
Debt-to-asset ratio	**358.9%**	154.4%

5. 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 2022 HK$'000	Year ended 31 December 2021 HK$'000
Macau	–	21,264
Hong Kong	57,930	66,280
The PRC	660	72,865
	58,590	160,409

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

	Year ended 31 December 2022 HK$'000	Year ended 31 December 2021 HK$'000
Hong Kong	30,581	28,820
The PRC	–	47,359
	30,581	76,179

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 (2021: HK$nil).

6. 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, 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 2022 HK$'000	Year ended 31 December 2021 HK$'000
Revenue from contracts with customers:		
Recognised at a point in time		
Sales of good, beverage and other products	**58,334**	159,026
Sponsorship income	**–**	451
Entrance fees income	**–**	223
Others (note)	**–**	285
	58,334	159,985
Revenue from other sources:		
Loan interest income	**256**	424
	58,590	160,409

Note: Others mainly represent cloakroom income.

7. OTHER INCOME AND GAIN

	Year ended 31 December 2022 HK$'000	Year ended 31 December 2021 HK$'000
Net foreign exchange (loss)/gain	**(424)**	847
Consultancy and management fee income	**142**	1,071
COVID-19 related rental concession	**881**	2,333
Government grants (note (a))	**3,864**	1,014
Loss on lease termination	**–**	(70)
Gain on disposal of plant and equipments	**62**	–
Others (note (b))	**71**	2,015
	4,596	7,210

Note:

(a) During the year ended 31 December 2022, the government grants of approximately HK$3,864,000 (2021: approximately HK$1,014,000) in respect of COVID-19-related subsidies, of which of approximately HK$2,179,000 (2021: HK$Nil) relates to Employment Support Scheme and other subsidies of approximately HK$1,200,000 and HK$485,000 (2021: approximately HK$820,000 and HK$194,000) under the Anti-epidemic Fund provided by the Hong Kong government and Macau Financial Services Bureau respectively.

(b) Others mainly included the tips income.

8. FINANCE COSTS

	Year ended 31 December 2022 HK$'000	Year ended 31 December 2021 HK$'000
Interest on convertible promissory notes	**1,341**	2,045
Interest on convertible loans	**522**	814
Default interest on convertible loans	**1,309**	–
Interest on bank loans	**592**	703
Interest on bank overdrafts	**–**	139
Interest on lease liabilities	**2,499**	4,328
Others	**260**	44
	6,523	8,073

9. PRINCIPAL SUBSIDIARIES

The following is a list of principal subsidiaries as at 31 December 2022 and 2021:

Name of subsidiaries	Place of incorporation	Place of operations	Issued and paid up capital/ contributed capital	Proportion of effective equity interests held by the Company Directly 2022	Directly 2021	Indirectly 2022	Indirectly 2021	Principal activities
Luk Hing Investment Limited (Note (i))	Macau	Macau	MOP25,000	–	–	0%	100%	Operating of clubbing business
Luk Hing Investment (Hong Kong) Limited	Hong Kong	Hong Kong	HK$1	–	–	100%	100%	Organising music-related events
Luk Hing Group Development (China) Limited	Hong Kong	The PRC	HK$100	–	–	100%	100%	Operating of clubbing business
Luk Hing Capital Limited	Hong Kong	Hong Kong	HK$100	–	–	100%	100%	Money lending business
Betula Profit Holdings Limited	Hong Kong	Hong Kong	HK$20,000,000	–	–	59%	59%	Catering business
Unicorn Century Limited	Hong Kong	Hong Kong	HK$100	–	–	100%	100%	Catering business
珠海陸慶文化發展有限公司*	The PRC	The PRC	HK$20,000,000	–	–	100%	100%	Investment holding
珠海橫琴陸慶樺霖文化產業投資有限公司*	The PRC	The PRC	RMB$20,000,000	–	–	100%	100%	Investment holding
Zhuhai Ruiye#	The PRC	The PRC	RMB$20,000,000	–	–	66%	62%	Operating of clubbing business
珠海市陸慶麒天餐飲管理有限公司* (Note (ii))	The PRC	The PRC	RMB$12,000,000	–	–	0%	100%	Investment holding
Hou Tin Zaak Limited	Hong Kong	Hong Kong	HK$1,000,000	–	–	59%	59%	Catering business
Luk Hing International Limited	The British Virgin Island ("BVI")	Macau	USD1	100%	100%	–	–	Investment holding
L&B Betula Limited	The BVI	Hong Kong	USD1,000	–	–	74%	74%	Investment holding
Oasis Capital International Limited	Hong Kong	Hong Kong	HK$15,038,752	–	–	60%	60%	Investment holding

* Registered as a wholly-foreign owned enterprises under the PRC Law.

\# Limited liability company established in the PRC.

Note:

(i) The subsidiary was disposed on 23 December 2022. Further details please refer to 41.

(ii) The subsidiary was deregistrated on 18 March 2022.

9. PRINCIPAL SUBSIDIARIES *(Continued)*

The above table lists the subsidiaries of the Company, which, in the opinion of the directors of the Company, principally affected the results of the year or constituted a substantial portion of the assets of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company result in particulars of excessive length.

Detail of non-wholly owned subsidiaries that have material non-controlling interests:

Name of company	Place of incorporation/ registration and operation	Proportion of ownership interests and voting rights held by non-controlling interests		Loss allocated to non-controlling interests		Accumulated non-controlling interests	
		2022	2021	**2022**	2021	**2022**	2021
		HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Zhuhai Ruiye	The PRC	**34%**	38%	**9,907**	5,702	**22,131**	16,203

Summarised financial information in respect of each of the Group's subsidiary that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

	As at 31 December 2022 HK$'000	As at 31 December 2021 HK$'000
Current assets	**2,030**	11,963
Non-current assets	**–**	47,359
Current liabilities	**(39,101)**	(23,406)
Non-current liabilities	**(28,019)**	(78,555)
Equity attributable to owners of the Company	**(42,959)**	(26,436)
Non-controlling interests	**(22,131)**	(16,203)

9. PRINCIPAL SUBSIDIARIES *(Continued)*

	Year ended 31 December 2022 HK$'000	Year ended 31 December 2021 HK$'000
Revenue	660	75,409
Expenses	(29,798)	(90,414)
Loss for the year	(29,138)	(15,005)
Loss attribute to owners of the Company	(19,231)	(9,303)
Loss attribute to non-controlling interests	(9,907)	(5,702)
Loss for the year	(29,138)	(15,005)
Total comprehensive loss attributable to owners of the Company	(17,552)	(9,742)
Total comprehensive loss attributable to non-controlling interests	(9,042)	(5,971)
Total comprehensive loss for the year	(26,594)	(15,713)
Net cash flows generated from operating activities	(4,163)	3,216
Net cash flows used in investing activities	(61)	(416)
Net cash flows used in financing activities	1,101	(1,341)
Net cash (outflow)/inflow	(3,123)	1,459

10. TAXATION

	Year ended 31 December 2022 HK$'000	Year ended 31 December 2021 HK$'000
Current tax		
– Macau complementary Tax	–	–
– Hong Kong Profit Tax	–	–
– PRC Enterprise Income Tax	–	23
	–	23

10. TAXATION *(Continued)*

Macau Complementary Tax is calculated at 12% of the assessable profit for the years ended 31 December 2022 and 2021.

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 2022 and 2021.

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 2022 and 2021.

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.

At the end of the reporting period, no deferred tax asset has been recognised in relation to deductible temporary differences as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

At the end of the reporting period, the Group has estimated unused tax losses of appropriately HK$61,139,000 (2021: HK$45,233,000) available for offset against future profits that may be carried forward indefinitely. Tax losses of approximately HK$71,248,000 (2021: HK$51,147,000) will expire after five years from the year of assessment they related to. No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams.

In May 2017, the Macau Financial Services Bureau (the "Macau FSB"), after the review by its Complementary Income Tax Review Committee, demanded the Macau subsidiary of the Group to pay an additional income tax of approximately HK$0.9 million for the year of assessment ended 31 December 2013 as the tax authority revised its original assessment and disallowed the deductibility of the then contingent rentals paid to the owner of the club premises.

In June 2017, the Macau FSB also issued revised assessment and demanded for an additional income tax of approximately HK$0.8 million for the year of assessment ended 31 December 2014 on the same ground.

The Group objected the revised additional assessments due to (a) the contingent rentals paid to the owner of the club premises were operating costs of the Macau subsidiary for the uses of the premises but not a distribution to its shareholders; and (b) the owner of the club premises had reported the income in its own tax filings to the Macau FSB. In addition to the appeal filed to the Macau FSB in June 2017, the Macau subsidiary also filed appeal to the Administrative Court.

10. TAXATION *(Continued)*

In January and April 2018, the Macau subsidiary received replies for the appeal filed to the Macau FSB. The Macau FSB ruled out our objection and disallowed the deductibility of the contingent rentals paid to the owner of the club premises for the years of assessment ended 31 December 2013 and 2014 respectively.

At the same time, the owner of the club premises received a notice from the Macau FSB that its corresponding income was revised to be nontaxable. The owner has agreed to bear the relevant additional tax for the years of assessment ended 31 December 2013 and 2014 if the Group fails in its appeal. In case the Macau FSB also disallows the deductibility of the contingent rentals for the years of assessment ended 31 December 2015 and 2016 to 2018 and the Group fails in its appeal, the owner will also bear the relevant additional tax. The additional tax is estimated to be approximately HK$5.1 million in aggregate for the years of assessment ended 31 December 2013 and 2014 to 2019.

Accordingly, no provisions have been made in respect of the above tax dispute with the Macau FSB.

On 25 July 2019, the Macau subsidiary received the ruling from the Administrative Court for the year of assessment ended 31 December 2013. According to the court's decision, the court considers that the Macau FSB apparently did not analysis on our explanation of the profit sharing to the owner of the club premises, and did not explain the reason why they consider the amount we paid to the owner of the club premises is just an profit distribution agreement only for the effectiveness of the profit tax declaration purpose. In addition, the Macau FSB did not mention the reason why the Net Profit we paid to the owner of the club premises does not have the nature of operating expenses. Therefore, the court considers that the decision of the Macau FSB is violating to the laws of Macau and the court rules in our favour and order to cancel the assessment of the profitable income for year 2013 and the decision of collecting the additional tax. The Macau FSB has lodged an appeal to the Administrative Court on 16 October 2019 in this regard.

On 11 June 2020, Second Instance Court overruled the previous ruling, and is of option that Macau FSB did not violate the law from lack of reasoning. According to the court's decision, the case was ordered to go back to First Instance Court for further ruling.

On 25 July 2019, the Macau subsidiary received the ruling from the Administrative Court for the year of assessment ended 31 December 2014 in September 2019. The court understood that the amount paid to the owner of the club premises cannot be deemed as operating expenses, but rather as profit and subject to taxation, in spite of what is provided in the Operating Agreement. Furthermore, the court considers that the Macau FSB has not violated any of the principles of the Law raised by us, such as, lack of reasoning, error in the taxable income, and the decision made by the Macau FSB shall be maintained. The Macau subsidiary has filed a second appeal to the Administrative Court on 1 November 2019 in this regard.

On 3 November 2020, Second Instance Court has confirmed the previous ruling which is not in our favour. The legal advisor was of option that the Macau subsidiary has exhausted the possibilities of appeal and the decision from Second Instance Court is final.

As at 31 December 2021, all the relevant additional tax had been settled by the owner of the club premises.

10. TAXATION *(Continued)*

The income tax expense can be reconciled to the loss before taxation per consolidated statement of profit or loss and other comprehensive income as follows:

	Year ended 31 December 2022 HK$'000	Year ended 31 December 2021 HK$'000
Loss before taxation	**(48,851)**	(81,506)
Tax at the applicable income tax rate	**(10,602)**	(13,980)
Tax effect of temporary difference not recognized	**870**	1,463
Tax effect of expenses not deductible for tax purpose	**6,218**	12,461
Tax losses not recognized	**7,660**	1,189
Tax effect of non-taxable income	**(4,136)**	(793)
Exemption for tax liabilities in:		
Utilisation of previously unrecognised tax losses	**(10)**	(317)
Taxation for the year	**–**	23

Note: Under the Macau Complementary Tax, for the years of assessment 2022 and 2021, the taxable profits up to MOP600,000 was exempted.

11. LOSS BEFORE TAXATION

	Year ended 31 December 2022 HK$'000	Year ended 31 December 2021 HK$'000
Loss before taxation has been arrived at after charging/(crediting):		
Staff costs:		
Directors' emoluments (included retirement scheme contributions)	1,811	4,210
Salaries and other benefits	29,133	79,819
Equity-settled share option expense	–	696
Retirement benefits scheme contributions	1,245	1,824
	32,189	86,549
Auditors' remuneration:		
Audit services:		
– HLB Hodgson Impey Cheng Limited	600	700
– Other auditor	36	393
	636	1,093
Cost of inventories sold	18,313	41,640
Impairment losses under expected credit loss ("ECL") model, net of reversal:		
– account and other receivables	4,342	697
– loan receivables	3,371	(16)
– amounts due from non-controlling interests	(16)	3
– loan to an associate and amount due from an associate	3,957	5,013
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))	11,341	16,903
Fair value change of financial assets at FVTPL	(315)	(78)
Fair value change of derivative financial liabilities	–	(486)
Bad debt written off*	–	421
Utilities*	1,752	2,842
Legal and professional fee*	4,563	4,599
Entertainment and travelling*	752	5,378
Repair and maintenance*	284	1,260
Uniform and cleaning*	1,112	2,358
Bank charges*	1,341	1,825

11. LOSS BEFORE TAXATION *(Continued)*

	Year ended 31 December 2022 HK$'000	Year ended 31 December 2021 HK$'000
Loss before taxation has been arrived at after charging/(crediting): *(Continued)*		
Short term leases#	**1,391**	1,396
Profit sharing for lease payment (note (ii))#	**245**	3,383
Depreciation of plant and equipment	**12,785**	18,574
Depreciation of right-of-use assets	**10,184**	14,015
Amortisation of intangible assets	**–**	86
	22,969	32,675

* These items were grouped under other operating expense.

\# These items were grouped under property rentals and related expenses.

Notes:

(i) During the year ended 31 December 2022, due to disputes between Zhuhai Urban Construction Group Co., Ltd. and Zhuhai Urban Construction Haiyun Asset Management Co., Ltd., and the Group in relation to the operation of CUBIC SPACE+ in Zhuhai, the Group would be unable to continue to operate CUBIC SPACE+ from 20 October 2022. For further details, please refer to note 42(b). The loss on cessation of business represents for written off on plant and equipment, written off deposits, inventories and gain on lease termination which amounted for approximately HK$24,409,000, HK$910,000, HK$227,000 and HK$14,205,000 respectively.

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 2022. For further details, please refer to note 42(a). The loss on cessation of business represents for written off on plant and equipment, written off on intangible assets, written 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 and the restaurant, net of royalty and provision for fixed assets maintenance, pursuant to the term and conditions as set out in the respective agreement.

12. DIRECTORS', EMPLOYEES' EMOLUMENTS

The aggregate amounts of emoluments paid by the companies now comprising the Group to the directors of the Company during the reporting period are as follows:

	Year ended 31 December 2022 HK$'000	Year ended 31 December 2021 HK$'000
Directors' fees	358	612
Salaries and other benefits	1,418	1,706
Equity-settled share-base expense	–	1,876
Retirement schemes contributions	35	16
	1,811	4,210

(a) Directors' and chief executive's emoluments

Details of the emoluments paid or payable to the directors and chief executive of the Group during the years ended 31 December 2022 and 2021 are as follows:

For the year ended 31 December 2022

	Fees HK$'000	Salaries, allowances bonuses and benefits kind HK$'000	Retirement scheme contributions HK$'000	Equity-settled share-based expense HK$'000	Total remuneration HK$'000
Executive directors					
Mr. Choi Yat Hon (note (i))	–	624	17	–	641
Mr. Choi Siu Kit	–	600	15	–	615
Mr. Yeung Chi Shing	–	64	3	–	67
Mr. Zhang Rongxuan (note (viii))	–	130	–	–	130
Non-executive directors					
Mr. Au Wai Pong, Eric (note (ii))	–	–	–	–	–
Mr. Au Ka Wai	–	–	–	–	–
Independent non-executive directors					
Mr. Tse Kar Ho, Simon (note (vii))	23	–	–	–	23
Mr. Chan Ka Yin (note (iii))	74	–	–	–	74
Mr. Tang Tsz Tung (note (v))	122	–	–	–	122
Mr. Ip Hoi Fan (note (iv))	78	–	–	–	78
Mr. Chan Wai (note (x))	61	–	–	–	61
	358	1,418	35	–	1,811

12. DIRECTORS', EMPLOYEES' EMOLUMENTS *(Continued)*

(a) Directors' and chief executive's emoluments *(Continued)*

For the year ended 31 December 2021

	Fees HK$'000	Salaries, allowances bonuses and benefits kind HK$'000	Retirement scheme contributions HK$'000	Equity-settled share-based expense HK$'000	Total remuneration HK$'000
Executive directors					
Mr. Choi Yat Hon (note (i))	–	850	–	326	1,176
Mr. Choi Siu Kit	–	763	11	326	1,100
Mr. Yeung Chi Shing	–	93	5	326	424
Non-executive directors					
Mr. Au Wai Pong, Eric (note (ii))	100	–	–	326	426
Mr. Au Ka Wai	–	–	–	326	326
Ms. Poon Kam Yee, Odilia (note (vi))	–	–	–	–	–
Independent non-executive directors					
Mr. Tse Kar Ho, Simon (note (vii))	200	–	–	246	446
Mr. Chan Ka Yin (note (iii))	156	–	–	–	156
Mr. Tang Tsz Tung (note (v))	156	–	–	–	156
	612	1,706	16	1,876	4,210

Notes:

(i) Mr. Choi Yat Hon is also the Chief Executive of the Group and his emoluments disclosed above include those for the services rendered by him as the Chief Executive. Mr. Choi Yiu Ying had changed his name to Mr. Choi Yat Hon with effect from 1 February 2023.

(ii) Mr. Au Wai Pong, Eric resigned as a non-executive director with effect from 23 February 2022.

(iii) Mr. Chan Ka Yin resigned as an independent non-executive director with effect from 10 June 2022.

(iv) Mr. Ip Hoi Fan was appointed as an independent non-executive director with effect from 6 May 2022.

(v) Mr. Tang Tsz Tung resigned as an independent non-executive director with effect from 13 October 2022.

(vi) Ms. Poon Kam Yee, Odilia resigned as a non-executive director with effect from 9 September 2021.

(vii) Mr. Tse Kar Ho, Simon resigned as an independent non-executive director with effect from 11 February 2022.

(viii) Mr. Zhang Rongxuan was appointed as an executive director with effect from 10 May 2022 and resigned as an executive director with effect from 23 November 2022.

(x) Mr. Chan Wai was appointed as an independent non-executive director with effect from 20 June 2022 and resigned as an independent non-executive director with effect from 9 January 2023.

12. DIRECTORS', EMPLOYEES' EMOLUMENTS *(Continued)*

(b) Employees' emoluments

The five highest paid individuals during the year included 2 directors (2021: 2 directors) whose emoluments are disclosed in above. The aggregate of the emoluments in respect of the other 3 individuals (2021: 3 individuals) with the highest emoluments are as follows:

	Year ended 31 December 2022 HK$'000	Year ended 31 December 2021 HK$'000
Salaries, allowances and benefits in kind	**2,566**	2,564
Retirement scheme contributions	**54**	54
	2,620	2,618

The emoluments of the other 3 individuals (2021: 3 individuals) with the highest emoluments are within the following bands:

	Year ended 31 December 2022	Year ended 31 December 2021
Nil to HK$1,000,000	**2**	2
HK$1,000,001 to HK$1,500,000	**1**	1

12. DIRECTORS', EMPLOYEES' EMOLUMENTS *(Continued)*

(b) Employees' emoluments *(Continued)*

During the years ended 31 December 2022 and 2021, no emoluments were paid by the Group to any of the directors of the Company or the chief executive of the Group or the five highest paid employees or senior managements as an inducement to join or upon joining the Group or as compensation for loss of office. None of the non-director, highest paid employees and senior management waived or agreed to waive any emoluments during the years ended 31 December 2022 and 2021. There was no arrangement under which a director waived or agreed to waive any remuneration during the years ended 31 December 2022 and 2021.

During the years ended 31 December 2022 and 2021, no emoluments were paid by the Group to the five highest paid individuals, including directors, as an inducement to join the Group or as compensation for loss of office other than those disclosed above. In addition, during the years ended 31 December 2022 and 2021, no directors waived any emoluments.

13. 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 2022 (2021: nil).

14. 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 2022 HK$'000	Year ended 31 December 2021 HK$'000
Loss for the purpose of basic and diluted loss per share	**(32,093)**	(71,997)
	'000	'000
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**2,272,745**	2,080,412

Note: For the year ended 31 December 2021, the computation of diluted loss per share does not assume the conversion of the Company's outstanding convertible loans and convertible promissory notes since their assumed exercise would result in a decrease loss per share of the Company. For the year ended 31 December 2022, the conversion rights of convertible loans and convertible promissory notes were expired.

The computation of diluted loss per share does not assume the exercise of the Company's share options because the exercise price of those options was higher than the average market price for shares for both 2022 and 2021.

15. PLANT AND EQUIPMENT

	Motor vehicles HK$'000	Security surveillance-camera system HK$'000	Furniture, fixtures and equipment HK$'000	Tableware HK$'000	Leasehold improvement HK$'000	Total HK$'000
Cost						
As at 1 January 2021	1,383	779	32,246	2,077	81,498	117,983
Additions	–	–	3,653	254	–	3,907
Written off	(413)	(603)	(24,561)	(762)	(854)	(27,193)
Exchange alignment	–	–	52	–	1,641	1,693
As at 31 December 2021 and 1 January 2022	970	176	11,390	1,569	82,285	96,390
Additions	–	–	347	217	575	1,139
Disposal	(390)	–	–	–	–	(390)
Written off	–	–	(1,930)	–	(54,718)	(56,648)
Exchange alignment	–	–	(97)	–	(2,757)	(2,854)
As at 31 December 2022	580	176	9,710	1,786	25,385	37,637
Accumulated depreciation and impairment						
As at 1 January 2021	1,014	623	20,246	1,396	24,103	47,382
Charge for the year	194	54	4,115	317	13,894	18,574
Written off	(413)	(570)	(16,859)	(762)	(765)	(19,369)
Impairment loss	–	–	117	–	4,518	4,635
Exchange alignment	–	–	25	–	532	557
As at 31 December 2021 and 1 January 2022	795	107	7,644	951	42,282	51,779
Charge for the year	17	30	1,881	256	10,601	12,785
Disposal	(232)	–	–	–	–	(232)
Written off	–	–	(1,536)	–	(30,703)	(32,239)
Exchange alignment	–	–	(57)	–	(1,214)	(1,271)
As at 31 December 2022	**580**	**137**	**7,932**	**1,207**	**20,966**	**30,822**
Net book values						
As at 31 December 2022	**–**	**39**	**1,778**	**579**	**4,419**	**6,815**
As at 31 December 2021	175	69	3,746	618	40,003	44,611

15. PLANT AND EQUIPMENT *(Continued)*

Notes:

Assumptions were used in the value-in-use calculation of the above cash-generating units as at 31 December 2021. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of property, plant and equipment and right-of-use assets. The annual growth rates of each CGUs are based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. Other key assumptions for the value-in-use calculations relate to the estimation of cash flows which include budgeted sales and gross margin, such estimation is based on the unit's past performance and management's expectations for the market development.

As at 31 December 2021, the pre-tax discount rate applied for the cash flow projections is 13.70% to 14.54%. Based on the result of the assessment, management of the Group determined that the recoverable amount of each cash generating unit is lower than the carrying amount. The impairment amount has been allocated to each category of plant and equipment and right-of-use assets such that the carrying amount of each category of asset is not reduced below its value in use and zero. Based on the value in use calculation, an impairment of HK$4,635,000 and HK$1,881,000, respectively, has been recognised against the carrying amounts of plant and equipment and right-of-use assets.

During the year ended 31 December 2022, due to disputes between Zhuhai Urban Construction Group Co., Ltd. and Zhuhai Urban Construction Haiyun Asset Management Co., Ltd., and the Group in relation to the operation of CUBIC SPACE+ in Zhuhai, the Group would be unable to continue to operate CUBIC SPACE+ from 20 October 2022. For further details, please refer to Notes 11 and 42(b). Plant and equipments of approximately HK$24,409,000 was written off.

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 details, please refer to Notes 11 and 42(a). Plant and equipments of approximately HK$7,824,000 was written off.

16. INTANGIBLE ASSETS

	HK$'000
Cost	
As at 1 January 2020, 31 December 2020, 1 January 2021	1,102
Written off	(972)
As at 31 December 2021, 1 January 2022 and 31 December 2022	130
Accumulated amortisation	
As at 1 January 2021	494
Charge for the year	86
Written off	(580)
As at 31 December 2021, 1 January 2022 and 31 December 2022	–
Net book values	
A s at 31 December 2022	130
A s at 31 December 2021	130

For the year ended 31 December 2022 and 2021, the intangible assets included vehicle registration marks. The directors of the Company estimated the useful lives of the vehicle registration marks is infinite and is renewable every 5 years at minimal cost. The directors of the Company are of the opinion that the Group would renew the vehicle registration mark continuously and has the ability to do so.

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 2022. For details, please refer to Notes 11 and 42(a). Intangible assets of approximately HK$392,000 was written off.

17. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December 2022 HK$'000	As at 31 December 2021 HK$'000
Life insurance policy	**6,209**	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").

18. RIGHT-OF-USE ASSETS/LEASE LIABILITIES

Right-of-use assets

	2022 HK$'000	2021 HK$'000
As at 1 January	**21,455**	65,766
Addition	**13,736**	–
Depreciation provided during the year	**(10,184)**	(14,015)
Impairment loss	**–**	(1,881)
Termination of leases	**(10,839)**	(28,862)
Exchange alignment	**(647)**	447
As at 31 December	**13,521**	21,455

18. RIGHT-OF-USE ASSETS/LEASE LIABILITIES *(Continued)*

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 year ended 31 December 2022, the Group leases 2 (2021: 5) properties for the operation of restaurant and clubbing business. Lease contracts are entered into for fixed term of 2 (2021: 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.

Details of impairment assessment on right-of-use assets please refer to note 15.

During the year ended 31 December 2022, due to disputes between Zhuhai Urban Construction Group Co., Ltd. and Zhuhai Urban Construction Haiyun Asset Management Co., Ltd., and the Group in relation to the operation of CUBIC SPACE+ in Zhuhai, the Group would be unable to continue to operate CUBIC SPACE+ from 20 October 2022. For further details, please refer to Notes 11 and 42(b).

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 details, please refer to Notes 11 and 42(a).

Lease liabilities

	As at 31 December 2022 HK$'000	As at 31 December 2021 HK$'000
Analysed as		
– Current	**10,105**	8,243
– Non-current	**4,652**	30,148
	14,757	38,391

18. RIGHT-OF-USE ASSETS/LEASE LIABILITIES *(Continued)*

Lease liabilities *(Continued)*

	As at 31 December 2022 HK$'000	As at 31 December 2021 HK$'000
Minimum lease payments due		
– Within one year	**10,865**	10,882
– More than one year but not later than two years	**4,749**	8,332
– More than two years but not later than five years	**–**	22,533
– Over five years	**–**	5,561
	15,614	47,308
Less: Future finance charges	**(857)**	(8,917)
Present value of lease liabilities	**14,757**	38,391

The weighted average incremental borrowing rates applied to lease liabilities range was 5.15% (2021: 4.04% to 8.15%).

19. INVENTORIES

	As at 31 December 2022 HK$'000	As at 31 December 2021 HK$'000
Food and beverages	**556**	2,882
Other operating items for club and restaurant operations	**4**	114
	560	2,996

20. ACCOUNT AND OTHER RECEIVABLES

	As at 31 December 2022 HK$'000	As at 31 December 2021 HK$'000
Account receivables	**1,725**	5,484
Less: Allowance for ECL	**(656)**	(554)
	1,069	4,930
Other receivables	**9,075**	11,095
Less: Allowance for ECL	**(3,873)**	(91)
	5,202	11,004
Prepayments	**719**	2,573
Deposits	**5,049**	7,447
Less: Allowance for ECL	**(109)**	(817)
	4,940	6,630
	11,930	25,137
Less: Portion classified as non-current – Deposits	**(3,903)**	(2,287)
Current portion	**8,027**	22,850

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

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.

20. ACCOUNT AND OTHER RECEIVABLES *(Continued)*

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 2022 HK$'000	As at 31 December 2021 HK$'000
0 to 30 days	1,064	1,986
31 to 60 days	–	98
61 to 90 days	–	51
91 to 120 days	–	487
Over 120 days	5	2,308
	1,069	4,930

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

Movement in the accumulated allowance for ECL of sponsorship receivables

	2022 HK$'000	2021 HK$'000
As at 1 January	–	10
Reversal of allowance for ECL recognised during the year	–	(10)
As at 31 December	–	–

20. ACCOUNT AND OTHER RECEIVABLES *(Continued)*

Movement in the accumulated allowance for ECL of deposits

	2022 HK$'000	2021 HK$'000
As at 1 January	817	242
Disposal of a subsidiary	(669)	–
(Reversal of)/allowance for ECL recognised during the year	(39)	575
As at 31 December	109	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 31 December 2021, the Group's prepayments mainly represent prepayments for legal and professional fees of approximately HK$1,658,000.

As at 31 December 2022, the Group's deposits mainly represent deposits for acquisition of plant and equipment and decoration of approximately HK$212,000 (2021: HK$174,000) and rental deposits of approximately HK$3,980,000 (2021: HK$5,289,000).

As at 31 December 2022, the amounts of the Group's other receivables mainly represent value added tax recoverable of approximately HK$5,118,000 (2021: HK$6,191,000).

21. 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 as at 31 December 2021. The loan receivables were recoverable according to repayment schedules, normally with contractual maturity within one year.

As at 31 December 2022, the Group's loan receivables of approximately HK$3,450,000 (2021: nil) which are past due 90 days or more. The directors of the Company consider credit risks have increased significantly for those past due more than 90 days and consider that the debtors were in financial difficulties. The Company has taken legal action against the individual to recover the outstanding receivables and considered the recoverability is remote. The loan receivables are considered as credit-impaired with ECL fully provided.

Included in the carrying amount of loan receivables as at 31 December 2022 is accumulated impairment losses of approximately HK$3,450,000 (2021: HK$79,000). Details of impairment assessment are set out in note 4(b).

	As at 31 December 2022 HK$'000	As at 31 December 2021 HK$'000
Loan receivables, gross	3,450	3,450
Less: Allowance for ECL	(3,450)	(79)
Loan receivables, net	–	3,371

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 2022 HK$'000	As at 31 December 2021 HK$'000
Within one year	–	3,371

Movement in the accumulated allowance for ECL of loan receivables

	As at 31 December 2022 HK$'000	As at 31 December 2021 HK$'000
As at 1 January	79	94
Allowance for/(reversal of) ECL recognised during the year	3,371	(15)
As at 31 December	3,450	79

22. AMOUNTS DUE FROM NON-CONTROLLING INTERESTS

	As at 31 December 2022 HK$'000	As at 31 December 2021 HK$'000
New Jin Yi investment Company limited	–	2,446
Liu Ching	1,690	–
Guangzhou Baohui Culture Development Company Limited	161	176
	1,851	2,622
Less: Allowance for ECL	(43)	(59)
	1,808	2,563

As at 31 December 2022 and 2021, the amounts mainly represent the outstanding balance of the capital injection to Zhuhai Ruiye from investors. The amounts were unsecured, interest-free and recoverable on demand.

Details of impairment assessment under ECL are set out in Note 4(b).

23. CASH AND CASH EQUIVALENTS

Cash and cash equivalents

Cash and cash equivalents were denominated in the following currencies:

	Year ended 31 December 2022 HK$'000	Year ended 31 December 2021 HK$'000
MOP	–	618
HK$	601	1,329
RMB	25	87
	626	2,034

Cash and cash equivalents carry interest at 0.01% to 0.15% market rates per annum for the year ended 31 December 2022 (2021: 0.01% to 0.15%).

24. INVESTMENT IN AN ASSOCIATE/LOAN TO AN ASSOCIATE

	2022 HK$'000	2021 HK$'000
Cost of investment in associate	**1,989**	1,989
Share of post-acquisition profits and other comprehensive, net of dividend received	**(1,989)**	(1,989)
As at 31 December	**–**	–
Loan to an associate (note (a))	**–**	3,570
Less: Allowance for ECL	**–**	(2,330)
	–	1,240
Amount due from an associate (note (b))	**–**	4,274
Less: Allowance for ECL	**–**	(2,789)
	–	1,485
	–	2,725
Less: Amounts shown under current assets	**–**	(1,485)
Amounts shown under non-current assets	**–**	1,240

Notes:

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

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

Details of impairment assessment under ECL on the loan to an associate and amount due from an associate are set out in Note 4(b).

The following list contains only the particulars of an associate, of which is an unlisted corporate entity, which principally affected the results or assets of the Group:

Name of associate	Place of incorporation/ operations	Particulars of issued and paid up share capital	Proportion of ownership interests: Group's effective interests	Held by the Company	Held by a subsidiary	Principal activity
LH Mandarin	Hong Kong	7,992,000 shares of HK$1 each	29.73	–	29.73	Catering business

24. INVESTMENT IN AN ASSOCIATE/LOAN TO AN ASSOCIATE *(Continued)*

Aggregate information of the associate that is not individually material

	As at 31 December 2022 HK$'000	As at 31 December 2021 HK$'000
The Group's share of profit/(loss)	**4,895**	(9,654)
The Group's share of total comprehensive income/(loss)	**4,895**	(9,654)

	Year ended 31 December 2022 HK$'000	Year ended 31 December 2021 HK$'000
The unrecognised share of profit/(loss) of an associate for the year	**4,895**	(9,654)

	As at 31 December 2022 HK$'000	As at 31 December 2021 HK$'000
Cumulative unrecognised share of loss of an associate	**5,368**	10,263

25. GOODWILL

Goodwill is allocated to the Group's CGUs identified according to business segment as follows:

	As at 31 December 2022 HK$'000	As at 31 December 2021 HK$'000
Clubs and restaurants operation	**–**	–

Determining whether goodwill is impaired requires an estimation of the recoverable amount of the respective CGU to which goodwill has been allocated. The recoverable amount of the CGU is determined based on the value in use calculation which requires the directors to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate the present value.

At the end of the reporting period, the Group assessed the recoverable amount of cash generating unit to which the goodwill was allocated by appointing an independent professional valuer, who has staff members with appropriate experience and qualifications. The assessment conformed to the Hong Kong Institute of Surveyors ("HKIS") Valuation Standards 2017 published by the Hong Kong Institute of Surveyors and the International Valuation Standards 2017 published by International Valuation Standards Council.

25. GOODWILL *(Continued)*

The recoverable amount of the CGU to which goodwill is allocated, being the clubbing business conducted by Zhuhai Ruiye, a non-wholly owned subsidiary, which was acquired during the year ended 31 December 2019. During the year ended 31 December 2021, the recoverable amount of the CGU to which the goodwill has been determined based on cash flow projections from formally approved budgets covering a five-year period. Cash flow beyond the five-year period are extrapolated using a growth rate of 2%, which does not exceed the long-term growth rate for the clubbing business industry in the PRC. Discount rate is 14.54% which is pre-tax and reflect specific risks relating to the relevant CGU. Gross profit margin range from approximately 71.5% to approximately 76.7% which has been determined with reference to actual performance and the expected market development. The cash flow projections growth rates and discount rate have been reassessed as at 31 December 2021 taking into consideration higher degree of estimate uncertainties in the current year due to how the COVID-19 pandemic may progress and evolve and volatility in financial markets, including potential disruptions of the Group's clubs and restaurants operation. During the year ended 31 December 2021, impairment of goodwill directly related to the cash generating unit amounting to HK$9,152,000 has been included in profit or loss. Goodwill related to the cash generating unit has been fully impaired and impairment amounting to HK$4,635,000 and HK$1,881,000 has been allocated pro rata to plant and equipment and right-of-use assets to the extent the carrying amount of the asset is not reduced below its value in use and zero.

26. INVESTMENT IN JOINT VENTURES

	As at 31 December 2022 HK$'000	As at 31 December 2021 HK$'000
Cost of investment in joint ventures	**1,440**	1,210
Share of post-acquisition profits and other comprehensive expense	**(1,437)**	(648)
	3	562

Details of each of the Group's joint ventures at the end of the reporting period are as follows:

The following list contains only the particulars of joint venture, of which is an unlisted corporate entity, which principally affected the results or assets of the Group:

Details of each of the Group's joint ventures at the end of the reporting period are as follows:

Name of entity	Country of incorporation/ registration	Principal place of business	Proportion of ownership interest held by the Group 2022	2021	Principal activity
萬慶娛樂策劃(廣州)有限公司	PRC	PRC	**50%**	50%	Property management business
Cubic Immersive Limited	Hong Kong	Hong Kong	**50%**	50%	Investment holding

26. INVESTMENT IN JOINT VENTURES *(Continued)*

Aggregate information of joint ventures that are not individually material

	As at 31 December 2022 HK$'000	As at 31 December 2021 HK$'000
The Group's share of loss	**(764)**	(657)
The Group's share of other comprehensive loss for the year	**(25)**	9
The Group's share of total comprehensive loss	**(789)**	(648)

27. ACCOUNT AND OTHER PAYABLES

	As at 31 December 2022 HK$'000	As at 31 December 2021 HK$'000
Account payables	**6,567**	8,339
Rental payables	**5,112**	1,898
Other payables (note (i))	**68,573**	51,069
Loan from directors (note (iii))	**4,904**	309
Loan from shareholders (note (iv))	**1,059**	324
Loan from third parties (note (v))	**382**	996
Accruals	**14,755**	11,375
	101,352	74,310
Less: Portion classified as non-current		
– Other payables (note (ii))	**–**	(18,627)
Current portion	**101,352**	55,683

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

27. ACCOUNT AND OTHER PAYABLES *(Continued)*

Notes:

(i) As at 31 December 2022, the other payables of the Group included the total amounts due to cessation of business of approximately HK$3,450,000 (2021: HK$15,328,000). For further details, please refer to note 42. The convertible promissory notes were defaulted and reclassified as other payables during the year. The convertible promissory notes of approximately HK$18,109,000 were repayable on demand, and no default interest. The convertible loans were defaulted and reclassified as other payables during the year. The convertible loans of approximately HK$9,080,000 are repayable on demand, and carrying default interest at 0.1% per day.

(ii) As at 31 December 2021, the other payables classified as non-current liabilities represented the unpaid design and renovation fee of Zhuhai Ruiye which were unsecured, interest-free and not repayable within 12 months. As at 31 December 2022, the unpaid design and renovation fee of Zhuhai Ruiye reclassified to current portion other payable due to the amount repayable within 12 months.

(iii) As at 31 December 2022, the amount of approximately HK$4,720,000 (2021: HK$309,000) was represented loan from director was unsecured, with annual interest at 5.25% and are repayable within 1 year.

As at 31 December 2022, the amount of approximately HK$184,000 (2021: Nil) was represented loan from director was unsecured, interest free and repayable on demand.

(iv) As at 31 December 2022, the amount of approximately HK$674,000 (2021: HK$324,000) represented loan from shareholders of a subsidiary of the Group was unsecured, interest-free, and repayable on demand.

As at 31 December 2022, the amount of approximately HK$385,000 (2021: Nil) represented loan from shareholders of the Group was unsecured, interest-free, and repayable on demand.

(v) As at 31 December 2022, the amount of approximately HK$382,000 (2021: HK$996,000) represented loan from a third party was unsecured, with annual interest at 5% and repayable within 1 year.

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 2022 HK$'000	As at 31 December 2021 HK$'000
0–30 days	**219**	4,910
31–60 days	**103**	1,578
61–90 days	**15**	308
9 1 to 120 days	**6,230**	1,543
	6,567	8,339

28. AMOUNTS DUE TO NON-CONTROLLING INTERESTS

The amounts due to non-controlling interests are unsecured, interest-free and repayable over one year.

29. PROVISION FOR REINSTATEMENT COSTS

	Year ended 31 December 2022 HK$'000	Year ended 31 December 2021 HK$'000
As at 1 January	1,565	1,565
Provision	–	–
As at 31 December	1,565	1,565
Less: Non-current portion	(1,565)	(850)
Current portion	–	715

Provision for reinstatement costs is recognised for the costs to be incurred for the reinstatement of the properties used by the Group for its operations upon expiration of the relevant leases. As at 31 December 2022, the Group expected that the total undiscounted costs required in the future would amount to approximately HK$1,565,000 (2021: HK$1,565,000).

30. SHARE CAPITAL

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

	2022		2021	
	Number shares '000	Nominal value HK$'000	Number of shares '000	Nominal value HK$'000
Authorised				
Ordinary share of HK$0.01 each				
As at 1 January and 31 December	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 (Note 37)	36,000	360	94,400	944
At 31 December	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.

31. DERIVATIVE FINANCIAL LIABILITIES

	Convertible promissory notes HK$'000	Convertible loans HK$'000	Total HK$'000
As at 1 January 2021	309	177	486
Change in fair value	(309)	(177)	(486)
As at 31 December 2021, 1 January 2022 and 31 December 2022	–	–	–

Derivative financial liabilities represent the conversion option derivatives embedded in convertible promissory notes and convertible loans which allows the holders exercise the conversion rights. The fair value is measured using Binomial Option Pricing model at initial recognition and at the end of the reporting period.

32. CONVERTIBLE LOANS

On 10 June 2019, Luk Hing Capital Limited ("Luk Hing Capital"), a subsidiary of the Company, as borrower and the Company, as guarantor of Luk Hing Capital entered into the convertible loan agreements with the lenders. The convertible loans bear an annual interest of 9% payable in arrear annually with aggregate principal amount of RMB8 million (equivalent to approximately HK$9.08 million), with a term commencing from 10 June 2019 until 36 months from opening of a clubbing venue in Zhuhai by Zhuhai Ruiye, a non-wholly-owned subsidiary.

According to the Group's accounting policy, the convertible loans are classified separately as financial liabilities and derivative financial liabilities in accordance with the substance of the contractual arrangements. Conversion option that will be settled by the share of an affiliated company of Luk Hing Capital. Should any of the holders of convertible loans elect to exercise the conversion, Luk Hing Capital would be responsible for the payment of a bonus, subject to a cap of interest of 25% per annum on the principle amount of the convertible loans in accordance with interest period.

32. CONVERTIBLE LOANS *(Continued)*

The fair value of the liability component is estimated using the prevailing market interest rate for similar nonconvertible instruments. The fair value assessment of the convertible loans was performed by an independent professional valuer. The effective interest rate of the liability element on initial recognition is 9.17% per annum.

The maturity date of the convertible loans is the 3 year from the date of issue. Conversion option can be exercised at the maturity date of the converted loans. The Company will redeem the convertible loans if the shares have not been converted on maturity date. During the year ended 31 December 2022, the convertible loans was defaulted and fell due for repayment. The amounts were transferred to other payables.

The fair value of the convertible loans is approximately HK$10,149,300 as at 31 December 2021.

For more details of the terms of convertible loans, please refer to the circular dated on 10 June 2019.

The liability component of convertible loans recognised in the consolidated statement of financial position was calculated as follow:

	HK$'000
As at 1 January 2021	8,877
Effective interest expenses charged	814
Interest expenses paid and payable	(818)
As at 31 December 2021 and 1 January 2022	8,873
Effective interest expenses charged	522
Interest expenses paid and payable	(315)
Transfer to other payables (note 27)	(9,080)
As at 31 December 2022	**–**

33. CONVERTIBLE PROMISSIONRY NOTES

On 3 July 2019, the Company entered into the note purchase agreements ("NPA") with investors in the aggregate principal amount of approximately RMB16.0 million. The proceeds are intended to be used for the additional investment by the Group to Zhuhai Ruiye. The convertible promissory notes bear an annual interest rate of 9% payable in arrear annually with aggregate principal amount of RMB16.0 million, with a term commencing from 3 July 2019 until 36 months from opening of a clubbing venue in Zhuhai by Zhuhai Ruiye.

According to the Group's accounting policy, the convertible promissory notes are classified separately as financial liabilities and derivative financial liabilities in accordance with the substance of the contractual arrangements. Conversion option that will be settled by the share of Luk Hing Group Development (China) Limited ("Luk Hing China") based on the conversion ratio of USD100,000 of the principle amount to 1.03% of shares of Luk Hing China provided that Luk Hing China shall in turn hold not less than 44.44% of the equity interests of Zhuhai JV, subject to the adjustment described in the NPA. If any of the investors elects not to exercise the conversion, the entire principal amount of the convertible promissory notes shall be redeemed by the Company at a redemption amount equal to the entire principal amount of the convertible promissory notes together with fixed interests accrued thereon, subject to adjustment described in the NPA.

During the year ended 31 December 2022, the convertible promissory notes was defaulted and fell due for repayment. The Company negotiate with the investors for the extension of the repayment. Subsequent to the end of reporting period, the Company extended the new repayment schedule with the investors. The final payment deadline will be on or before 31 July 2023. The amounts were transferred to other payables.

The effective interest rate of the liability element on initial recognition is 11.55% per annum.

The fair value of the convertible promissory notes is approximately HK$18,883,000 as at 31 December 2021.

For more details of the terms of convertible promissory notes, please refer to the circular dated on 22 August 2019.

The liability component of convertible promissory notes recognised in the consolidated statement of financial position was calculated as follow:

	HK$'000
As at 1 January 2021	17,709
Effective interest expenses charged	2,045
Interest expenses paid and payable	(1,637)
As at 31 December 2021 and 1 January 2022	18,117
Repayment during the year	(92)
Effective interest expenses charged	1,341
Interest expenses paid and payable	(1,257)
Transfer to other payables (note 27)	(18,109)
As at 31 December 2022	–

34. BANK LOANS

	As at 31 December 2022 HK$'000	As at 31 December 2021 HK$'000
The carrying amounts of bank loans that contain a repayment on demand clause (shown under current liabilities) but repayable:		
Within one year	**4,174**	5,844
Within a period of more than one year but not exceeding two years	**3,544**	5,719
Within a period of more than two years but not exceeding five years	**8,500**	8,412
Over 5 years	**5,387**	–
	21,605	19,975

As at 31 December 2022, the bank loans bear interest rate range from 2.45% to 4.75% per annum (2021: range from 2.45% to 4.75% per annum).

The weighted average effective interest rate of bank loans as at 31 December 2022 was approximately 3.32% (2021: 3.52%).

As at 31 December 2022, the bank loans of approximately HK$5,100,000 (2021: HK$5,100,000) was pledged by the financial assets at FVTPL of approximately HK$6,209,000 (2021: HK$5,894,000) and was guaranteed by the corporate guarantee of the Company.

35. STATEMENT OF FINANCIAL POSITION AND RESERVE OF THE COMPANY

(a) Statement of Financial Position

	Notes	As at 31 December 2022 HK$'000	As at 31 December 2021 HK$'000
Assets			
Non-current asset			
Investment in subsidiaries	9	–	–
Financial assets at FVTPL		6,209	5,894
		6,209	5,894
Current assets			
Account and other receivables		35	859
Amounts due from subsidiaries		313	1,272
Amounts due from associate		–	765
Cash and cash equivalents		13	219
		361	3,115
Liabilities			
Current liabilities			
Account and other payables		30,542	4,809
Bank loans		5,100	5,100
Convertible promissory notes		–	18,117
		35,642	28,026
Net current liabilities		(35,281)	(24,911)
Total assets less current liabilities		(29,072)	(19,017)
Net liabilities		(29,072)	(19,017)
Equity			
Share capital	30	22,904	22,544
Reserves	35(b)	(51,976)	(41,561)
		(29,072)	(19,017)

The financial statements were approved and authorised for issue by the Board of Directors on 30 March 2023 and signed on its behalf by:

Choi Yat Hon
Director

Choi Siu Kit
Director

35. STATEMENT OF FINANCIAL POSITION AND RESERVE OF THE COMPANY *(Continued)*

(b) Reserve

	Share premum HK$'000	Share-based compensation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
As at 1 January 2021	66,235	896	(81,601)	(14,470)
Loss and total comprehensive loss for the year	–	–	(39,608)	(39,608)
Equity-settled share option arrangement	–	2,572	–	2,572
Ordinary shares issued	8,280	–	–	8,280
Transaction costs attributable to issue of new shares	(129)	–	–	(129)
Lapsed of share options	–	(161)	161	–
Exercise of share options	3,453	(1,659)	–	1,794
As at 31 December 2021 and 1 January 2022	77,839	1,648	(121,048)	(41,561)
Loss and total comprehensive loss for the year	–	–	(11,099)	(11,099)
Lapsed of share options	–	(246)	246	–
Exercise of share options	1,330	(646)	–	684
As at 31 December 2022	**79,169**	**756**	**(131,901)**	**(51,976)**

As at 31 December 2022, the Company had no reserves available for distribution in accordance with the Company law of Cayman Islands (2021: nil).

36. RETIREMENT BENEFIT PLANS

The Group provides defined contribution plans for its employees in Macau, Hong Kong and the PRC.

The amounts charged to the consolidated statement of profit or loss which amounted to HK$1,245,000 (2021 HK$1,824,000) represents contributions payable to the plans by the Group at rates specified in the rules of the plans less forfeitures of no (2021: no) arising from employees leaving the Group prior to completion of qualifying service period.

As at 31 December 2022, forfeited contributions which arose upon employees leaving the retirement plans and which are available to reduce the contributions payable in the future years amounted to nil (2021: nil).

Employees

Macau

Qualified employees of the Group in Macau are members of Social Security Fund Scheme (the "SSF Scheme") operated and managed by the Macau Government and the Group is required to pay a monthly fixed contribution to the SSF Scheme to fund the benefits. The obligation of the Group with respect to the SSF Scheme operated by the Macau Government is to make the required contributions under the scheme. The SSF Scheme was established under trust with the fund assets being held separately from those of the Group by independent trustees in Macau.

Hong Kong

Qualified employees of the Group in Hong Kong are members of Mandatory Provident Fund Schemes (the "MPF Schemes") administered by independent trustees. Under the MPF Scheme, the Group and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000. Contributions to the MPF scheme vest immediately. The assets of the MPF Scheme are held separately from those of the Group, in funds under the control of trustees.

PRC

The employees of the Group's operations in Mainland China are required to participate in central pension schemes operated by the local municipal governments, the assets of which are held separately from those of the Group. Contributions are made by the Group based on a percentage of the participating employees' salaries and are charged to profit or loss as they become payable in accordance with the rules of the central pension schemes. The Group's employer contributions vest fully once made.

37. SHARE OPTION SCHEME

A summary of the share option schemes of the Company are set out in the section headed "Share Option Schemes" in the Report of the Directors of the annual report.

The Company adopted a share option scheme on 18 October 2016 (the "Share Option Scheme"). The Share Option Scheme became effective on the date of the Company's listing (11 November 2016) and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of shares which may be issued upon exercise of all options granted and to be granted under the Share Option Scheme is 180,000,000 shares, representing 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 this 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. On 2 October 2018, certain employees and consultants of the Group were granted shares options to subscribe for 30,142,308 shares at an exercise price of HK$0.061 per share.

On 4 January 2021, the Company granted 144,000,000 share options at the exercise price of HK$0.029 per share to its directors and employees under the Share Option Scheme. Among the 144,000,000 share options granted, 103,600,000 share options were granted to the six directors of the Company. The option period of the share options is from 4 January 2021 to 3 January 2031. The closing price of the Company's shares prior to the date of grant (i.e., 31 December 2020) was HK$0.029 per share.

37. SHARE OPTION SCHEME *(Continued)*

Details of specific categories of options are as follows:

Category/ name of grantee	Date of grant	Exercise Date/ period	Exercise price per share	Number of share options: Outstanding as at 1 January 2022	Grant during the year ended 31 December 2022	Exercised during the year ended 31 December 2022	Lapsed during the year ended 31 December 2022	Outstanding as at 31 December 2022
Employees and Consultants	2 October 2018	(note 1)	HK$0.061	7,485,000	–	–	–	7,485,000
	2 October 2018	(note 2)	HK$0.061	7,485,000	–	–	–	7,485,000
	2 October 2018	(note 3)	HK$0.061	7,485,000	–	–	–	7,485,000
	2 October 2018	(note 4)	HK$0.061	2,495,000	–	–	–	2,495,000
	4 January 2021	(note 5)	HK$0.029	49,600,000	–	(36,000,000)	(13,600,000)	–
Total				**74,550,000**	**–**	**(36,000,000)**	**(13,600,000)**	**24,950,000**

Category/ name of grantee	Date of grant	Exercise Date/ period	Exercise price per share	Number of share options: Outstanding as at 1 January 2021	Grant during the year ended 31 December 2021	Exercised during the year ended 31 December 2021	Lapsed during the year ended 31 December 2021	Outstanding as at 31 December 2021
Employees and Consultants	2 October 2018	(note 1)	HK$0.061	9,042,692	–	–	(1,557,692)	7,485,000
	2 October 2018	(note 2)	HK$0.061	9,042,692	–	–	(1,557,692)	7,485,000
	2 October 2018	(note 3)	HK$0.061	9,042,692	–	–	(1,557,692)	7,485,000
	2 October 2018	(note 4)	HK$0.061	3,014,232	–	–	(519,232)	2,495,000
	4 January 2021	(note 5)	HK$0.029	–	144,000,000	94,400,000	–	49,600,000
Total				30,142,308	144,000,000	94,400,000	(5,192,308)	74,550,000

Notes:

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

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

(3) Subject to fulfillment of the pre-determined vesting conditions, the shares 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 shares options shall be vested and exercisable from 2 October 2021 to 1 October 2028.

(5) Subject to fulfillment of the pre-determined vesting conditions, the shares options shall be vested and exercisable from 4 January 2021 to 3 January 2031.

As at 31 December 2022, the options outstanding have a weighted average remaining contractual life of 6.9 years (2021: 7.7 years).

37. SHARE OPTION SCHEME *(Continued)*

The estimated fair values of the options as at 4 January 2021 was approximately HK$2,552,000.

These fair values were calculated using the Binomial Model. The inputs into the model were as follows:

	2021 **HK$'000**	2018 HK$'000
Weighted average share price	**HK$0.029**	HK$0.061
Weighted average exercise price	**HK$0.029**	HK$0.061
Expected volatility	**92.22%**	49%
Life of option	**10 years**	10 years
Risk free rate	**0.54%**	2.42%
Expected dividend yield	**0%**	0%

Expected volatility was determined by calculating the historical volatility of similar Company's share price over the previous 10 years. The life of the options was the contractual life of the options. Expected dividends yield are based on historical dividends.

For the year ended 31 December 2022, the Group recognised total expenses of approximately HK$Nil (2021: HK$2,572,000) related to equity-settled share-based payment transactions.

38. 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** **2022** **HK$'000**	As at 31 December 2021 HK$'000
Unpaid balance of capital contribution to a subsidiary in the PRC	**40,044**	55,821

39. MATERIAL RELATED PARTY TRANSACTIONS

In addition to the information disclosed elsewhere in these consolidated 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 represented are disclosed in Note 12.

(b) During the years ended 31 December 2022 and 2021, the Group had the following transactions with related parties:

Name of related parties	Nature of transactions	Year ended 31 December 2022 HK$'000	Year ended 31 December 2021 HK$'000
Zone One (CS) Limited (Note (i))	Rental expenses	1,069	1,069
Mr. Choi Siu Kit	Loan interest	181	37
Mr. Choi Yat Hon	Loan interest	16	–

(b) As at 31 December 2022 and 2021, the Group had the following balances with related parties:

Name of related parties	Nature of balance	As at 31 December 2022 HK$'000	As at 31 December 2021 HK$'000
Zone One (CS) Limited (Note (i))	Rental payables	1,311	–

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 Yat Hon and Mr. Choi Siu Kit, who are the executive directors of the Company.

40. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Lease liabilities HK$'000 (Note 18)	Amounts due to non-controlling interests HK$'000 (Note 28)	Bank overdrafts HK$'000	Convertible loans HK$'000 (Note 32)	Convertible promissory notes HK$'000 (Note 33)	Bank loans HK$'000 (Note 34)	Other loans HK$'000 (Note 27)
As at 1 January 2021	82,505	10,648	2,992	8,877	17,709	22,927	1,325
Changes from financing cash flows:							
Proceeds from bank loans	–	–	–	–	–	2,631	–
Proceeds from other loans	–	–	–	–	–	–	1,275
Repayment to bank loans	–	–	–	–	–	(5,583)	–
Repayment to bank overdrafts	–	–	(2,992)	–	–	–	–
Repayment of lease liabilities	(11,611)	–	–	–	–	–	–
Repayment of other loans	–	–	–	–	–	–	(1,030)
Interest element of lease rentals paid	(4,328)	–	–	–	–	–	–
Interest paid	–	–	(139)	(818)	(1,637)	(703)	–
Total changes from financing cash flows	(15,939)	–	(3,131)	(818)	(1,637)	(3,655)	245
Other changes:							
Interest expenses (Note 8)	4,328	–	139	814	2,045	703	44
Derecognition of lease liabilities	(30,716)	–	–	–	–	–	–
Lease termination	(269)	–	–	–	–	–	–
COVID-19 related rent concession	(2,333)	–	–	–	–	–	–
Others	815	258	–	–	–	–	15
As at 31 December 2021	**38,391**	**10,906**	**–**	**8,873**	**18,117**	**19,975**	**1,629**
Changes from financing cash flows:							
Repayment of amounts due to non-controlling interests	–	(106)	–	–	–	–	–
Proceeds from bank loans	–	–	–	–	–	8,000	–
Proceeds from other loans	–	–	–	–	–	–	7,000
Repayment of other loans	–	–	–	–	–	–	(2,370)
Repayment to bank loans	–	–	–	–	–	(5,843)	–
Repayment of lease liabilities	(3,365)	–	–	–	–	–	–
Repayment of convertible promissory note	–	–	–	–	(92)	–	–
Interest element of lease rentals paid	(2,499)	–	–	–	–	–	–
Interest paid	–	–	–	–	–	(592)	–
Total changes from financing cash flows	(5,864)	(106)	–	–	(92)	1,565	4,630
Other changes:							
Interest expenses (Note 8)	2,499	–	–	522	1,341	592	1,569
Derecognition of lease liabilities	(25,044)	–	–	–	–	–	–
Disposal of a subsidiary (note 41)	–	–	–	–	–	(527)	–
New lease entered	13,736	–	–	–	–	–	–
COVID-19 related rent concession	(881)	–	–	–	–	–	–
Others	(8,080)	(759)	–	(315)	(1,257)	–	(174)
Transfer to other payables	–	–	–	(9,080)	(18,109)	–	27,189
As at 31 December 2022	**14,757**	**10,041**	**–**	**–**	**–**	**21,605**	**34,843**

41. DISPOSAL OF A SUBSIDIARY

On 23 December 2022, Luk Hing Development Limited, a direct wholly-owned subsidiary of the Company, and Luk Hing International Limited, a direct wholly-owned subsidiary of the Company, entered into share purchase agreement with San Thai Food Investment Limited which is wholly owned by Mr. Liu LiangFeng. Pursuant to the share purchase agreement, San Thai Food Investment Limited agreed to acquire 100% issued share capital in Luk Hing Investment Limited held by Luk Hing Development Limited and Luk Hing International Limited at the transfer consideration of approximately HK$100,000. After completion of the above disposal on 23 December 2022, Luk Hing Investment Limited ceased to be subsidiary of the Company.

Consideration received

	As at 31 December 2022 HK$'000
Cash received	100
Total consideration received	100

Analysis of assets and liabilities over which control was lost:

	As at 23 December 2022 HK$'000
Account and other receivables	1,748
Inventories	994
Cash and cash equivalents	284
Account and other payables	(18,755)
Tax payables	(11)
Bank loan	(584)
Net liabilities disposed of	(16,324)

41. DISPOSAL OF A SUBSIDIARY *(Continued)*

Gain on disposal of a subsidiary:

	As at 23 December 2022 HK$'000
Consideration received	100
Net liabilities disposed of	16,324
Gain on disposal	16,424

Net cash outflow arising on disposal:

Analysis of net cash flow in respect of the disposal of a subsidiary is as follows:

	HK$000
Consideration received	100
Bank balances and cash disposed of	(227)
	(127)

42. 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.

On 23 December 2022, Luk Hing Development Limited and Luk Hing International Limited, both being direct wholly-owned subsidiaries of the Company, had entered into share purchase agreement with San Thai Food Investment Limited to dispose of the entire issued share capital in Luk Hing Investment at the consideration of approximately HK$100,000. The disposal was completed on 23 December 2022 and subsequent to which, Luk Hing Investment Limited ceased to be subsidiary of the Company. For further details, please refer to the announcement of the Company dated 23 December 2022.

42. LITIGATION AND CONTINGENT LIABILITIES *(Continued)*

(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, together with costs of the legal proceedings for approximately HK$8,346,000 (equivalent to approximately RMB6,924,000). Zhuhai Ruiye submitted that the condition of the property was substandard quality at the delivery date and suffered substantial losses due to the leakage of the property. Zhuhai Ruiye applied for a counterclaim to the landlords and the property management company and requested waiver for the rental fee and building management fee for the above period and compensation for the losses due to the water leakage of the property, repairs and maintenances, labor costs together with costs of legal proceedings for approximately HK$15,947,000 (equivalent to approximately RMB13,230,000). The arbitration committee requested Zhuhai Ruiye to provide the evidences of the substandard quality of the property and breakdown for the labor cost for further judgement.

On 7 September 2022, Zhuhai Arbitration Commission issued an Arbitration Award against the case between Zhuhai Ruiye, 城建集團 and 城建海韵. According to the Arbitration Award, Zhuhai Ruiye had to pay rental expenses to 城建集團 for the period of 24 January 2019 to 31 August 2019 which amounted for approximately HK$1,932,000 (equivalent to approximately RMB1,726,000) and 50% of rental expenses of April 2020 which amounted for approximately HK$140,000 (equivalent to approximately RMB125,000). Zhuhai Ruiye also had to pay the liquidated damages and penalties to 城建集團 which amounted for HK$1,130,000 (equivalent to approximately RMB1,010,000) together with the costs of legal proceedings of approximately HK$248,000 (equivalent to approximately RMB222,000). The amounts are included in other payables.

On 21 October 2022, the Company further announced that due to disputes between 城建集團 and 城建海韵 in relation to the operation CUBIC SPACE+ at landmark Zhuhai Grand Theatre, the Group would be unable to continue to operate CUBIC SPACE+ from 20 October 2022 and the Company is seeking legal advice in relation to its rights over the aforesaid matter.

43. CHANGE IN OWNERSHIP INTEREST IN A SUBSIDIARY

During the year, the Group acquired 4% of its interest in Zhuhai Ruiye, increasing its continuing interest to 66%. The proceeds on acquisition of HK$1,291,000 (equivalent to RMB1,030,000) were payables on demand. An amount of HK$1,503,000 (being the proportionate share of carrying amount of the net assets of Zhuhai Ruiye) has been transferred from non-controlling interest. The difference of HK$2,794,000 between the decrease in the non-controlling interests and the consideration received has been debited to other reserve and exchange reserve.

44. RECLASSIFICATION

Certain comparative figures have been reclassified to conform to the current year presentation.

45. AUTHORISATION FOR ISSUE OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on 30 March 2023.

SUMMARY OF FINANCIAL INFORMATION

A summary of the published results and of the assets and liabilities of the Group pursuant to Rule 18.33 of the GEM Listing Rules, as extracted from the published audited consolidated financial statements or published prospectus of the Company, is set out below:

	Year ended 31 December				
	2022	2021	2020	2019	2018
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**58,590**	160,409	158,373	225,403	206,868
(Loss)/profit before taxation	**(48,935)**	(81,506)	(38,628)	(42,144)	3,713
Total comprehensive (loss)/ income for the year	**(46,801)**	(81,944)	(38,615)	(42,692)	2,947

	As at 31 December				
	2022	2021	2020	2019	2018
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**41,602**	111,478	225,418	320,635	118,370
Total liabilities	**149,320**	172,148	221,205	280,159	37,434
Net current (liabilities)/assets	**(122,041)**	(76,318)	(20,407)	8,235	56,006
Net (liabilities)/assets	**(107,718)**	(60,970)	4,213	40,476	80,936