ANNUAL REPORT 2020

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

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

*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.

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Directors

Mr. Au Wai Pong Eric
Mr. Au Ka Wai
Ms. Poon Kam Yee Odilia

Independent Non-executive Directors

Mr. Tang Tsz Tung
Mr. Chan Ka Yin
Mr. Tse Kar Ho Simon

BOARD COMMITTEES

Audit Committee

Mr. Chan Ka Yin *(Chairman)*
Mr. Tang Tsz Tung
Mr. Au Wai Pong Eric

Remuneration Committee

Mr. Tang Tsz Tung *(Chairman)*
Mr. Tse Kar Ho Simon
Mr. Au Wai Pong Eric

Nomination Committee

Mr. Choi Yiu Ying *(Chairman)*
Mr. Tang Tsz Tung
Mr. Tse Kar Ho Simon

COMPANY SECRETARY

Ms. Tse Sui Ha (resigned on 23 March 2021)
Mr. Lee Kun Yin (appointed on 23 March 2021)

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

PRC Law

Jingtian & Gongcheng

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

CORPORATE INFORMATION

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 Investor Services Limited
Level 54
Hopewell Centre
183 Queen's Road East
Hong Kong

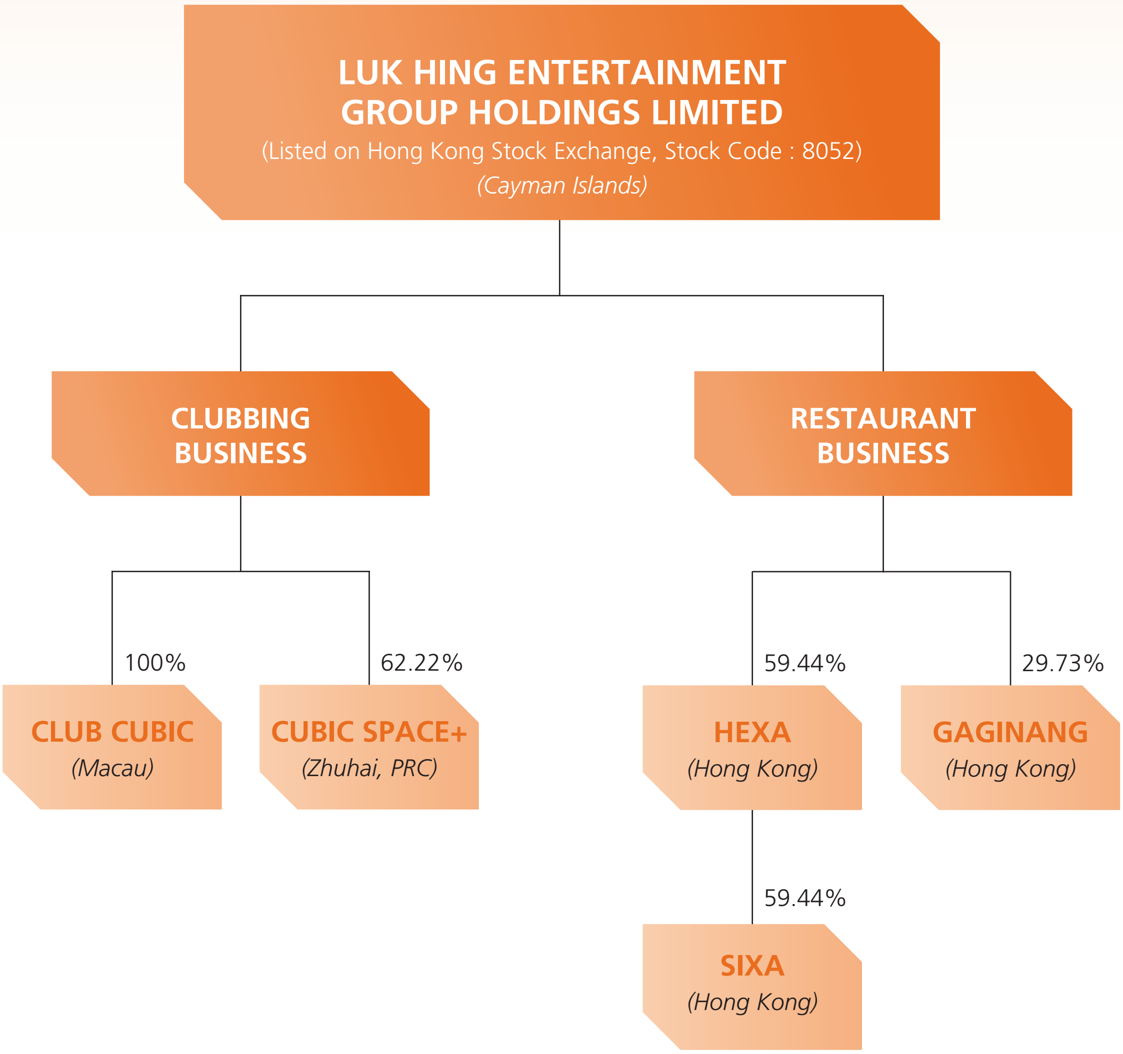
STOCK CODE

8052

WEBSITE

www.lukhing.com

CORPORATE STRUCTURE



Note : (i) The above percentage is a proportion of effective equity interests
(ii) The businesses operated under various subsidiaries and associate of the Company

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 2020.

2020 was the most challenging year for the Company since its listing. The outbreak of the coronavirus disease 2019 ("COVID-19") around the world since December 2019 had a material adverse effect on our operating results throughout the year. As a result of travel restriction and social distancing measures policy imposed by the Mainland Chinese, Hong Kong and Macau governments, the overall performance of the Company recorded a significant decline as compared to last year.

BUSINESS ENVIRONMENT AND DEVELOPMENT

Clubbing Business

In the first half of 2020, our Club Cubic Macau was temporarily suspended from operation following the Macau government's guideline. The Macau government's policy on travel restriction led to reduced number of visitors from Mainland China and other countries which directly impacted Club Cubic Macau's turnover and hence, it suffered a great loss. Macau maintained a relatively low COVID-19 infection record for a long period and its government is well positioned to attract Mainland China and international visitors back and to support its economic recovery. The management hoped that Club Cubic Macau's operations and financial performance will improve in the near future.

Mainland China has a scientifically proven epidemic prevention and control system. It achieved a rapid economic rebound and helped the business environment of CUBIC SPACE+ (which is located in Zhuhai). CUBIC SPACE+ also temporarily suspended its operation in the first quarter of 2020 and re-opened thereafter. The turnover of CUBIC SPACE+ is recovering gradually. The management will continue to bring in new policies in order to attract new customers while trying to retain our customers at the same time.

The management understands that geographical diversification is a way of reducing portfolio risk by avoiding excessive concentration in any one market. So, expanding our clubbing business to the Pearl River Delta is one of the Company's major strategies. In 2019, the Company cooperated with new business partners and set up CUBIC SPACE+. During the outbreak of COVID-19, the Company experienced the advantage of geographical diversification and will continue to find new investment opportunities in this trend.

Restaurant Business

The first wave of COVID-19 in Hong Kong started in January 2020 and Hong Kong is now facing the fourth wave. Compared with Mainland China and Macau, Hong Kong's COVID-19 has not been controlled effectively. The non-stopped public gathering restriction policy affects our restaurant businesses deeply.

The businesses of HEXA and SIXA were seriously affected after the outbreak of COVID-19. Due to no tourists and the dine-in restriction policy, our fine-dining restaurants had been hit hard. With dining restrictions, our restaurants have curated different tempting menus that are available for delivery and pick-up. In order to reduce the financial pressure, the Company reduced its effective interest in Luk Hing Mandarin Limited (engaged in operating the Company's new restaurant, namely "GaGiNang" in Harbour City, Hong Kong) in March 2020.

To ensure the health and safety of our customers, we have input a lot of effort to keep the restaurants clean and hygiene in the past 12 months. We have also strictly complied with the COVID-19 preventive policy and hope the outbreak of COVID-19 could soon be under control.

LETTER TO THE SHAREHOLDERS

OUTLOOK

The outlook for 2021 is full of uncertainties. It depends on the abatement of COVID-19 in Hong Kong and globally. We noted Mainland China's economic recovery in 2020. We expected that Macau's economic recovery will be followed because of its effective COVID-19 prevention and control policy. Hong Kong has begun mass COVID-19 vaccination programme in February 2021. We hope that Hong Kong can bring COVID-19 under control in the near future and all its economic activities can soon be back to normal.

In the coming months, we will do our best to look after our existing businesses, continue to focus on effective cost control financial management policy and prudently look into growth opportunities when economy recovers.

In closing, I would like to express my appreciation for the management and all the staff for their efforts dedicated over the years and the ongoing support from the shareholders, Board of Directors and partners. I would also like to give my heartfelt thanks to all the Company's stakeholders for their generous assistance during this challenging time.

Choi Yiu Ying
Chairman and Chief Executive Officer
Hong Kong, 23 March 2021

MANAGEMENT DISCUSSION AND ANALYSIS

During the year ended 31 December 2020, the Group continued to engage in the operation of clubbing business including "Club Cubic Macau" and "CUBIC SPACE+" and the operation of our restaurants "HEXA" and "SIXA". On top of these, we have our newly operated restaurant namely "GaGiNang" which commenced business operation in February 2020, which the Group owned effective equity interest of 29.73%.

BUSINESS REVIEW

During the period under review, the economy of Hong Kong was adversely affected by the outbreak of coronavirus disease 2019 ("COVID-19"), As the COVID-19 pandemic battered tourism and consumption, Hong Kong posted its worst-ever retail sales slump in the year with unemployment rate hit a 16-year high in the final quarter of 2020.

Operation of Clubbing Business

Our clubbing business includes the operation of Club Cubic Macau which is the wholly-owned subsidiary of the Group and the newly operated clubbing business in Zhuhai City of mainland China, "CUBIC SPACE+" which the Group holds effective equity interests of 62.22%.

The market condition and consumer sentiment of Macau has been adversely affected by the COVID-19 outbreak. Casino operations in Macau were closed for a 15-day period in February 2020. Visitation to Macau has fallen significantly since the outbreak of COVID-19 in December 2019. Total visitation from mainland China to Macau decreased by 83.0% year-on-year in 2020 according to Macau tourism statistics. The Chinese government reduced availability of its visa and group tour schemes that allow mainland Chinese residents to travel to Macau, entry bans, restriction and quarantine orders on nearly all visitors traveling to and from Macau deterred visitation to Macau. Quarantine requirements remain in effect for people attempting to enter Macau, subject to various conditions such as visa requirements, their COVID-19 test results, recent travel history and other conditions as applicable. On 21 December 2020, the Macau government announced that generally, individuals who have been to countries and regions other than mainland China and Taiwan in the preceding 21 days are required to undergo a mandatory 21-day quarantine upon entry into Macau from mainland China, Taiwan or Hong Kong. Foreigners continue to be unable to enter Macau, except if they have been in mainland China in the preceding 21 days and are eligible for an exemption application.

Following the close of casino operations in Macau, the operations of Club Cubic Macau had been temporarily suspended from 5 February 2020 and operations resumed on 5 March 2020. The COVID-19 outbreak had an adverse impact on the operations and financial conditions of Club Cubic Macau during the period under review. Revenue for the period decreased by 71.8% to HK$34.1 million as compared to the same period of last year. Club Cubic Macau has taken measures to minimize the impact as well as to reduce cost, particularly the rental expenses by liaising with landlords, City of Dreams' operator ("COD") for rental concessions. With the support of COD, Club Cubic Macau was partially waived on the base rental and minimum guaranteed profit payment to COD in the first half of 2020.

Our operation in the Mainland China, CUBIC SPACE+ fared better than Club Cubic Macau during the pandemic. CUBIC SPACE+ was required to suspend its operation from 25 January 2020 to cooperate with the emergency public health policy according to the Government policy. With the pandemic situation being largely under control and the relaxation of social distancing measures, CUBIC SPACE+ was re-opened on 6 May 2020. We were encouraged to see that CUBIC SPACE+ is gaining popularity in Zhuhai and it has achieved positive financial performance. Located by the Zhuhai Grand Theater, CUBIC SPACE+ offers customers a diversified leisure and entertainment experiences. It underpins the success in diversifying strategy of the Group through transforming business model integrated with local characteristics.

MANAGEMENT DISCUSSION AND ANALYSIS

Operation of Restaurant Business

According to the Census and Statistics Department of Hong Kong, overall restaurant receipts of Hong Kong for 2020 shrank to HK$79.4 billion, down from HK$112.5 billion in 2019. Hong Kong's restaurant earnings dived nearly 30% in 2020 as social distancing regulations hammered the industry.

The unprecedented COVID-19 pandemic and social distancing measures significantly impacted the Group's restaurant business operations during the period under review. The difficult situation began with the order requiring restaurants to limit number of diners at each table to four with table placed at least 1.5 meters apart from each other starting from 0:00 am on 28 March 2020, by then restaurants can only be allowed to operate at half capacity. We saw a sharp rebound in sales performance of the Group's restaurant business in May, thanks to the stabilized local epidemic situation and the relaxing of social distancing measures. Unfortunately, the third wave of COVID-19 led to social distancing measures taking effect again in July, tightening gathering to 4 peoples and restaurants restricted not to exceed 50% of normal seating capacity. Worst of all, the Government banned dine-in service from 6 pm until 5 am the following day and further tightening the number cap at two person per table on 29 July 2020. The Group was able to recover our restaurant business in September to late November after the third wave of the COVID-19 outbreak subsided in Hong Kong. However, the fourth wave of infections saw increasingly tighter government-imposed restrictions with the dine-in service from 6 pm and 4:59 am of the subsequent day banned on 10 December 2020 which remained in place as of 31 December 2020.

Notwithstanding the inherent encumbrance in the period, we had our third restaurant namely "GaGiNang" located in Harbour City unveiled in February 2020 after half year's preparation work. GaGiNang is a premium Chiu Chow style twisted with contemporary cuisine elements. As the Group's strategy to prioritize sustainability and preserve capital in times like these, the Group's wholly-owned subsidiary, Luk Hing Mandarin Limited which is principally engaged in operating GaGiNang has allotted and issued new shares to subscribers, resulting in a deemed disposal of the Company. The Company maintains 29.73% effective equity interest in Luk Hing Mandarin which has become an associate of the Company as of 31 December 2020. Please refer to the announcements of the Company dated 30 March 2020 and 16 September 2020 for details.

It was an unprecedented challenge to the Group with this outbreak of COVID-19 pandemic which led to a 29.7% decrease in revenue to HK$158.4 million compared to the same period of last year. The Group has taken immediate measures to manage the situation and minimize impact on long-term performance. These included stringent cost control, liaising with landlords for rental concessions, explored funding sources and deferral of capital expenditures investment to preserve cash position of the Company. During the period under review, the Group received pandemic subsidies from the Hong Kong Government of total HK$6.9 million which included subsidies of HK$5.8 million under the Employment Support Scheme used for paying salaries to our employees and other subsidies of HK$1.1 million under the Anti-epidemic Fund of the Hong Kong Government. The Group also received a total of HK$12.4 million under the Special 100% Loan Guarantee Scheme. The disruption from the COVID-19 outbreak is expected to persist in at least a portion of 2021 and recovery from such disruption will depend on future development such as successful development and acceptance of safe and effective vaccine. The Group has shifted its strategy and operations to ensure effective business continuity and evolution in this new rhythm of business.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

Total revenue of the Group decreased by 29.7% from HK$225.4 million in 2019 to HK$158.4 million in 2020. The negative impact from the outbreak of COVID-19 caused: (i) 71.8% drop of revenue in Club Cubic Macau from HK$121.1 million to HK$34.1 million; (ii) 42.2% decrease in revenue of HEXA from HK$72.4 million to HK$41.9 million; and (iii) partially offset by the revenue of HK$81.0 million contributed by the newly operated GaGiNang and full year operation of CUBIC SPACE+ and SIXA in 2020.

Expenses

Cost of inventories sold mainly represented the costs of beverage, food and tobacco products sold. It decreased by 16.88% from HK$53.9 million in 2019 to HK$44.8 million in 2020. Cost of inventories of Club Cubic Macau and HEXA decreased in line with the decrease of revenue; partially offset by the cost of inventories from our newly operated GaGiNang and full year operation of CUBIC SPACE+ and SIXA.

Staff costs represented one of the major components of the Group's operating expenses, which mainly consisted of Directors' emoluments, salaries, retirement benefit scheme contribution and other benefits. Staff cost increased slightly by 3.2% from HK$77.4 million in 2019 to HK$79.9 million in 2020. Additional staff costs incurred for the newly operated GaGiNang and full year operation of CUBIC SPACE+ and SIXA in 2020 partially offset the effect of 49.9% and 22.7% decrease in salary costs of Club Cubic Macau and HEXA resulted from cost cutting measures in 2020.

Property rentals and related expenses decreased by 22.6% from HK$15.5 million in 2019 to HK$12.0 million in 2020. Rental concessions offered by the landlords and decrease in contingent rentals of Club Cubic Macau and HEXA due to drop of revenue partially offset the additional property rentals and related expenses incurred by our newly operated GaGiNang and full year operation of CUBIC SPACE+ and SIXA in 2020.

Depreciation and Amortization increased by 49.4% from HK$25.7 million in 2019 to HK$38.4 million in 2020. This was mainly caused by the depreciation of CapEx and amortization of right-of-use assets from our newly operated GaGiNang and full year operation of CUBIC SPACE+ and SIXA in 2020.

Advertising and marketing expenses decreased substantially by 90.4% from HK$31.4 million in 2019 to HK$3.0 million in 2020 due to the adoption of cost control measures on temporary suspension of marketing expense from February 2020 to cope with the impact of COVID-19.

Other operating expenses represented expenses incurred for the operations. This included mainly cleaning and laundry, utilities, credit card commission, repair and maintenance, insurance expense. Other operating expenses decreased by 43.8% from HK$63.9 million in 2019 to HK$35.9 million in 2020. Additional other operating expenses incurred for the newly operated GaGiNang and full year operation of CUBIC SPACE+ and SIXA in 2020 partially offset the effect of 56.9% and 40.3% drop of other operating expenses resulted from the cost cutting measures in Club Cubic Macau and HEXA respectively in 2020.

Loss Attributable to Owners of the Company

Loss attributable to owners of the Company was HK$31.8 million in 2020 compared to loss attributable to owners of the Company of HK$30.6 million in 2019. The loss was mainly attributable to the decrease of revenue in connection with the outbreak of COVID-19. The severe impact on tourism of Macau and the mandatory policy such as social distancing and ban of dine-in services had significantly disrupted the operations of our clubbing and restaurant business. However, the improving financial performance of CUBIC SPACE+ and the positive impact from the one-off gain of deemed disposal of GaGiNang partially offset the negative impact of COVID-19 outbreak.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Below is a summary of the key financial ratio:

	Notes	As at 31 December 2020	As at 31 December 2019
Current ratio	1	0.8	1.1
Quick ratio	2	0.7	1.0
Debt ratio	3	98.1%	87.4%

Notes:

1. Current ratio is calculated by dividing total current assets by total current liabilities as at the respective period end.

2. Quick ratio is calculated by dividing total current assets less inventories by total current liabilities as at the respective period end.

3. Debt ratio is calculated by dividing total liabilities by total assets as at the respective period end.

The Group had cash and cash equivalents of HK$9.9 million as at 31 December 2020 (31 December 2019: HK$23.3 million).

In 2020, the Group received pandemic subsidies from the Hong Kong Government of total HK$6.9 million which included subsidies of HK$5.8 million under the Employment Support Scheme used for paying salaries to our employees and other subsidies of HK$1.1 million under the Anti-epidemic Fund of the Hong Kong Government. The Group also received a total of HK$12.4 million under the Special 100% Loan Guarantee Scheme.

As at 31 December 2020, The Group had external borrowing of HK$52.5 million (31 December 2019: HK$43.9 million), including an outstanding amount of HK$3.0 million (31 December 2019: HK$6 million) from the bank overdraft facility for which the Company provided its corporate guarantee.

CHARGES ON ASSETS

As at 31 December 2020, 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.

FURTHER CHANGE IN USE OF PROCEEDS

As disclosed in the 2019 Annual Report, the unutilized Net Proceeds as at 31 December 2019 amounted to approximately HK$13.9 million (the "unutilized Net Proceeds"). On 26 June 2020, the Board has resolved to further change the use of the remaining unutilized Net Proceeds as follows:

	Revised intended use of Net Proceeds as stated in the 2019 Announcement (HK$ million)	Unutilized Net Proceeds as at 31 December 2019 (HK$ million)	Proposed Change in use of unutilized Net Proceeds (HK$ million)	Unutilized Net Proceeds as at 31 December 2020 (HK$ million)
Expansion in regions other than Macau	6.2	2.2	–	–
Renovation of Club Cubic Macau	20	11.7	–	–
Working capital and general corporate use	–	–	13.9	–
Total	26.2	13.9	13.9	–

REASONS FOR CHANGE IN USE OF PROCEEDS

Since the outbreak of COVID-19 in January 2020, the economy and the market situations of Macau and Hong Kong had been severely hit and the continuous impact on the economic outlook remains uncertain. The Board was of the view that the Company should shift the priority to focus on its existing operations and strengthen its position in the market which would require more working capital to provide stronger support for the frontline operations.

The Group therefore weighed up the costs and benefits and considered to adopt a prudent approach of holding up the capital investments including the renovation of Club Cubic Macau and the establishment of Club Cubic Guangzhou. The unutilized net proceeds of approximately HK$13.9 million was reallocated to the general working capital of the Group. The Board was of the view that the use of proceeds was appropriately adjusted to better meet the current economic climate and was more beneficial to the Group's operational needs in combatting the challenges brought by the COVID-19 pandemic. As at 31 December 2020, the Group had no unutilized net proceed.

Principal risks and uncertainties	Measures
(i) After years of effort in diversifying our sources of revenue, our CUBIC SPACE+ in Zhuhai became a significant portion of our revenue. As our first business in mainland China, we are relatively not familiar with the local business environment. We may not be able to detect, deter and prevent all instances of infringement, illegal activities or other misconducts committed in such jurisdictions which may harm our reputation and affect our brand name.	(1) We have allied with experienced local business partners for the localization of our business. When expanding our clubbing business to other regions of mainland China, we will also continue to work with business partners or investors who are more familiar with local environment to mitigate our risk exposure and ease our financial burden.
(ii) A certain portion of our revenue was derived from Club Cubic Macau. Any significant operational or other difficulties in the business at or from Club Cubic Macau, including those matters affecting the execution of Operating Agreement, may reduce, disrupt or halt our operation and business at the premises, which would adversely affect our business, prospects, reputation, financial condition and results of operation. The competition in Macau clubbing industry is expected to intensify due to the increase in the number of the clubbing venues. The performance of Club Cubic Macau is also affected by the macro environment of Macau.	(2) The Company will continue to review and fine-tune its strategy when organizing music-related featured events in Club Cubic Macau, including the number of events held, the scale of the events and resources required (such as DJ/artist fee and other marketing expenses), as well as the timing, such that our resources could be optimized to stimulate the sales of Club Cubic Macau at the appropriate time.
(iii) We made our purchases mainly from our largest supplier and our five largest suppliers. The purchases from these suppliers either under annual contract or individual purchase order, and have not entered into any long-term contracts. We also recorded sponsorship income from our largest supplier. In the event that our business relationship with these suppliers is terminated, we may not be able to have sufficient supply of products of similar quality and brand name, at sufficient quantity and on similar terms. We may also not be able to find another supplier which could provide similar level of sponsorship.	(3) We have explored opportunities to diversify our operation such that we can reduce our reliance on Club Cubic Macau and our largest suppliers. We have successfully operated HEXA and SIXA. Our restaurant business has been playing a more and more important role in revenue contribution to the Group.

Principal risks and uncertainties	Measures
(iv) Compliance with Relevant Laws and Regulations.	The Group has in place compliance and risk management procedures and policies to monitor adherence with all significant legal and regulatory requirements. The Group has observed strict compliance with the applicable laws and regulations and implemented a comprehensive safety management system for the kitchens of the Group, with an objective to continuously improving the Group's food quality and hygiene standards.
(v) Coronavirus Disease ("COVID-19")	
(1) The outbreak of COVID-19 suspending or limiting services in Macau, Hong Kong and mainland, the business activities of the Company have generally been suspended or slowed down. The COVID-19 outbreak and the social distancing measures had an adverse impact on our operations and financial results in 2020 and the adverse effect is expected to persist in at least a portion of 2021.	(1) The Group is closely observing the development of the outbreak of the COVID-19 while carrying out cost control measures to alleviate the overall impact of the outbreak on the business operations and financial position of the Group.
(2) The continuing spread and prolonged occurrence of COVID-19 have an adverse effect on the tourism Industry in Macau, Hong Kong and the ongoing impact may disrupt our business conditions and prospects.	(2) The Group is closely observing the development of the outbreak of the COVID-19 and the effect on the tourism industry. The management will closely monitor the development and change its policy and/or menu to match both the tourists and local customers.

FOREIGN EXCHANGE EXPOSURE

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

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

Save for those disclosed in this report, there were no other significant investments held by the Group as at 31 December 2020, nor were there other material acquisitions and of subsidiaries and affiliated companies by the Group during the year.

DIVIDEND

The Board does not recommend the payment of dividend by the Company for the year ended 31 December 2020.

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

BOARD OF DIRECTORS

Executive Directors

Mr. Choi Yiu Ying (蔡耀陞) (with former names Choi Siu Man (蔡紹文) and Choi Siu Ying (蔡兆鈃)) ("Mr. Simon Choi"), aged 44, 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 19 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 43, 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 19 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 49, 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 Directors

Mr. Au Wai Pong Eric (區偉邦) ("Mr. Eric Au"), aged 52, was appointed as a non-executive Director of our Company on 2 March 2016, and is primarily responsible for overseeing management and strategic planning of our Group. Mr. Eric Au is a member of each of the audit committee and remuneration committee of the Board.

Mr. Eric Au has extensive experience in real estate management and investment. From July 1996 to March 2000, he joined Chi Cheung Investment Company Limited (stock code: 0112), (now known as LT Commercial Real Estate Limited), the shares of which are listed on the main board of the Stock Exchange which is primarily engaged in property development, as a project manager where he directed the project development department in project management, marketing and sales activities. During the eight years from April 2000 to July 2008, Mr. Eric Au worked in the real estate investment industry and had served as a project director in Global Gateway, L.P. and the Pioneer Global Group Limited as well as the general manager in Gaw Capital, where he had been responsible for project management, acquisitions and asset management in general. From July 2008 to June 2017, he served as the regional director of LaSalle Investment Management, being a private equity investment arm of Jones Lane LaSalle Limited, a real estate investment management firm.

Mr. Eric Au graduated from the Rhode Island School of Design, the United States, with a bachelor degree of fine arts in June 1991 and a bachelor degree of architecture in May 1992. Mr. Eric Au has been a member of Hong Kong Institute of Architects since May 1998. He is one of the Controlling Shareholders and an indirect shareholder of our Company and a shareholder of Welmen.

Mr. Au Ka Wai (歐家威), aged 44, was appointed as a non-executive Director of our company on 9 August 2018, and is primarily responsible for overseeing management and strategic planning of our Group. Mr. Au is the son of Mr. Au Ion Weng, a non-executive Director up to 9 August 2018.

Mr. Au has over 12 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.

Ms. Poon Kam Yee Odilia (潘錦儀), aged 60, was appointed as a non-executive Director of our Company on 2 March 2016, and is primarily responsible for overseeing management and strategic planning of our Group. Ms. Poon is the sister of Mr. Poon Ching Tong Tommy, who is the sole shareholder of Kenbridge Limited, which is a shareholder of the Company.

Ms. Poon has extensive experience in marketing and promotion as well as in human resources management and consultancy. From April 1988 to January 1994, she served Rothmans (Far East) Limited with her last position as the marketing manager. She then joined Tait (HK) Ltd from February 1994 to August 1996 as a sales and marketing director. From September 1996 to July 1997, she served as a promotion and packaging director in Pepsico. Inc. During August 1997 to December 1998, she worked as a marketing director for Carlsberg Brewery Hong Kong. From May 1999 to April 2005, she was employed by Hudson Global Resources (HK) Ltd with her last role as a country manager. During April 2005 to October 2005, she then joined Agilent Technologies Hong Kong Ltd as the staffing manager. From November 2005 to July 2013, she worked at Talent 2 Shanghai Co., Ltd and held positions of operations director of the recruitment managed services division and managing director in China. From January 2014 to June 2017, she served as a director in Motiva Consulting Limited where she oversees the overall management of the company. Since August 2015, she served as a director of the Chapman Consulting Group Limited and since June 2017, she was appointed as a non-executive Director of Vistar Holdings Limited, which is listed on GEM (stock code: 8535) on 12 February 2018, where she is primarily responsible for overseeing the management and strategic planning.

Ms. Poon graduated with a bachelor's degree in business administration from the University of East Asia Macau, Macau in September 1985 and later received a master degree of science, majoring in business studies, from the University of Salford, United Kingdom in July 1987. In June 1990, she obtained a diploma in marketing from the Chartered Institute of Marketing, United Kingdom.

Independent non-executive Directors

Mr. Tang Tsz Tung (鄧子棟), aged 47, was appointed as an independent non-executive Director of our Company on 1 July 2020, and is primarily responsible for providing independent judgment to the Board. Mr. Tang is the chairman of the remuneration committee of the Board and a member of each of the audit committee and the nomination committee of the Board.

Mr. Tang, obtained a Bachelor degree in Civil Engineering from University College London, UK in 1997.

Mr. Tang worked at Citigroup Global Markets Asia Limited from 2000 to 2008 with last position as senior vice president; worked at HSBC Private Bank (Suisse) SA from 2008 to 2010 with last position as a director; worked at Astrum Capital Management Limited from 2011 to 2014 with focus on the Greater China region. He was an executive director of Capital VC Limited (stock code: 2324, a company listed on main board of the Stock Exchange) for a period from March 2013 to June 2014.

Mr. Tang has accumulated over 21 years of experience in the finance and investment banking industries with extensive experience in dealing in securities and asset management. Currently, Mr. Tang is a director and responsible officer of Opus Capital Limited (Type 1, dealing in securities), Opus Securities Limited (Type 1, dealing in securities) and Opus Capital Management Limited (Type 9, asset management).

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Chan Ka Yin (陳家賢), aged 46, was appointed as an Independent Non-executive Director of the Company on 1 July 2020; and is primarily responsible for providing independent judgment to the Board. Mr. Chan serves as the Chairman of the Audit Committee of the Board.

Mr. Chan, obtained a degree in Bachelor of Business Administration in Accounting and Finance (Hons.) from The University of Hong Kong in 1996. He has been a fellow member of the Association of Chartered Certified Accountants since 2004 and a fellow member of the Hong Kong Institute of Certified Public Accountants since 2010.

Mr. Chan worked in Ernst & Young from 1997 to 2005. Currently, he is a director of Apex Corporate Advisory Limited, a corporate services company in Hong Kong. Mr. Chan has accumulated over 20 years of experience in auditing and accounting industries, and company secretarial practices in respect of listed companies.

Mr. Chan was an independent non-executive director of each of Smart City Development Holdings Limited (formerly known as Deson Construction international Holdings Limited) (stock code: 8268, a company listed on GEM of the Stock Exchange) for a period from December 2015 to July 2019, and China Overseas Nuoxin International Holdings Limited (stock code: 464, a company listed on main board of the Stock Exchange) for the period from June 2019 to April 2020. He has been an independent non-executive director of China Kangda Food Company Limited (stock code: 834, a company listed on main board of the Stock Exchange) since November 2019.

Mr. Tse Kar Ho Simon (謝嘉豪), aged 64, was appointed as an independent non-executive Director of our Company on 18 October 2016 taking effect on 11 November 2016, and is primarily responsible for providing independent judgment to the Board. Mr. Tse is a member of each of the remuneration committee and the nomination committee of the Board.

Mr. Tse accumulated extensive experience in organising, logistics, marketing, and coordination of musical events and performances and other promotional and/or marketing events over 23 years. He has served as a director since December 1998 and holds approximately 92.5% shareholding interest in Best Shine Entertainment Limited, and as a director since January 2013 and holds approximately 99.9% shareholding interest in Best Shine (China) Entertainment Limited, and as a director since March 2011 and holds approximately 83.3% shareholding interest in Sky Treasure Entertainment Limited, where he have been engaged in organising, logistics, marketing, and coordination of concerts and other promotional and/or marketing events through these companies. Milestone events of his industry experience include participation in marketing activities in 2008 Beijing Olympics under which Best Shine Entertainment Limited received two awards, namely, "2008 Worldwide Marketing & Commercial Excellence — Best Implementation of Marketing Communication Campaign — Brand COCA-COLA — China — Beijing Olympic Games — 2008 Best in Class" and "2008 Worldwide Marketing & Commercial Excellence — Best Brand Marketing Asset Program — China — COCA-COLA — Beijing Olympic Games — 2008 Best in Class" from Coca-Cola (China) Beverage Ltd for its marketing efforts. Additionally, during December 2010 to December 2011, Best Shine Entertainment Limited, under directorship of Mr. Tse, also coordinated logistics and marketing activities for 1/2 Jacky Cheung Century Tour in Macau, Shenzhen and Guangzhou, a tour concert which was awarded the Guinness World Records as the largest combined audience for a live act in 12 months.

Mr. Tse attended secondary school education in Mansfield College in Hong Kong.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

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 set out in Appendix 15 to the GEM Listing Rules, except for the below deviations.

A.2.1

Paragraph A.2.1 of the CG Code which provides that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The roles of the chairman of the Board and the chief executive officer of the Company are both performed by Mr. Choi Yiu Ying ("Mr. Simon Choi"). The Company considers that having Mr. Simon Choi acting as both the chairman and chief executive officer can provide a strong and consistent leadership to the Group and promote more effective strategic planning and management of the Group. Further in view of Mr. Simon Choi's experience in the industry, personal profile and role in the Group and historical development of the Group, the Company considers that it is to the benefit of the Group in the business prospects that Mr. Simon Choi continues to act as both the chairman and chief executive officer and the Company currently has no intention to separate the functions of chairman and chief executive officer.

Code A.6.7

One executive Director, two non-executive Directors and three independent non-executive Directors were absent from the last annual general meeting of the Company held on 19 June 2020 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.

BOARD OF DIRECTORS

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 update 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 the paragraph D.3.1 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.

CORPORATE GOVERNANCE REPORT

The Board currently comprises 9 Directors, including 3 executive Directors, 3 non-executive Directors 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 Yiu Ying *(Chairman and Chief Executive Officer)*
Mr. Choi Siu Kit
Mr. Yeung Chi Shing

Non-executive Directors
Mr. Au Wai Pong Eric
Mr. Au Ka Wai
Ms. Poon Kam Yee Odilia

Independent Non-executive Directors

Mr. Tang Tsz Tung	(appointed on 1 July 2020)
Mr. Chan Ka Yin	(appointed on 1 July 2020)
Mr. Tse Kar Ho Simon	
Mr. Lam Wai Chin Raymond	(resigned on 1 July 2020)
Mr. Chan Ting Bond Michael	(resigned on 1 July 2020)

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.

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 diversity 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 on 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.

Three of the Board members, representing one-third of the Board, 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 Wai Pong Eric, Ms. Poon Kam Yee Odilia, Mr. Au Ka Wai, Mr. Tang Tsz Tung and Mr. Chan Ka Yin 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.

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 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 2020. 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 2020, the Company has held six Board meetings in total. The attendance record of each Director at Board meetings, audit committee meetings, remuneration committee meetings, nomination committee meeting and general meeting during the year ended 31 December 2020 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 Yiu Ying	6/6	N/A	N/A	1/1	1/1
Mr. Choi Siu Kit	6/6	N/A	N/A	N/A	1/1
Mr. Yeung Chi Shing	6/6	N/A	N/A	N/A	0/1
Non-executive Directors					
Mr. Au Wai Pong Eric	6/6	4/4	2/2	N/A	0/1
Mr. Au Ka Wai	5/6	N/A	N/A	N/A	0/1
Ms. Poon Kam Yee Odilia	6/6	N/A	N/A	N/A	1/1
Independent non-executive Directors					
Mr. Tang Tsz Tung (appointed on 1 July 2020)	3/3	2/2	1/1	N/A	N/A
Mr. Chan Ka Yin (appointed on 1 July 2020)	3/3	2/2	N/A	N/A	N/A
Mr. Tse Kar Ho Simon	4/6	N/A	2/2	1/1	0/1
Mr. Lam Wai Chin Raymond (resigned on 1 July 2020)	2/2	2/2	1/1	1/1	0/1
Mr. Chan Ting Bond Michael (resigned on 1 July 2020)	2/2	2/2	N/A	N/A	0/1

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 A.5.2 of the CG Code. On 1 July 2020, Mr. Lam Wai Chin Raymond resigned as member of the nomination committee; and Mr. Tang Tsz Tung was appointed as member of the nomination committee. With effect from 1 July 2020, the nomination committee is chaired by the chairman of the Board, Mr. Simon Choi, and consists of Mr. Tang Tsz Tung and Mr. Tse Kar Ho Simon, both of whom are independent non-executive Directors. 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 2020. 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 B.1.2 of the CG Code. On 1 July 2020, Mr. Lam Wai Chin Raymond resigned as the remuneration committee chairman; while Mr. Tang Tsz Tung was appointed as the remuneration committee chairman. With effect from 1 July 2020, the remuneration committee is chaired by our independent non-executive Director, Mr. Tang Tsz Tung, and consists of another independent non-executive Director, Mr. Tse Kar Ho Simon and a non-executive Director, Mr. Au Wai Pong Eric. 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.

Two meetings were held during the year ended 31 December 2020. 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 C.3.3 and C.3.7 of the CG Code. On 1 July 2020, Mr. Chan Ting Bond Michael resigned as the audit committee chairman and Mr. Lam Wai Chin Raymond resigned as a member of audit committee; and Mr. Chan Ka Yin was appointed as the audit committee chairman and Mr. Tang Tsz Tung was appointed as a member of audit committee. With effect from 1 July 2020, the audit committee is chaired by our independent non-executive Director, Mr. Chan Ka Yin, who holds the appropriate professional qualifications as required under Rules 5.05(2) and 5.28 of the GEM Listing Rules, and consists of another independent non-executive Director Mr. Tang Tsz Tung and a non-executive Director, Mr. Au Wai Pong Eric. The 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 2020. 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 the 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 audit committee has reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2020 and recommended approval to the Board.

The consolidated financial statements of the Group for the year ended 31 December 2020 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	700
Total	700

COMPANY SECRETARY

Mr. Lee Kun Yin was appointed as the company secretary of the Company on 23 March 2021 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 2020 in compliance with Rules 5.15 of the GEM Listing Rules.

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 C.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 nine years, was formed at operational level. The risk management team oversees the implementation and monitoring 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 C.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.

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 fifth Environmental, Social and Governance Report prepared in accordance with our environmental, social and governance ("**ESG**") performance. During the year, the board appointed an independent professional adviser to report on the ESG performance of the Company.

This Report is prepared mainly with reference to the Environmental, Social and Governance Reporting Guide (the "**ESG Reporting Guide**") contained in Appendix 20 to the Rules Governing the Listing of Securities on the GEM of the Stock Exchange of Hong Kong Limited ("**HKEx**"), covering the ESG related information of our Company; and the reporting period is the same as the fiscal year of the Company. The purpose of this ESG report is to disclose an overall review to shareholders the management measures and performance of the Company in 2020 in terms of the environment, society and governance.

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 of the Listing Rules
• **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
• **PRC**	:	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

Luk Hing Entertainment Group Holdings Limited (the "**Company**"), together with its subsidiaries (referred to as the "**Group**"), is listed on the GEM of the Stock Exchange of Hong Kong Limited ("**HKEx**"). In accordance with the requirements of HKEx, listed companies are required to provide an environmental, social and governance report ("**ESG Report**"). This is the fifth ESG Report since the company's listing and outlines the Group's vision, policies and measures including Key Performance Indicators ("**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

Our main business is the operation of the Cubic nightclub in Macau and expansion of the Cubic brand into new nightclub opportunities and the organization of music-related events in Macau, Hong Kong and China. With the success of the Cubic brand in Macau, we expanded our operations to Zhuhai, China with the newly opened CUBIC SPACE+. This ESG report covers the operation and activities of our Cubic nightclub in Macau and China, and our restaurants and administrative office in Hong Kong.

(III) Basis of Preparation

This is our fifth ESG Report since our listing on the GEM of the HKEx and is compiled in accordance with the ESG reporting guide (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 Guide, being Area A — ENVIRONMENTAL and Area B — SOCIAL and includes disclosure of climate change related issues which have or may impact our Group.

This report, which has been reviewed and approved by the board of the Company (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 report is for the period from 1 January 2020 to 31 December 2020 (the "**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 Management

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 of the Group determines and approves the ESG strategies, policies and guidelines, and is ultimately responsible for the Group's 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 the 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 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

Stakeholders provide the Group with invaluable insights into management and sustainability issues and we maintain regular contact with the internal and external stakeholders to gauge their views and opinions regarding the Group's operations and performance. 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:

Stakeholder	ESG Expectations	Our ESG Engagement
Customers	• Provide products and services in a clean and safe environment • Follow consumer laws	• Customer surveys • Website • Corporate reporting including ESG
Employees	• Provide a safe, healthy and meaningful working environment and career opportunities • Comply with all relevant employee laws and regulations	• Internal employee policies • Continual training • Regular staff meetings
Suppliers	• Conduct business fairly and ethically • Honest and open engagement with corporate procedures in place	• Regular supplier engagement • Corporate reporting including ESG report
Shareholders	• Information about ESG and climate change and non-financial risks	• Corporate reporting including annual, interim, quarterly and ESG reports • Annual general meeting • Investor relations programs including website • Continual disclosure to the HKEX and website
Community	• Sustainable and environmentally friendly business practices • Compliance with laws and regulations	• ESG reporting • Government and community engagement
Government & Regulators	• Compliance with laws and regulations • Payment of taxes	• Continual reporting and disclosure

A. ENVIRONMENTAL AREAS AND ASPECTS

1.1 Overview

We know that we have a key social responsibility to minimise our impact on the environment and with sustainability being one of the key focuses of the Group.

As a responsible corporation, the Group abides by all the local environmental laws and regulations and is committed to environmental protection, pollution prevention and minimization. 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 special nature of our business, our activities do not generate materially hazardous emissions and wastes except for some gas emissions from gas used for cooking. However, our nightclub operations and music events will occasionally cause noise and light pollution and inconvenience during the operation of our events to the participants and neighboring communities and due to consumption of alcohol, require security to ensure customer safety and cohesion.

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) At least once every year, the CEO will review the environmental aspects with the relevant operational management team. 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, all activities likely to cause environmental impact or improve general sustainability are considered including but 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 Reporting Period, as was the case in the previous 2 years, the Group was not subject to any confirmed cases for breaching 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) Noise Emission

The operation of Club Cubic, CUBIC SPACE+, and music related events naturally generates constant music noise emission especially in the evening period. Club Cubic and CUBIC SPACE+ was purposefully designed so that it's almost sound proof to the outside. For our music events, we ensure the installation of relevant noise pollution materials and structures to minimize noise pollution at the relevant event locations. Club Cubic, CUBIC SPACE+, and our restaurants and our music-related events, are all located in commercial and not in residential areas, which assists to minimize disturbance to the general public. We at all times comply with all relevant noise pollution and control laws, ordinances, rules and regulations of Hong Kong, Macau, and China in the structural construction and operation of our sites in order to ensure noise emission is under strict control. The Group, same as the previous 2 years, did not receive any complaints related to noise emission during the Reporting Period, which is consistent with our performance in previous years.

(ii) Light Emission

Club Cubic, CUBIC SPACE+, and music related events also generate constant light emission especially in the evening period. However, since all our operations and activities are conducted inside the club and event locations, the light emissions should not and do not cause any disturbance to the public. The Group has complied with all the relevant laws, ordinances, rules and regulations of Hong Kong, Macau, and China in our structural construction and operation to ensure all the lighting systems are properly installed to minimise light emission. The Group, same as the previous 2 years, did not receive any complaints related to light emissions during the Reporting Period, which is consistent with our performance in previous years.

(iii) Air Emission

(a) Non-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 our operations.

For 2020, the Group's operations generated a total of 1,371.50 tonnes of CO_2 (2019: 13,003.72) , which comprised 1,044.76 tonnes generated indirectly from electricity used (2019: 3,156.11), and 326.74 tonnes directly from restaurants cooking gas used and car fuel used (2019: 9,847.61). The overall decrease amounted to 11,632.22 tonnes or 89.45% over 2019, and in term of intensity of CO_2 generation per million HKD of revenue, was a 86.94% decrease to 8.65 tonnes from 66.26 tonnes. The reasons were mainly due to the occurrence of the Coronavirus Disease ("**COVID-19**") with governments in Hong Kong, Macau and China enforcing lockdowns and curfews to curb spread of COVID-19.

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 club and 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.

(b) *Hazardous Air Emissions*

The Group owns and operates one vehicles to provide transport to senior management and VIP customers in Hong Kong and Macau. Gas is also used for cooking in our restaurant establishments.

During the Reporting Period, a total of 20.10 kg (2019: 721.33) of nitrogen oxides ("**NO_x**"), 0.05 kg (2019: 3.71) of sulphur oxides ("**SO_x**"), and 0.02 kg (2019: 0.70) particulate matter ("**PM**") were generated, which could be broken-down into generation directly from gas used for cooking and fuel used for cars, as below:

Source	2020 (kg)	2019 (kg)
Gas used for cooking:		
NO_x	**19.89**	711.8
SO_x	**0.05**	3.54
Fuel used for cars:		
NO_x	**0.2**	9.53
SO_x	**–**	0.17
PM	**0.02**	0.70
Total NO_x	**20.10**	721.33
Total SO_x	**0.05**	3.71
Total PM	**0.2**	0.7

As shown above, in 2020, NO_x and SO_x generated directly from gas used for cooking decreased by 539.40 kg or 96.45% over 2019, and 2.73 kg or 98.20% over 2019 respectively. This was mainly due to the lockdowns and curfews enforced by the government.

For NO_x and SO_x generated directly from fuel used by cars, the Group in 2020 achieved a reduction of 19.9 kg or 99.01%, and 0.36 kg or 100% over 2019 respectively. At the same time, the PM in 2020 also decreased by 0.34 kg or 94.44% over 2019. The lockdown led to the decrease in operations which is the main reason for the decrease.

Although the total emissions of hazardous pollutants were not significant, the Group is considering further emission reduction plans which will include reducing the mileage running of the vehicles and possibly by replacing the two existing fossil fuel-based vehicles with electric ones in future, and also targeting efficiencies in gas usage in our restaurants by 5%.

(c) *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 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 club, restaurants and the venues where we hold our events. The sewage and garbage is collected daily in our establishments or immediately after an event is held to ensure and maintain hygienic conditions of the establishment. 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 2 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. 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 our club and 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.

When organizing our events, we take into account the suitability of the premises or place to the nature of the activity or event to be held, particularly in terms of floor area, hygiene, safety, location and respect for environmental balance including noise and light pollution. In the event that we have to undertake minor alterations to the natural environment due to event requirements, we will conduct environmental rehabilitation as soon as possible.

As a result and 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, Macau, and China in 2020. 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 club, offices, restaurants and the music events. 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 Macau, Hong Kong, and China 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 from Club Cubic and our head office to our restaurant facilities. For the Reporting Period, the Group consumed an aggregate of 1,471,969 kWh (2019: 1,318,564) of electricity of which 590,608 kWh (2019: 822,519) was for Club Cubic operations, 429,943 kWh (2019: 476,769) was for our restaurant operations and 28,713 kWh (2019: 19,276) was for the head office and for the newly opened CUBIC SPACE+, an aggregate of 422,705 kWh of electricity was utilized. While this was an aggregate increase of 153,405 kWh or 11.63% more than 2019, this was mostly due to the inclusion of the new nightclub operations. For the coming year, the Group targets a total of 1,250,000 kWh consumption or 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 Reporting Period, we consumed a total of 108,105 cubic metres of gas used for cooking in our restaurant operations. This is a 97.2% decrease in our gas usage from 2019 of 3,849,280 cubic metres and is mostly due to the curfew and dinner bans imposed by the Hong Kong Government as to curb COVID-19. We target to maintain our gas usage in the future below 4,000,000 cubic metres per annum and to continually look at ways to improve gas usage efficiencies through more efficient cooking processes and equipment.

We also operate one vehicles in Hong Kong and Macau for use by management/employees and VIP customers. In 2020, these two vehicles travelled a total of 2,741 km and utilised approximately 249.18 litres of fuel. This is a 97.9% reduction on 2019 from 127,582 km or approximately 11,598 litres of petrol and it mostly due the Group's decision to cut the car fleet from two cars to one which had the combined effect of being more cost efficient for the Group and contributing to the Group's strategy to positively contribute to climate change and reducing global warming.

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, Macau, 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, Club Cubic continued to successfully reduce its consumption of water with a 58.94% reduction in water usage to 638 cubic metres (2019: 1,554). Overall, as one more nightclub became operational during the Reporting Period and our Group consumed a total of 18,485 cubic metres (2019: 22,637) of water, 18.34% less than 2019.

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 club events and promotional materials, visitors paper napkins and take-away packs, and for printing and writing purposes in the offices. During the Reporting Period, despite the addition of one more restaurant in operation, we used an aggregate of 134,634 pieces of paper, a 47.65% reduction from a total of 257,229 pieces used in 2019. 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

As discussed above and in our last ESG report, 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 our 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 2 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. Thus, climate change risks are considered by our 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 our 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 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 out 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 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. The reduction of the use of one transportation vehicle by the Group is part of the Group's Climate Change Strategy and we have already taken measures to lower direct and indirect CO_2 emissions and fresh water consumption for the coming year.

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, Macau, and China. 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 2020, the Group employed a total of 160 employees, among which more than 50% of the staff are operational staff. Further analysis of the Group's employment situations for the reporting periods are summarised below:

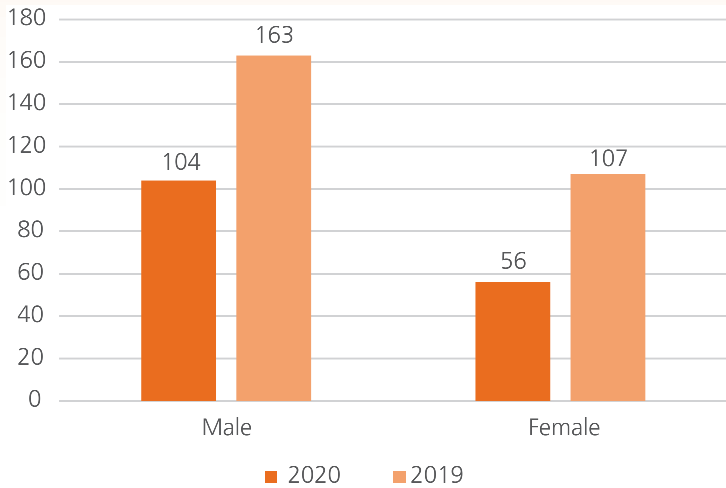


Figure 1: Number of Employee by Sex

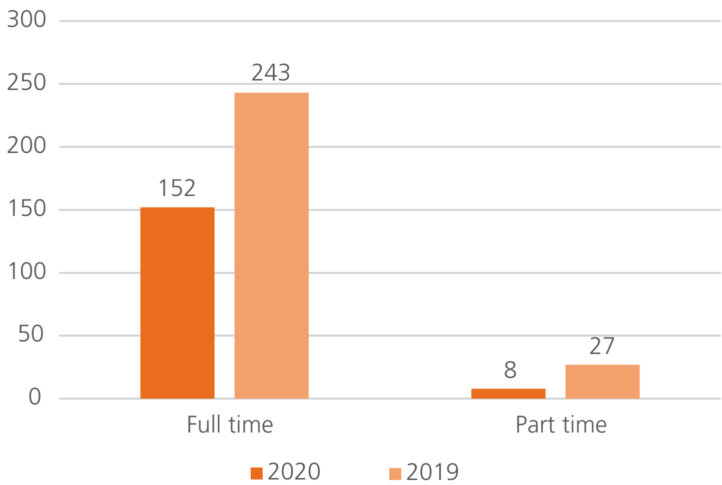


Figure 2: Number of Employee by Employment Type

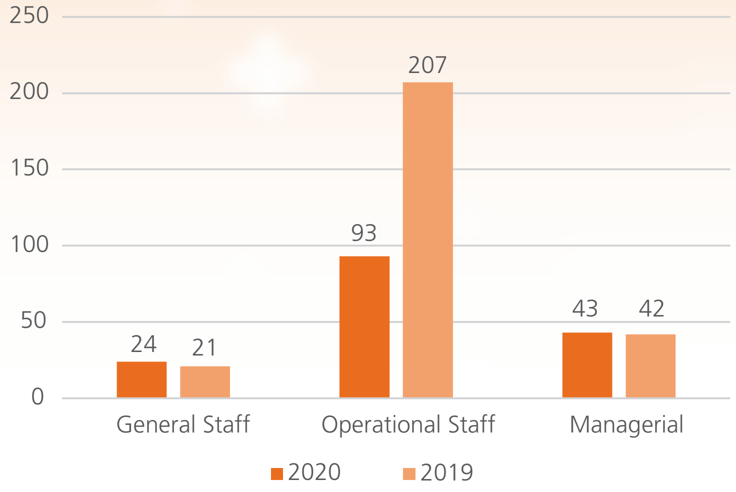


Figure 3: Number of Employee by Employment Role

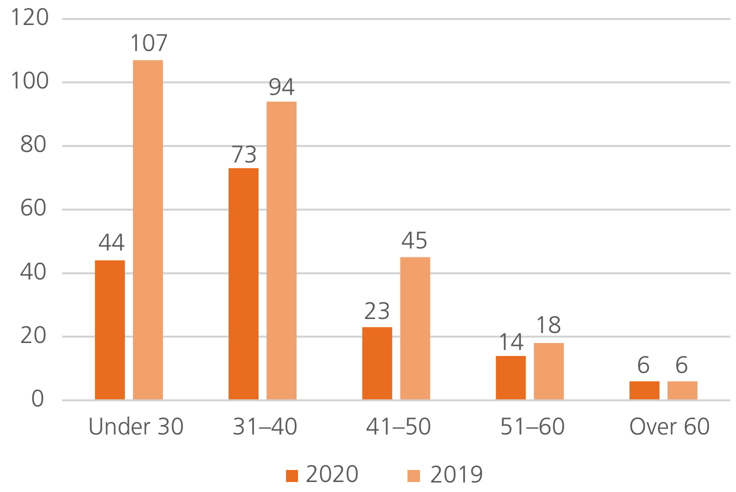


Figure 4: Number of Employee by Age

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 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 nightclubs, 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 Reporting Period, a total of 176 employees voluntarily left for various reason with one being to further develop their careers and increase their exposure to other sub-fields within food and beverage. A breakdown of the employee turnover rate during the Reporting Period was provided below:

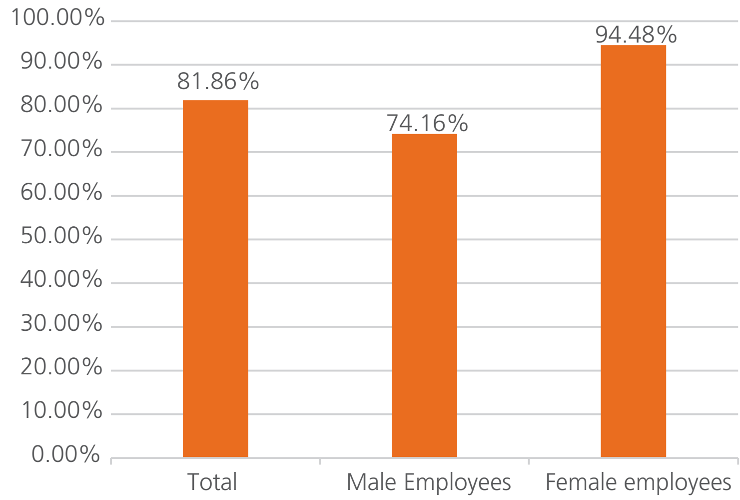


Figure 5: Turnover Rate by Sex

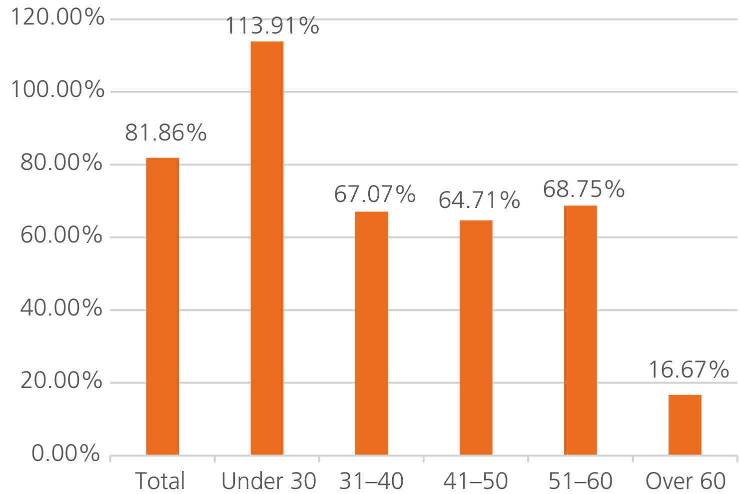


Figure 6: Turnover rate by Age

(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 and Macau including but not limited to coverage by the Mandatory Provident Fund and Social Security Fund in Hong Kong and Macau respectively, 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.

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. Given such a policy of equal opportunity and treatment and anti-discrimination on the grounds of sex, origin, religion and race, our employees from different countries, cultures and religions worked together amicably and pleasantly without any record of complaints or disputes.

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 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, Macau, and China. 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 club operational and 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.

Through the continued diligent efforts in training and monitoring of health and safety in our workplaces, the Group has maintained a comparatively strong safety record in 2020 with 2 injuries from occupational health and safety hazard cases. We continue 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 2020, no training was provided due to the lockdowns and curfew enforced by the Macau, China and Hong Kong Government. 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 2020, 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 our employment and labour practices in 2020.

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 Reporting Period, same as the previous 2 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 133 suppliers, an decrease of 5.67% from the 141 suppliers we had in 2019. The slight decrease was due to 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 and club premises 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. We must also maintain close monitoring of club entrant capacity requirements.

Fire and evacuation drills are conducted annually. Our Club Cubic, CUBIC SPACE+, and restaurant premises as well as the locations for our music events continued with the same previous records that we passed all the safety inspection checks by the Fire Departments of Macau, 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. For our club operations, we control headcounts and implement ID checking procedures at the entrance of our premises to ensure the number of guests inside the premises shall not exceed the relevant regulatory limit(s) and that all customers are of legal age to consume alcohol and enter clubbing venues. We have established bag checking procedures at the entrance such that the entrance security officers shall check the bags of all guests to ensure that there are no illegal drug or other illegal or dangerous items brought into the club premises. Security staff inside the club premises maintain order inside the club, and attend any scene where fights or any illegal activities such as drug use, theft, harassment and promptly stop such activities in order to ensure the safety of our staff and customers. In addition, security staff also escort our staff to perform certain duties to ensure their safety particularly staff carrying cash received from our customers for bill settlement and our performers. Safety and security training are also provided to our staff regularly to ensure that they are well aware of our safety and security procedures. In order to spot potential illegal activities such as fights, drug abuse or theft at an early stage, over 100 CCTV cameras are installed inside the club premises. We have designated a team of staff to monitor the CCTV camera systems to ensure that we are able to identify fights or any illegal activities such as drug use, theft, harassments promptly and stop such activities. Our security team will attend the scene to investigate immediately if any suspicious circumstance arises or stop any potential fight inside the premises once identified. We also maintain a blacklist system which aids the entrance security officers to identify individuals with a record of unwelcoming behaviour, and that such blacklisted individuals are prohibited from entering into our club so as to ensure the safety of our staff and customers.

During the Reporting Period, same as the previous 2 years, neither Club Cubic, CUBIC SPACE+ nor 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 Reporting Period, same as the previous 2 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 club or 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 club.

During the Reporting Period, same as the previous 2 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 club and 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 as well as expansion of our club premises and our music events, we have maintained relevant third party insurance. For events held outside our restaurant and club premises, 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 to perform in our Club and the music events and the background music in our restaurants. We select music and maintain regular discussions and reviews with DJs to optimise customers' experience. The Macau Association of Composers, Authors & Publishers ("**MACA**") is a collective management organisation, or a musical society established under the Macau law and regulations regarding copyrights and granting licenses for performing musical recordings in public there. Arrangement has been made between the owner of our club venue and MACA that Club Cubic Macau is licensed to use and perform any of the musical works of which MACA possesses the relevant license or authority inside Club Cubic Macau for a specified term. We have maintained a list of musical works in use in Club Cubic Macau, which is distributed to our resident DJs, to ensure that all musical works in use are covered by the relevant license from MACA. We also check the list against the database of MACA every two months to ensure that the music we play are covered by its licenses and in the event that there is any update as to the licensing authority of MACA on the musical works on our list, we will revise the list where necessary and update our resident DJ. In 2020, same as the previous 2 years there were no legal proceedings against the Group with respect to our use of musical works in Club Cubic Macau.

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 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 2 years, there were no legal proceedings against the Group with respect to our use of musical works in Club Cubic Macau nor our events or 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.

Same as the previous 2 years, there were no complaints of corruption against the Group or its staff in the 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 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 2020.

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 and entertainment industry. Their 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.

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, is 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 business risks, operational risks and financial management risks.

Details of principal risks faced by the Group during the year ended 31 December 2020 are set out in"Principal risks and uncertainties"under "Management Discussion and Analysis" Section of this annual report. The details of financial risk management policies and practices of the Group are set out in notes to the consolidated financial statements.

There may be other risks and uncertainties in addition to those mentioned above which are not known to the Group or which may not be material now but could turn out to be material in the future.

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 2020.

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 providing quality services and consumption experiences to our customers and establishing long-term cooperation relationships with our suppliers.

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 2020 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 2020.

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 AND DISTRIBUTABLE 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.

At 31 December 2020, the Company's reserves available for distribution, calculated in accordance with the Companies Law of the Cayman Islands, amounted to approximately HK$50,150,000. This included the Company's share premium account in the amount of approximately HK$66,235,000 which is distributable to the shareholders provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

DIRECTORS

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

Executive Directors

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

Non-executive Directors

Mr. Au Wai Pong Eric
Mr. Au Ka Wai
Ms. Poon Kam Yee Odilia

Independent Non-executive Directors

Mr. Tang Tsz Tung	(appointed on 1 July 2020)
Mr. Chan Ka Yin	(appointed on 1 July 2020)
Mr. Tse Kar Ho Simon	
Mr. Lam Wai Chin Raymond	(resigned on 1 July 2020)
Mr. Chan Ting Bond Michael	(resigned on 1 July 2020)

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 Wai Pong Eric, Ms. Poon Kam Yee Odilia and Mr. Au Ka Wai 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. Mr. Tang Tsz Tung and Mr. Chan Ka Yin were appointed as independent non-executive Directors by the Board on 1 July 2020. They shall hold office until the forthcoming annual general meeting and shall then be eligible and offer themselves for re-election at the forthcoming annual general 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 244 employees as at 31 December 2020 (2019: 494 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 2020, 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 immediately after the Listing
Mr. Choi Yiu Ying (Notes 2 and 3)	The Company	Interest of a controlled corporation, interest held jointly with another person	1,093,500,000 ordinary shares of the Company (L)	60.75%
	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)	60.75%
	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)	60.75%
	Welmen	Beneficial owner	1,234.44 ordinary shares of Welmen (L)	12.3444%
Mr. Au Wai Pong Eric (Note 2)	The Company	Interest held jointly with another person	1,093,500,000 ordinary shares of the Company (L)	60.75%
	Welmen	Beneficial owner	1,605.56 ordinary shares of Welmen (L)	16.0556%

Name of Director/Chief Executive	Name of Group member/associated corporation	Nature of interest	Number and class of securities(1)	Approximate percentage of shareholding interest immediately after the Listing
Mr. Au Ka Wai (Note 2)	The Company	Interest held jointly with another person	1,093,500,000 ordinary shares of the Company (L)	60.75%
	Welmen	Beneficial owner	1,604.44 ordinary shares of Welmen (L)	16.0444%

Notes:

(1) The letter "L" denotes the person's long position in the shares of the Company or the relevant associated corporation.

(2) On 2 March 2016, Mr. Choi Yiu Ying, Mr. Choi Siu Kit, Mr. Au Wai Pong Eric, Mr. Au Ka Wai, Mr. Yeung Bernard Sie Hong and Mr. Yeung Chi Shing entered into an acting in concert confirmation whereby each of them confirmed that since 31 January 2011, they acted in concert with each other when dealing with matters concerning operation management, accounts, finance and treasury and human resources management of the Group, details of which are set out in the Prospectus. On 20 August 2019, Mr. Yeung Bernard Sie Hong sold all his shares in Welmen to Mr. Choi Kuen Kwan (father of Mr. Choi Yiu Ying and Mr. Choi Siu Kit). On 4 June 2020, Mr. Choi Kuen Kwan sold 50% and 50% of his shares in Welmen to Mr. Choi Yiu Ying and Mr. Choi Siu Kit respectively. As such, pursuant to the acting in concert arrangement, each of Mr. Choi Yiu Ying, Mr. Choi Siu Kit, Mr. Au Wai Pong Eric, Mr. Au Ka Wai and Mr. Yeung Chi Shing is deemed to be interested in 60.75% of the issued share capital of the Company help by Welmen.

(3) Welmen is owned as to 30.3111% by Yui Tak Investment Limited ("Yui Tak") and Yui Tak is wholly owned by Ocean Concept Holdings Limited ("Ocean Concept"). Ocean Concept is owned as to 88.29% by Toprich Investment (Group) Limited ("Toprich") and Toprich is wholly owned by Perfect Succeed Limited ("Perfect Succeed"), which is in turn owned as to 50% by Mr. Choi Yiu Ying and as to 50% by Mr. Choi Siu Kit. By virtue of the SFO, each of Mr. Choi Yiu Ying and Mr. Choi Siu Kit is deemed to be interested in 30.3111% of the issued share capital of Welmen held by Yui Tak and 60.75% of the issued share capital of the Company held by Welmen.

Save as disclosed above and so far as is known to the Directors, as at 31 December 2020, 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 2020, 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 immediately after the Listing
Welmen	Beneficial owner	1,093,500,000 ordinary shares (L)	60.75%
Yui Tak (Note 2)	Interest of a controlled corporation	1,093,500,000 ordinary shares (L)	60.75%
Ocean Concept (Note 2)	Interest of a controlled corporation	1,093,500,000 ordinary shares (L)	60.75%
Toprich (Note 3)	Interest of a controlled corporation	1,093,500,000 ordinary shares (L)	60.75%
Perfect Succeed (Note 4)	Interest of a controlled corporation	1,093,500,000 ordinary shares (L)	60.75%
Kenbridge Limited ("Kenbridge")	Beneficial owner	121,500,000 ordinary shares (L)	6.75%
Mr. Poon Ching Tong Tommy (Note 4)	Interest of a controlled corporation	121,500,000 ordinary shares (L)	6.75%
Ms. Chan Ting Fai (Note 5)	Interest of spouse	1,093,500,000 ordinary shares (L)	60.75%
Ms. Lee Wan (Note 6)	Interest of spouse	1,093,500,000 ordinary shares (L)	60.75%
Ms. Lau Sze Mun Charmaine (Note 7)	Interest of spouse	121,500,000 ordinary shares (L)	6.75%

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 60.75% of the issued share capital of the Company held by Welmen.

(3) Ocean Concept is owned as to 88.29% by Toprich and Toprich is wholly owned by Perfect Succeed, which is in turn owned as to 50% by Mr. Choi Yiu Ying and as to 50% by Mr. Choi Siu Kit. By virtue of the SFO, each of Toprich, Perfect Succeed, Mr. Choi Yiu Ying and Mr. Choi Siu Kit is deemed to be interested in 60.75% of the issued share capital of the Company held by Welmen.

(4) Kenbridge is wholly owned by Mr. Poon Ching Tong Tommy. By virtue of the SFO, Mr. Poon Ching Tong Tommy is deemed to be interested in 6.75% of the issued share capital of the Company held by Kenbridge.

(5) 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 60.75% of the issued share capital of the Company in which Mr. Choi Siu Kit is interested.

(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 60.75% of the issued share capital of the Company in which Mr. Au Wai Pong Eric is interested.

(7) 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 6.75% of the issued share capital of the Company in which Mr. Poon Ching Tong Tommy is interested.

Save as disclosed above and so far as is known to the Directors, as at 31 December 2020, 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 2020.

REPORT OF THE DIRECTORS

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 2020:

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.

Our independent non-executive Director, Mr. Tse Kar Ho Simon ("Mr. Tse"), is engaged in the business of musical events and performances organization and other promotional and/or marketing events in Hong Kong, the PRC and other countries. Mr. Tse also engages in the business of food and beverage since 17 May 2019. Below are the details of his interests in companies involved in such business during the year end 31 December 2020:

Name of entity	Nature of interests
Best Shine Entertainment Limited	Director and interest in approximately 92.5% of its issued share capital
Best Shine (China) Entertainment Limited	Director and interest in approximately 99.9% of its issued share capital
Sky Treasure Entertainment Limited	Director and interest in approximately 83.3% of its issued share capital
J-Pot Limited	Director and interest in approximately 20% of its issued share capital

The events organized by Mr. Tse are not limited to music-related events, and even as to music-related events and performances, the music genre is broad and not limited to clubbing music such as electronic music which is the focus of our Group. With regard to his engagement in the business of food and beverage, it is a restaurant set up in Hong Kong which serves mainly hot-pot to customers. In addition, Mr. Tse expects that Macau will not be a material market for his event or performance organization business in the foreseeable future and the hot-pot restaurant is different from those restaurants operated by the Group. Hence, our Directors are of the view that the potential competition is relatively low and limited.

Saved as disclosed, during the twelve-month period ended 31 December 2020, 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.

Pursuant to Rules 23.07 of the GEM Listing Rules, particulars and movements of shares options under the Share Option Scheme during the year ended 31 December 2020 are set out as follows:

					Number of share options			
Category/ Name of Grantee	Date of Grant	Exercise Date/Period	Exercise Price Per Share	Outstanding as at 1 January 2020	Granted during the year ended 31 December 2020	Exercised during the year ended 31 December 2020	Lapsed during the year ended 31 December 2020	Outstanding as at 31 December 2020
Employees and Consultants	2 October 2018	(Note 1)	HK$0.061	9,042,692	–	–	–	9,042,692
	2 October 2018	(Note 2)	HK$0.061	9,042,692	–	–	–	9,042,692
	2 October 2018	(Note 3)	HK$0.061	9,042,692	–	–	–	9,042,692
	2 October 2018	(Note 4)	HK$0.061	3,014,232	–	–	–	3,014,232
Total				30,142,308	–	–	–	30,142,308

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.

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 on 4 January 2021 is HK$0.029. There is no vesting period of this grant of share options (details please refer to the Company's announcement dated 4 January 2021).

EQUITY-LINKED AGREEMENTS

Save for the arrangement of corporate reorganisation in preparation for the Listing, details of which are disclosed in the Prospectus, and the share option scheme of the Group, no other equity-linked agreements were entered into by the Group or existed during the year ended 31 December 2020.

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 2020.

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 41.2% of the total purchase of the Group and the purchase from the largest supplier accounted for 15.5% 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.

CONNECTED TRANSACTIONS

Related party transactions entered into by the Group during the year ended 31 December 2020 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

Details of significant events occurring after the reporting date are set out in note 44 to the consolidated financial statement.

AUDITORS

The consolidated financial statements of the Group for the year ended 31 December 2020 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 Yiu Ying
Chairman and Chief Executive Officer

Hong Kong, 23 March 2021

HLB 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)

OPINION

We have audited 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 72 to 169, which comprise the consolidated statement of financial position as at 31 December 2020, 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.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to Note 2.2 in the consolidated financial statements, which indicates that the Group incurred a net loss of approximately HK$38,337,000 during the year ended 31 December 2020 and, as of that date, the Group's current liabilities exceeded its current assets by approximately HK$20,407,000. As stated in Note 2.2 to the consolidated financial statements, these events or conditions, along with other matters as forth in Note 2.2, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Revenue recognition of sales of food, beverage and other products Refer to Note 6 to the consolidated financial statements and the accounting policies in Note 2.3 to the consolidated financial statements.	
We identified revenue recognised from sales of food, beverage and other products as a key audit matter as revenue recognised is quantitatively significant to the consolidated statement of profit or loss and other comprehensive income and material revenue transactions may occur close to the end of the reporting period which require management's effort in verifying appropriate cut-off for goods despatched.	We selected samples of sales of food, beverage and other products transactions. Our procedures in relation to these transactions included: • Obtaining an understanding of the revenue recognition process regarding sales of food, beverage and other products; • Performing test of details, on a sample basis, by comparing the details and amounts of the transactions selected with the details and amounts shown on the underlying documentation, including the journal vouchers and sales invoices; and • Testing the recognition of material sales transactions close to the end of the reporting period to assess whether those sales transactions were recorded in appropriate accounting period in accordance with the Group's revenue recognition policy. We found that the amount and timing of the revenue recorded were supported by the available evidence.
Impairment assessment of plant and equipment, right-of-use assets and goodwill Refer to Notes 15, 19 and 26 to the consolidated financial statements and the accounting policies in Note 2.3 to the consolidated financial statements.	
We identified the impairment assessment of plant and equipment, right-of-use assets and goodwill as a key audit matter due to the significance of the balance on the consolidated statement of financial position as at 31 December 2020 and the significant judgment and estimates were involved in assessment of the recoverable amounts of plant and equipment, right-of-use assets and goodwill based on value-in-use calculations.	Our procedures in relation to management's impairment assessment including but not limited to: • Assessing the appropriateness of the methodology, key assumptions and estimates used in management's discount cash flow projections, based on our knowledge of the relevant industry and using our valuation experts; • Challenging the reasonableness of key assumptions used based on our knowledge of the business and industry; and • Checking, on a sampling basis, the accuracy and relevance of the input data used. We found that the key assumptions used by management in the impairment assessment of plant and equipment, right-of-use assets and goodwill were supported by available evidence.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditors' report thereon ("Other Information").

Our opinion on the consolidated financial statements does not cover the Other Information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this Other Information, we are required to report that fact. We have nothing to report in this regard.

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

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the 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 objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. We report our opinion solely 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.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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, 23 March 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Year ended 31 December 2020 HK$'000	Year ended 31 December 2019 HK$'000
Revenue	6	**158,373**	225,403
Other income and gain	7	**18,731**	4,934
Cost of inventories sold		**(44,750)**	(53,900)
Staff costs		**(79,896)**	(77,449)
Property rentals and related expenses		**(12,023)**	(15,524)
Advertising and marketing expenses		**(2,954)**	(31,378)
Other operating expenses		**(35,920)**	(63,888)
Depreciation and amortisation		**(38,381)**	(25,748)
Impairment losses under expected credit loss model, net of reversal		**502**	(396)
Fair value change of financial assets at fair value through profit or loss		**(245)**	61
Fair value change of derivative financial liabilities	31	**(420)**	1,116
Gain on deemed disposal of a subsidiary	42	**9,714**	–
Share of loss of an associate	25	**(1,989)**	–
Finance costs	8	**(9,370)**	(5,375)
Loss before taxation	11	**(38,628)**	(42,144)
Taxation	10	**291**	(627)
Loss for the year		**(38,337)**	(42,771)
Other comprehensive (loss)/income:			
Items that may be reclassified to profit or loss:			
Exchange difference on translating of financial statements of overseas subsidiaries		**677**	79
Items that will not be reclassified to profit or loss:			
Fair value loss on financial assets at fair value through other comprehensive income		**(955)**	–
Other comprehensive (loss)/income for the year		**(278)**	79
Total comprehensive loss for the year		**(38,615)**	(42,692)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Year ended 31 December 2020 HK$'000	Year ended 31 December 2019 HK$'000
Loss for the year attributable to:			
Owners of the Company		**(31,759)**	(30,633)
Non-controlling interests		**(6,578)**	(12,138)
		(38,337)	(42,771)
Other comprehensive (loss)/income for the year attributable to:			
Owners of the Company		**(387)**	127
Non-controlling interests		**109**	(48)
		(278)	79
Total comprehensive loss for the year attributable to:			
Owners of the Company		**(32,146)**	(30,506)
Non-controlling interests		**(6,469)**	(12,186)
		(38,615)	(42,692)
Loss per share (in HK cents)			
— Basic	14	**(1.76)**	(1.70)
— Diluted	14	**(1.76)**	(1.70)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 31 December 2020 HK$'000	As at 31 December 2019 HK$'000
Assets			
Non-current assets			
Plant and equipment	15	**70,601**	85,549
Intangible assets	16	**608**	722
Financial assets at fair value through profit or loss ("Financial assets at FVTPL")	17	**5,816**	6,061
Financial assets at fair value through other comprehensive income ("Financial assets at FVTOCI")	18	**–**	2,798
Right-of-use assets	19	**65,766**	110,906
Goodwill	26	**9,152**	9,152
Interests in an associate	25	**3,494**	–
Deposits	21	**4,771**	8,136
		160,208	223,324
Current assets			
Financial assets at FVTOCI	18	**1,972**	–
Inventories	20	**8,154**	8,178
Account and other receivables	21	**36,977**	55,894
Loan receivables	22	**4,356**	5,400
Amount due from an associate	25	**1,383**	–
Amounts due from non-controlling interests	23	**2,493**	4,528
Cash and cash equivalents	24	**9,875**	23,311
		65,210	97,311
Liabilities			
Current liabilities			
Account and other payables	27	**43,838**	58,523
Lease liabilities	19	**15,540**	23,011
Bank overdrafts	24	**2,992**	5,995
Derivative financial liabilities	31	**309**	45
Income tax payables		**11**	302
Bank loans	34	**22,927**	1,200
		85,617	89,076
Net current (liabilities)/assets		**(20,407)**	8,235
Total assets less current liabilities		**139,801**	231,559

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 31 December 2020 HK$'000	As at 31 December 2019 HK$'000
Non-current liabilities			
Other payables	27	**29,647**	33,822
Bank loans	34	**–**	9,900
Lease liabilities	19	**66,965**	105,386
Convertible loans	32	**8,877**	8,880
Convertible promissory notes	33	**17,709**	17,344
Amounts due to non-controlling interests	28	**10,648**	14,165
Provision for reinstatement costs	29	**1,565**	1,565
Derivative financial liabilities	31	**177**	21
		135,588	191,083
Net assets		**4,213**	40,476
Equity			
Share capital	30	**18,000**	18,000
Reserves		**(1,540)**	30,466
Equity attributable to owners of the Company		**16,460**	48,466
Non-controlling interests		**(12,247)**	(7,990)
Total equity		**4,213**	40,476

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

The consolidated financial statements on pages 72 to 169 were approved and authorised for issue by the Board of Directors on 23 March 2021 and signed on its behalf by:

Choi Yiu Ying
Director

Choi Siu Kit
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Equity attributable to owners of the Company									
	Share capital HK$'000	Share premium HK$'000	Share-based compensation losses HK$'000	Legal reserve HK$'000 (note)	Exchange reserve HK$'000	Accumulated losses HK$'000	Other reserve HK$'000	Sub-total HK$'000	Attributable to non-controlling interests HK$'000	Total HK$'000
As at 1 January 2019	18,000	66,235	378	12	(152)	(5,971)	–	78,502	(268)	78,234
Loss for the year	–	–	–	–	–	(30,633)	–	(30,633)	(12,138)	(42,771)
Other comprehensive income/(loss) for the year	–	–	–	–	127	–	–	127	(48)	79
Equity-settled share option arrangement	–	–	378	–	–	–	–	378	–	378
Acquisition of subsidiaries (Note 41)	–	–	–	–	–	–	–	–	3,329	3,329
Change in ownership interest in subsidiaries (Note 41)	–	–	–	–	–	–	92	92	1,135	1,227
As at 31 December 2019 and 1 January 2020	18,000	66,235	756	12	(25)	(36,604)	92	48,466	(7,990)	40,476
Loss for the year	–	–	–	–	–	(31,759)	–	(31,759)	(6,578)	(38,337)
Other comprehensive (loss)/income for the year	–	–	–	–	568	–	(955)	(387)	109	(278)
Equity-settled share option arrangement	–	–	140	–	–	–	–	140	–	140
Contribution from non-controlling interests	–	–	–	–	–	–	–	–	2,212	2,212
As at 31 December 2020	**18,000**	**66,235**	**896**	**12**	**543**	**(68,363)**	**(863)**	**16,460**	**(12,247)**	**4,213**

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 2020 HK$'000	Year ended 31 December 2019 HK$'000
Operating activities			
Loss before taxation		**(38,628)**	(42,144)
Adjustments for:			
Impairment losses under expected credit loss model, net of reversal	11	**(502)**	396
Depreciation of plant and equipment	11	**19,141**	11,036
Depreciation of right-of-use assets	11	**19,126**	14,598
Amortisation of intangible assets	11	**114**	114
Bad debt written off	11	**425**	–
Written off on plant and equipment	11	**523**	–
Fair value change of financial assets at FVTPL	11	**245**	(61)
Fair value change of derivative financial liabilities	11	**420**	(1,116)
Gain on deemed disposal of a subsidiary	42	**(9,714)**	–
Share of loss of an associate		**1,989**	–
Gain on lease termination	7	**(46)**	–
Covid-19 related rent concession	7	**(5,343)**	–
Equity-settled share option expense	11	**140**	378
Finance costs	8	**9,370**	5,375
Bank interest income		**(5)**	(46)
Operating cash flows before movements in working capital		**(2,745)**	(11,470)
Increase in inventories		**(5)**	(3,200)
Decrease/(increase) in account and other receivables		**20,277**	(22,064)
Decrease in loan receivables		**1,000**	3,426
Increase in account and other payables		**2,829**	50,828
Cash generated from operations		**21,356**	17,520
Income tax paid		**–**	(717)
Net cash generated from operating activities		**21,356**	16,803

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	Year ended 31 December 2020 HK$'000	Year ended 31 December 2019 HK$'000
Investing activities			
Purchase of plant and equipment		(14,987)	(63,890)
Net cash outflow on deemed disposal of a subsidiary	42	(928)	–
Capital injection to an associate		(1,989)	–
Loan to an associate		(3,570)	–
Increase in amount due from an associate		(1,413)	–
Acquisition of subsidiaries	41	–	60
Purchase of financial assets at FVTPL		–	(6,000)
Purchase of financial assets at FVTOCI		–	(2,021)
Interest received		5	46
Net cash inflow in respect of change in ownership interest of subsidiaries		–	1,227
Net cash used in investing activities		(22,882)	(70,578)
Financing activities			
(Repayment to)/loans from non-controlling interests		(1,536)	5,612
Contribution from non-controlling interests		2,212	–
Proceed from issuance of convertible promissory notes	33	–	18,201
Proceed from issuance of convertible loans	32	–	9,080
Proceeds from bank loans	34	11,827	11,100
(Decrease)/increase in bank overdrafts		(3,003)	5,421
Interest paid		(3,316)	(217)
Repayment of lease liabilities	40	(12,405)	(9,531)
Interest element of lease rentals paid	40	(5,692)	(3,982)
Net cash (used in)/generated from financing activities		(11,913)	35,684
Net decrease in cash and cash equivalents		(13,439)	(18,091)
Cash and cash equivalents at the beginning of the year		23,311	41,032
Effect of foreign exchange rate		3	370
Cash and cash equivalents at the end of the year		9,875	23,311
Represented by:			
Cash and bank balances		9,875	23,311

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") is 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").

Other than those subsidiaries established in the Macau whose functional currency is Macau Pataca ("MOP") and some subsidiaries established in the People's Republic of China (the "PRC") whose functional currency is Renminbi ("RMB"), 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 NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND SIGNIFICANT ACCOUNTING POLICIES

2.1 Application of new and amendments to HKFRSs

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the Amendments to References to the Conceptual Framework in HKFRS Standards and 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 period beginning on or before 1 January 2020 for the preparation of the consolidated financial statements:

HKAS 1 and HKAS 8 (Amendments)	Definition of Material
HKFRS 3 (Amendments)	Definition of a Business
HKFRS 9, HKAS 39 and HKFRS 7 (Amendments)	Interest Rate Benchmark Reform

In addition, the Group has early applied the HKFRS 16 (Amendments) Covid-19-Related Rent Concession.

Except as described below, the application of the Amendments to References to the Conceptual Framework in HKFRS Standards and the amendments to HKFRSs in the current year 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.

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

2.1 Application of new and amendments to HKFRSs *(Continued)*

Impacts on early application of Amendment to HKFRS 16 Covid-19-Related Rent Concessions

The Group has applied the amendment for the first time in the current year. The amendment introduces a new practical expedient for lessees to elect not to assess whether a Covid-19-related rent concession is a lease modification. The practical expedient only applies to rent concessions occurring as a direct consequence of the Covid-19 that meets all the following conditions:

- 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 2021; 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 Leases if the changes were 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.

The application of the amendment had no impact to the opening accumulated losses at 1 January 2020. The Group has benefited from 8 months or less waiver of lease payments on several leases in Hong Kong. The Group has derecognised the part of lease liability that has been extinguished by the forgiveness of lease payments using the discount rate originally applied to these leases respectively, resulting in a decrease in the lease liabilities of approximately HK$5,343,000, which has been recognised as variable lease payments in profit or loss for the current year.

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

2.1 Application of new and amendments to HKFRSs *(Continued)*

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17	Insurance Contracts and the related Amendments[1]
HKFRS 3 (Amendments)	Reference to the Conceptual Framework[2]
HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 (Amendments)	Interest Rate Benchmark Reform — Phase 2[4]
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[1]
HKAS 16 (Amendments)	Property, Plant and Equipment — Proceeds before Intended Use[2]
HKAS 37 (Amendments)	Onerous Contracts — Cost of Fulfilling a Contract[2]
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2018–2020[2]

1 Effective for annual periods beginning on or after 1 January 2023.
2 Effective for annual periods beginning on or after 1 January 2022.
3 Effective for annual periods beginning on or after a date to be determined.
4 Effective for annual periods beginning on or after 1 January 2021.

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

2. APPLICATION OF NEW AND 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 has 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 assessment

The directors of the Company have, at the time of approving the consolidated financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the consolidated financial statements.

The Group incurred a net loss of approximately HK$38,337,000 for the year ended 31 December 2020 and, as of that date, the Group's current liabilities exceeded its current assets by approximately HK$20,407,000. Notwithstanding the above results, the consolidated financial statements have been prepared on a going concern basis, the validity of the going concern basis is dependent upon the success of the Group's future operations, its ability to generate adequate cash flow in order to meet its obligations as and when fall due and its ability to refinance or restructure its borrowings such that the Group can meet its future working capital and financial requirement.

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.

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

(ii) the substantial shareholders of the Company have given their consent to provide continuous financial support to the Group to enable the Group to meets its obligations when due.

(iii) negotiating 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.

2. APPLICATION OF NEW AND 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 assessment *(Continued)*

(iv) negotiating with the landlords for rent concessions due to the reduced number of customers as overshadowed by the outbreak of Covid-19.

(v) 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 360,000,000 shares of HK$0.033 each for a cash consideration of approximately HK$11,880,000 ("the Subscriptions"). At the date of approval of these consolidated financial statements, the Subscriptions have not been completed. Further details were set out in the Company's announcement dated 23 March 2021.

The directors of the Company have carried out a detailed review of the cash flow forecast of the Group for the next twelve months from the end of the reporting date taking into account the impact of the above measures, and believe that the Group will have sufficient cash resources to satisfy its future working capital and other financing requirements. Accordingly, the consolidated financial statements for the year ended 31 December 2020 have been prepared on a going concern basis.

Should the Group be unable to continue its business as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amount, to provide for future liabilities which might arise and to reclassify non-current assets and liabilities to current assets and liabilities respectively. The effects of these potential adjustments have not been reflected in these consolidated financial statements.

The consolidated financial statements have been prepared on the historical cost basis except for financial assets at FVTPL, financial assets at FVTOCI and derivative financial liabilities which are measured at fair values.

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

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

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

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 the 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.

2.3 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.

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

2.3 Significant accounting policies *(Continued)*

Basis of consolidation *(Continued)*

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.

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.

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

2.3 Significant accounting policies *(Continued)*

Basis of consolidation *(Continued)*

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

Effective from 1 January 2020, 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.

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.

2. APPLICATION OF NEW AND 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

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. Acquisition-related 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.

Goodwill is measured as the excess of 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 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.

2. APPLICATION OF NEW AND 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)

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 non-controlling 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 acquiree 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 recognised at that date.

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

2.3 Significant accounting policies *(Continued)*

Merger accounting for business combination involving entities under common control

The consolidated financial statements incorporates the financial statements items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining businesses are consolidated using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or bargain purchase gain at the time of common control combination.

The consolidated statement of profit or loss and other comprehensive income includes the results of each of the combining businesses from the earliest date presented or since the date when the combining businesses first came under common control, where this is a shorter period.

The comparative amounts in the consolidated financial statements are presented as if the businesses had been combined at the beginning of the previous reporting period or when they first came under common control, whichever is shorter.

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.

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

2.3 Significant accounting policies *(Continued)*

Investments in associates

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.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Any retained portion of an investment in an associate that has not been classified as held for sale continues to be accounted for using the equity method. The financial statements of associates 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 accounting policies to those of the Group. Under the equity method, an investment in an associate 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. Changes in net assets of the associate 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 exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), 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.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, 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 NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.3 Significant accounting policies *(Continued)*

Investments in associates *(Continued)*

When the Group ceases to have significant influence over an associate, 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. When the Group retains an interest in the former associate 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 and the fair value of any retained interest and any proceeds from disposing the relevant interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate 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.

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.

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.

2. APPLICATION OF NEW AND 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)*

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 d 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.

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.

For contracts that contain more than one performance obligations, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis.

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

2.3 Significant accounting policies *(Continued)*

Leases

Definition of a lease

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.

For contracts entered into or modified on or after the date of initial application 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 also 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.

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.

2. APPLICATION OF NEW AND 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 *(Continued)*

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 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.

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.

2. APPLICATION OF NEW AND 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 *(Continued)*

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.

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.

2. APPLICATION OF NEW AND 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)

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 2021; 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.

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).

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

2.3 Significant accounting policies *(Continued)*

Foreign currencies *(Continued)*

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 non-controlling 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.

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.

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

2.3 Significant accounting policies *(Continued)*

Employee benefits

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

The Group's contributions to the defined contribution retirement benefit plans are charged to profit or loss in the year incurred and are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions. The Group has no further payment obligations once the contributions have been paid.

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.

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

2.3 Significant accounting policies *(Continued)*

Taxation *(Continued)*

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.

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 recognised 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.

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

2.3 Significant accounting policies *(Continued)*

Plant and equipment

Plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes. Plant and equipment are stated in the consolidated statement 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 estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method 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.

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.

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

2.3 Significant accounting policies *(Continued)*

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.

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 addition, the Group assesses whether there is indication that corporate assets may be impaired. If such indication exists, corporate assets are also allocated to individual CGUs, when a reasonable and consistent basis of allocation can be identified, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

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.

2. APPLICATION OF NEW AND 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 *(Continued)*

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 (or CGU or a group of CGUs) 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 (or a CGU or a group of CGUs) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

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.

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

2.3 Significant accounting policies *(Continued)*

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 account 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 FVTPL) 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 FVTPL 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 income and gain".

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.

2. APPLICATION OF NEW AND 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)*

Classification and subsequent measurement of financial assets (Continued)

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.

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 other 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 other 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.

2. APPLICATION OF NEW AND 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)*

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.

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.

2. APPLICATION OF NEW AND 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 (Continued)
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 90 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.

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 120 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 NEW AND 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. The Group uses a practical expedient in estimating ECL on account receivables using a provision matrix taking into consideration historical credit loss experience, adjusted for forward looking information that is available without undue cost or effort.

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.

2. APPLICATION OF NEW AND 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)
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.

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 account and other receivables, loan receivables, amounts due from non-controlling interest, amount due from an associate and loan to an associate 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 NEW AND 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 derecognised and the consideration paid and payable is recognised in profit or loss.

2. APPLICATION OF NEW AND 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

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

<u>Convertible loans and promissory notes that contain an equity component</u>

Convertible loans and promissory notes that can be converted into ordinary shares at the option of the holder, where the number of shares to be issued is fixed, are accounted for as compound financial instruments, i.e. they contain both a liability component and an equity component.

At initial recognition the liability component of the convertible loans and promissory notes are measured at fair value based on the future interest and principal payments, discounted at the prevailing market rate of interest for similar non-convertible instruments. The equity component is the difference between the initial fair value of the convertible loans and promissory notes as a whole and the initial fair value of the liability component. Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of proceeds.

The liability component is subsequently carried at amortised cost. Interest expense recognised in profit or loss on the liability component is calculated using the effective interest method. The equity component is recognised in the capital reserve until either the notes are converted or redeemed.

If the notes are converted, the capital reserve, together with the carrying amount of the liability component at the time of conversion, is transferred to share capital and share premium as consideration for the shares issued. If the notes are redeemed, the capital reserve is released directly to accumulated losses.

Convertible loans and notes contain debt and derivative components

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.

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.

2. APPLICATION OF NEW AND 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)

Other convertible loans and promissory notes

Convertible loans and promissory notes which do not contain an equity component are accounted for as follows:

At initial recognition the derivative component of the convertible loans and promissory notes are measured at fair value and presented as part of derivative financial instruments (see accounting policies "Derivative financial instruments"). Any excess of proceeds over the amount initially recognised as the derivative component is recognised as the host liability component. Transaction costs that relate to the issue of the convertible loan and promissory note are allocated to the host liability and derivative components in proportion to the allocation of proceeds. The portion of the transaction costs relating to the host liability component is recognised initially as part of the liability. The portion relating to the derivative component is recognised immediately in profit or loss.

The derivative component is subsequently remeasured in accordance with the accounting policies "Derivative financial instruments". The host liability component is subsequently carried at amortised cost. Interest expense recognised in profit or loss on the host liability component is calculated using the effective interest method.

If the notes are converted, the shares issued are measured at fair value and any difference between the fair value of shares issued and the carrying amounts of the derivative and liability components are recognised in profit or loss. If the notes are redeemed, any difference between the amount paid and the carrying amounts of both components is recognised in profit or loss.

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.

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

2.3 Significant accounting policies *(Continued)*

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.

(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.

Provision for reinstatement cost

Provision for reinstatement cost represents the estimated cost for the renovation work of the Group's leased outlets agreed to be carried out upon the expiry of the relevant leases using a risk-free pre-tax interest rate. The provision has been determined by the directors based on their best estimates.

3. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 2.3, the directors of the Company 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) Useful lives and residual values of plant and equipment

In determining the useful life and residual value of an item of plant and equipment, the Group has to consider various factors, such as technical or commercial obsolescence arising from changes or improvement in production, or from a change in market demand for the products or service output of the asset, expected usage of the asset, expected physical wear and tear, the care and maintenance of the asset, and legal or similar limits on the use of the asset. The estimation of the useful life of the asset is based on the experience of the Group with similar assets that are used in similar way. The Group will revise the depreciation charge where useful lives are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(b) Estimated impairment of plant and equipment, right-of-use assets and intangible assets

Plant and equipment, right-of-use assets and intangible 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 2020, the carrying amounts of plant and equipment, right-of-use assets and intangible assets subjected to impairment assessment were of approximately HK$70,601,000, HK$65,766,000 and HK$608,000 (2019: HK$85,549,000, HK$110,906,000 and HK$722,000) respectively.

(c) Provision for reinstatement costs

Provision for reinstatement cost is estimated at the inception of leasing property with reinstatement clause and reassessed at the end of each reporting period with reference to the latest available quotation from independent contractors. Estimation based on current market information may vary over time and could differ from the actual reinstatement cost upon closures or relocation of existing premises occupied by the Group.

3. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

(d) Estimated impairment of account and other receivables and loan receivables

Account and other receivables and loan receivables with significant balances and credit-impaired are assessed for ECL individually. In addition, for account and other 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 and other receivables and loan receivables are disclosed in Notes 4(b), 21 and 22.

(e) Net realisable value of inventories

The directors of the Company reviews inventories on a product-by-product basis at the end of each reporting period, and makes allowance for obsolete inventory items identified that are no longer suitable for sales. The directors of the Company estimates the net realisable value for such items based primarily on the latest invoice prices and current market conditions. As at 31 December 2020 and 2019, the carrying values of inventories were approximately HK$8,154,000 and HK$8,178,000 respectively.

(f) Determining the lease term

As explained in Note 3, the lease liability is initially recognised at the present value of the lease payments payable over the lease term. In determining the lease term at the commencement date for leases that include renewal options exercisable by the Group, the Group evaluates the likelihood of exercising the renewal options taking into account all relevant facts and circumstances that create an economic incentive for the group to exercise the option, including favourable terms, leasehold improvements undertaken and the importance of that underlying asset to the Group's operation. The lease term is reassessed when there is a significant event or significant change in circumstance that is within the Group's control. Any increase or decrease in the lease term would affect the amount of lease liabilities and right-of-use assets recognised in future years.

(g) Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the recoverable amount of the CGU (or group of CGUs) to which goodwill has been allocated, which is the higher of the value in use or fair value less costs of disposal. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the CGU (or a group of CGUs) and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, or change in facts and circumstances which results in downward revision of future cash flows or upward revision of discount rate, a material impairment loss or further impairment loss may arise. Furthermore, the estimated cash flows and discount rate are subject to higher degree of estimation 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 of the Group's clubbing and catering operations.

As at 31 December 2020, the carrying amount of goodwill is of approximately HK$9,152,000 (2019: HK$9,152,000). Details of the recoverable amount calculation are disclosed in Note 26.

4. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	As at 31 December 2020 HK$'000	As at 31 December 2019 HK$'000
Financial assets		
At amortised cost		
— Account and other receivables	**17,054**	20,181
— Deposits	**15,139**	32,503
— Loan receivables	**4,356**	5,400
— Loan to an associate	**3,494**	–
— Amounts due from non-controlling interests	**2,493**	4,528
— Amount due from an associate	**1,383**	–
— Cash and cash equivalents	**9,875**	23,311
Financial assets at FVTOCI	**1,972**	2,798
Financial assets at FVTPL	**5,816**	6,061
Financial liabilities		
At amortised cost		
— Account and other payables	**73,485**	92,345
— Amounts due to non-controlling interests	**10,648**	14,165
— Bank overdrafts	**2,992**	5,995
— Bank loans	**22,927**	11,100
— Lease liabilities	**82,505**	128,397
— Convertible loans	**8,877**	8,880
— Convertible promissory notes	**17,709**	17,344
— Provision for reinstatement costs	**1,565**	1,565
Derivative financial liabilities	**486**	66

4. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies

The directors of the Company 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 and FVTOCI, account and other receivables, deposits, loan receivables, loan to an associate, amounts due from non-controlling interests, amount due from an associate, cash and cash equivalents, account and other payables, amounts due to non-controlling interests, bank overdrafts, bank loans, lease liabilities, convertible loans, convertible promissory notes and provision for reinstatement costs. 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 loan to an associate, amount due from an associate 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.

Bank balances

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 as of 31 December 2020 and 2019.

Account and sponsorship receivables

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (12m ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At the end of each reporting period, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

As at 31 December 2020 and 2019, 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 and sponsorship 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 and other receivables and loan 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 and sponsorship receivables with significant balances and credit-impaired individually and/or collectively. Except for, which are assessed for impairment individually, the remaining account and sponsorship receivables are grouped based on shared credit risk characteristics by reference to the Group's internal credit ratings. Impairment of HK$318,000 (2019: HK$962,000) is recognised as at 31 December 2020. 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 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 12m ECL and loss allowance of HK$94,000 (2019: HK$50,000) was recognised as at 31 December 2020.

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 12m ECL and loss allowances of approximately HK$444,000 (2019: HK$506,000) are recognised.

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

Internal credit rating	Description	Account and sponsorship 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	Debtor frequently repays after due dates but usually settle in full	Lifetime ECL — not credit-impaired	12m ECL
Non-performing	There have been significant increases in credit risk since initial recognition through information developed internally or external resources or 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

4. FINANCIAL INSTRUMENTS *(Continued)*

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

Credit risk *(Continued)*

Maximum exposure and year-ended staging as at 31 December 2020 and 2019

The table below shows credit quality and maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information is available without undue cost or effort, and year-end staging classification as at 31 December 2020 and 2019.

	12m ECL HK$'000	Lifetime ECL not credit-impaired HK$'000	Lifetime ECL credit-impaired HK$'000	Total HK$'000
As at 31 December 2020				
Account and other receivables				
— Performing	–	46	–	46
— Under performing	444	26	–	470
— Non-performing	–	–	246	246
— Write-off	–	–	–	–
	444	72	246	762
Loan receivables				
— Performing	–	–	–	–
— Under performing	94	–	–	94
— Non-performing	–	–	–	–
— Write-off	–	–	–	–
	94	–	–	94
As at 31 December 2019				
Account and other receivables				
— Performing	4	–	–	4
— Under performing	422	–	–	422
— Non-performing	–	–	1,042	1,042
— Write-off	–	–	–	–
	426	–	1,042	1,468
Loan receivables				
— Performing	–	–	–	–
— Under performing	50	–	–	50
— Non-performing	–	–	–	–
— Write-off	–	–	–	–
	50	–	–	50

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. The directors of the Company believe that there are no significant increase in credit risk of these amount due from an associate and loan to an associate since initial recognition and the Group provided impairment based on 12m ECL. For the year ended 31 December 2020, the Group assessed the ECL for amount due from an associate and loan to an associate and loss allowance of approximately HK$106,000 (2019: nil) was recognised.

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$54,000 (2019: nil) was recognised as at 31 December 2020.

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.

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)*

Market 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 2020 would increase/decrease by approximately HK$23,000 (2019: HK$11,000). 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	More than one year but less than two years	More than two years but less than five years	More than five years	Total undiscounted cash flow	Carrying amount
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As at 31 December 2020							
Non-derivative financial liabilities							
Account and other payables	–	43,838	29,647	–	–	73,485	73,485
Lease liabilities	5.72	20,207	16,579	41,012	21,984	99,782	82,505
Bank loans	2.5–4.8	5,211	5,336	12,380	–	22,927	22,927
Bank overdrafts	5.3–5.4	2,992	–	–	–	2,992	2,992
Amounts due to non-controlling interests	–	–	–	10,648	–	10,648	10,648
Convertible loans	9.17	817	8,774	–	–	9,591	8,877
Convertible promissory notes	11.55	1,626	18,585	–	–	20,211	17,709
Provision for reinstatement costs	–	–	–	1,565	–	1,565	1,565

4. FINANCIAL INSTRUMENTS *(Continued)*

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

Market risk *(Continued)*

Sensitivity analysis (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 2019							
Non-derivative financial liabilities							
Account and other payables	–	58,523	33,822	–	–	92,345	92,345
Lease liabilities	5.07	29,852	27,309	63,434	34,225	154,820	128,397
Bank loans	2.5–4.3	1,200	1,200	8,700	–	11,100	11,100
Bank overdrafts	5.3–5.4	5,995	–	–	–	5,995	5,995
Amounts due to non-controlling interests	–	–	–	14,165	–	14,165	14,165
Convertible loans	9.17	817	817	9,415	–	11,049	8,880
Convertible promissory notes	11.55	1,638	1,638	19,509	–	22,785	17,344
Provision for reinstatement costs	–	–	–	1,565	–	1,565	1,565

(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 Group's financial assets at FVTOCI is measured at fair value at the end of each reporting period. The fair value of the investments as at 31 December 2020 amounts to approximately HK$1,972,000 (2019: HK$2,798,000).

4. FINANCIAL INSTRUMENTS *(Continued)*

(c) Fair value of financial instruments

Fair value measurements of financial instruments

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 2020 HK$'000	2019 HK$'000	Fair value hierarchy	Valuation techniques and key inputs
Financial assets				
Financial assets at FVOCI				
— unlisted equity investment	**1,972**	2,021	Level 2 (2019: Level 3)	Quoted price (2019: Net asset value)
— unlisted equity investment	**–**	777	Level 3 (2019: Level 3)	Market approach
Financial assets at FVTPL	**5,816**	6,061	Level 2 (2019: Level 2)	Discounted cash flow. The key inputs is market interest rate
Financial liabilities				
Derivative financial liabilities	**486**	66	Level 3 (2019: Level 3)	Binominal pricing model. The key inputs is expected volatility

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).

4. FINANCIAL INSTRUMENTS *(Continued)*

(c) Fair value of financial instruments

Fair value measurements of financial instruments

The movement during the year in the balances of Level 3 fair value measurement is as follows:

	Financial assets at FVTOCI HK$'000 (Note 18)	Derivative financial liabilities HK$'000 (Note 31)
As at 1 January 2019	5,932	–
Acquisition of subsidiaries (Note 41)	(4,654)	–
Addition	2,021	–
Issue of convertible promissory notes (Note 33)	–	983
Issue of convertible loans (Note 32)	–	199
Change in fair value	–	(1,116)
Exchange alignment	(501)	–
As at 31 December 2019 and 1 January 2020	2,798	66
Change in fair value	(955)	420
Exchange alignment	129	–
Transfer out of Level 3 (note)	(1,972)	–
As at 31 December 2020	**–**	**486**

note: During the year ended 31 December 2020, the Group have entered into a sale and purchase agreement with an independent third party to dispose of the financial assets at FVTOCI at a total consideration of approximately RMB1,860,000. The fair value of this financial assets at FVTOCI was determined based on the consideration to be received.

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 maximise 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 as at 31 December 2020 and 2019 was as follows:

	As at 31 December 2020 HK$'000	As at 31 December 2019 HK$'000
Total liabilities	**221,205**	280,159
Total assets	**225,418**	320,635
Debt-to-asset ratio	**98.1%**	87.4%

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, the United States (the "US") and Macau. The Group's revenue from external customers based on the location of the customers is detailed as below:

	Year ended 31 December 2020 HK$'000	Year ended 31 December 2019 HK$'000
Macau	34,137	121,229
Hong Kong	52,914	85,704
The PRC	71,322	18,470
	158,373	225,403

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

	As at 31 December 2020 HK$'000	As at 31 December 2019 HK$'000
Macau	40,234	48,154
Hong Kong	42,778	102,255
The PRC	77,196	72,138
The US	–	777
	160,208	223,324

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 (2019: 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, events rental income and cloakroom income) and loan interest income from Money Lending Business.

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

	Year ended 31 December 2020 HK$'000	Year ended 31 December 2019 HK$'000
Revenue from contracts with customers:		
Recognised at a point in time		
Sales of food, beverage and other products	**154,765**	207,648
Sponsorship income	**1,730**	9,979
Entrance fees income	**665**	6,394
Others (note)	**738**	837
	157,898	224,858
Revenue from other sources:		
Loan interest income	**475**	545
	158,373	225,403

note: Others mainly represent events rental income, cloakroom income, royalty and franchising income.

7. OTHER INCOME AND GAIN

	Year ended 31 December 2020 HK$'000	Year ended 31 December 2019 HK$'000
Net foreign exchange gain	**105**	1,068
Consultancy and management fee income	**4,486**	2,721
Covid-19 related rental concession	**5,343**	–
Government grants (note (a))	**7,139**	–
Gain on lease termination	**46**	–
Others (note (b))	**1,612**	1,145
	18,731	4,934

note:

(a) Included in government grants of approximately HK$6,930,000 in respect of Covid-19-related subsidies, of which of approximately HK$5,840,000 relates to Employment Support Scheme and other subsidies of approximately HK$1,090,000 under the Anti-epidemic Fund provided by the Hong Kong government.

(b) Others mainly included the tips income.

8. FINANCE COSTS

	Year ended 31 December 2020 HK$'000	Year ended 31 December 2019 HK$'000
Interest on convertible promissory notes	**2,003**	719
Interest on convertible loans	**814**	457
Interest on bank loans	**488**	112
Interest on bank overdrafts	**261**	105
Interest on lease liabilities	**5,692**	3,982
Others	**112**	–
	9,370	5,375

9. PRINCIPAL SUBSIDIARIES

The following is a list of principal subsidiaries as at 31 December 2020 and 2019:

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 2020	Directly 2019	Indirectly 2020	Indirectly 2019	Principal activities
Luk Hing Investment Limited	Macau	Macau	MOP25,000	–	–	100%	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	RMB20,000,000	–	–	100%	100%	Investment holding
珠海鋭樺酒吧管理有限公司#	The PRC	The PRC	RMB20,000,000	–	–	62%	62%	Operating of clubbing business
珠海市陸慶麒天餐飲管理有限公司#	The PRC	The PRC	RMB12,000,000	–	–	100%	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
Luk Hing Mandarin Limited	Hong Kong	Hong Kong	HK$7,992,000	–	–	–	100%	Catering business

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

\# Limited liability company established in the PRC.

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.

At the end of the reporting period, the Company has other subsidiaries that are not material to the Group. The principal activities of these subsidiaries are summarised as follows:

Principal activities	Principal place of business	Number of subsidiaries 2020	2019
Investment holding	The BVI	**7**	7
Inactive	Hong Kong	**1**	2

Detail of a non-wholly owned subsidiary 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 2020	2019	Loss allocated to non-controlling interests 2020 HK$'000	2019 HK$'000	Accumulated non-controlling interests 2020 HK$'000	2019 HK$'000
Zhuhai Ruiye Bar Management Company Limited	The PRC	**38%**	38%	**2,370**	10,390	**10,232**	7,943

9. PRINCIPAL SUBSIDIARIES *(Continued)*

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 2020 HK$'000	As at 31 December 2019 HK$'000
Current assets	**14,312**	9,155
Non-current assets	**63,787**	70,117
Current liabilities	**(22,375)**	(15,836)
Non-current liabilities	**(82,650)**	(84,339)
Equity attributable to owners of the Company	**(16,694)**	(12,960)
Non-controlling interests	**(10,232)**	(7,943)

	Year ended 31 December 2020 HK$'000	Period from 10 June 2019 to 31 December 2019 HK$'000
Revenue	**73,444**	20,886
Expenses	**(79,718)**	(48,229)
Loss for the year/period	**(6,274)**	(27,343)
Loss attribute to owners of the Company	**(3,904)**	(16,953)
Loss attribute to non-controlling interests	**(2,370)**	(10,390)
Loss for the year/period	**(6,274)**	(27,343)
Total comprehensive loss attributable to owners of the Company	**(3,734)**	(17,079)
Total comprehensive loss attributable to non-controlling interests	**(2,289)**	(10,438)
Total comprehensive loss for the year/period	**(6,023)**	(27,517)
Net cash flows generated from operating activities	**3,001**	5,460
Net cash flows used in investing activities	**(3,174)**	(17,354)
Net cash flows (used in)/generated from financing activities	**(1,359)**	12,642
Net cash (outflow)/inflow	**(1,532)**	748

10. TAXATION

	Year ended 31 December 2020 HK$'000	Year ended 31 December 2019 HK$'000
Income tax expense		
— Macau Complementary Tax		
— Current year	–	493
— Over provision in prior years	(291)	–
— PRC Enterprise Income Tax	–	134
	(291)	627

Macau Complementary Tax is calculated at 12% of the assessable profit for the years ended 31 December 2020 and 2019.

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rate regime. The Bill was signed into law on 28 March 2018 and was gazette on the following day. Under the two-tiered profits tax rate regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits tax 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%.

The two-tiered profits tax rates regime is applicable to the Company for the years ended 31 December 2020 and 2019.

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 2020 and 2019.

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, the Group also had deductible temporary differences of approximately HK$911,000 (2019: HK$989,000). No deferred tax asset has been recognised in relation to these deductible temporary differences as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

10. TAXATION *(Continued)*

At the end of the reporting period, the Group has estimated unused tax losses of appropriately HK$42,264,000 (2019: HK$30,217,000) available for offset against future profits that may be carried forward indefinitely. Tax losses of approximately HK$49,618,000 (2019: HK$43,347,000) 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.

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.

10. TAXATION *(Continued)*

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 2020, all the relevant additional tax had been settled by the owner of the club premises.

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 2020 HK$'000	Year ended 31 December 2019 HK$'000
Loss before taxation	**(38,628)**	(42,144)
Tax at the applicable income tax rate	**(4,067)**	(9,158)
Tax effect of temporary difference not recognised	**911**	989
Tax effect of expenses not deductible for tax purpose	**712**	383
Tax losses not recognised	**4,405**	10,463
Tax effect of non-taxable income	**(1,891)**	(1,105)
Exemption for tax liabilities in Macau Complementary Tax (note)	**(70)**	(70)
Utilisation of previously unrecognised tax losses	**–**	(1,067)
Over provision in previous years	**(291)**	192
Taxation for the year	**(291)**	627

note: Under the Macau Complementary Tax, for the years of assessment 2020 and 2019, the taxable profits up to MOP600,000 was exempted.

11. LOSS BEFORE TAXATION

	Year ended 31 December 2020 HK$'000	Year ended 31 December 2019 HK$'000
Loss before taxation has been arrived at after charging/(crediting):		
Staff costs:		
Directors' emoluments (included retirement scheme contributions)	**2,261**	2,686
Salaries and other benefits	**76,025**	72,420
Retirement benefits scheme contributions	**1,610**	2,343
	79,896	77,449
Auditors' remuneration:		
Audit services		
— HLB Hodgson Impey Cheng Limited	**700**	950
— Other auditor	**120**	171
Non-audit services		
— HLB Hodgson Impey Cheng Limited	**–**	400
	820	1,521
Cost of inventories sold	**44,750**	53,900
Impairment losses under expected credit loss ("ECL") model, net of reversal:		
— account and other receivables	**(706)**	610
— loan receivables	**44**	(214)
— amounts due from non-controlling interests	**54**	–
— loan to an associate and amount due from an associate	**106**	–
Fair value change of financial assets at FVTPL	**(245)**	(61)
Fair value change of derivative financial liabilities	**420**	(1,116)
Equity-settled share option expense	**140**	378
Bad debt written off*	**425**	–
Written off on plant and equipment*	**523**	–
Utilities*	**2,825**	3,602
Legal and professional fee*	**6,116**	11,952
Entertainment and travelling*	**7,896**	18,087
Repair and maintenance*	**1,217**	2,103
Uniform and cleaning*	**2,796**	4,204
Bank charges*	**1,864**	2,736

11. LOSS BEFORE TAXATION *(Continued)*

	Year ended 31 December 2020 HK$'000	Year ended 31 December 2019 HK$'000
Loss before taxation has been arrived at after charging/(crediting): *(Continued)*		
Short term leases and leases with lease term shorter than 12 months as at initial application of HKFRS 16	**8,710**	9,760
Profit sharing for lease payment (note)	**3,313**	5,764
	12,023	15,524
Depreciation of plant and equipment	**19,141**	11,036
Depreciation of right-of-use assets	**19,126**	14,598
Amortisation of intangible assets	**114**	114
	38,381	25,748

* These items were grouped under other operating expense.

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

12. DIRECTORS', CHIEF EXECUTIVE'S AND 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 2020 HK$'000	Year ended 31 December 2019 HK$'000
Directors' fees	**776**	560
Salaries and other benefits	**1,456**	2,090
Retirement schemes contributions	**29**	36
	2,261	2,686

(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 2020 and 2019 are as follows:

For the year ended 31 December 2020

	Fees HK$'000	Salaries, allowances bonuses and benefits kind HK$'000	Retirement scheme contributions HK$'000	Total remuneration HK$'000
Executive directors				
Mr. Choi Yiu Ying (note (i))	–	766	2	768
Mr. Choi Siu Kit	–	507	18	525
Mr. Yeung Chi Shing	–	183	9	192
Non-executive directors				
Mr. Au Wai Pong, Eric	–	–	–	–
Mr. Au Ka Wai	–	–	–	–
Mr. Au Lon Weng	–	–	–	–
Ms. Poon Kam Yee, Odilia	–	–	–	–
Independent non-executive directors				
Mr. Lam Wai Chin, Raymond (note (ii))	210	–	–	210
Mr. Chan Ting Bond, Michael (note (iii))	210	–	–	210
Mr. Tse Kar Ho, Simon	200	–	–	200
Mr. Chan Ka Yin (note (iv))	78	–	–	78
Mr. Tang Tsz Tung (note (v))	78	–	–	78
	776	1,456	29	2,261

12. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS *(Continued)*

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

For the year ended 31 December 2019

	Fees HK$'000	Salaries, allowances bonuses and benefits kind HK$'000	Retirement scheme contributions HK$'000	Total remuneration HK$'000
Executive directors				
Mr. Choi Yiu Ying (Note (i))	–	935	2	937
Mr. Choi Siu Kit	–	840	18	858
Mr. Yeung Chi Shing	–	315	16	331
Non-executive directors				
Mr. Au Wai Pong, Eric	–	–	–	–
Mr. Au Ka Wai	–	–	–	–
Mr. Au Lon Weng	–	–	–	–
Ms. Poon Kam Yee, Odilia	–	–	–	–
Independent non-executive directors				
Mr. Lam Wai Chin, Raymond	180	–	–	180
Mr. Chan Ting Bond, Michael	180	–	–	180
Mr. Tse Kar Ho, Simon	200	–	–	200
	560	2,090	36	2,686

notes:

(i) Mr. Choi Yiu Ying 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.

(ii) Mr. Lam Wai Chin, Raymond has resigned as an independent non-executive Director with effect from 30 June 2020.

(iii) Mr. Chan Ting Bond, Michael has resigned as an independent non-executive Director with effect from 30 June 2020.

(iv) Mr. Chan Ka Yin has been appointed as an independent non-executive Director with effect from 1 July 2020.

(v) Mr. Tang Tsz Tung has been appointed as an independent non-executive Director with effect from 1 July 2020.

12. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS *(Continued)*

(b) Employees' emoluments

The five highest paid individuals during the year included 1 director (2019: 2 directors) whose emoluments are disclosed in above. The aggregate of the emoluments in respect of the other 4 individuals (2019: 3 individuals) with the highest emoluments are as follows:

	Year ended 31 December 2020 HK$'000	Year ended 31 December 2019 HK$'000
Salaries, allowances and benefits in kind	2,232	2,847
Retirement scheme contributions	29	39
	2,261	2,886

The emoluments of the other 4 individuals (2019: 3 individuals) with the highest emoluments are within the following bands:

	Year ended 31 December 2020	Year ended 31 December 2019
Nil to HK$1,000,000	4	3

Senior management of the Group

The number of senior management of the Group of these highest paid employees fell within the following band is as follows:

	Year ended 31 December 2020	Year ended 31 December 2019
Nil to HK$1,000,000	1	–

During the years ended 31 December 2020 and 2019, 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 2020 and 2019. There was no arrangement under which a director waived or agreed to waive any remuneration during the years ended 31 December 2020 and 2019.

During the years ended 31 December 2020 and 2019, 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 2020 and 2019, 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 2020 (2019: 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 2020 HK$'000	Year ended 31 December 2019 HK$'000
Loss for the purpose of basic and diluted loss per share	**(31,759)**	(30,633)

	'000	'000
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**1,800,000**	1,800,000

note: Diluted loss per share for the years ended 31 December 2020 and 2019 were the same as basic loss per share because the outstanding convertible bonds, the outstanding convertible promissory and the share option had an anti-dilutive effect on the basic loss per share.

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 2019	987	622	20,374	1,601	15,002	38,586
Acquisition of subsidiaries	–	–	70	–	12,631	12,701
Additions	396	156	11,288	329	51,720	63,889
Exchange alignment	–	–	(1)	–	(239)	(240)
As at 31 December 2019 and 1 January 2020	1,383	778	31,731	1,930	79,114	114,936
Additions	–	69	1,849	490	12,579	14,987
Written off	–	(11)	(463)	(35)	(1,366)	(1,875)
Deemed disposal of a subsidiary (Note 42)	–	(57)	(958)	(308)	(12,179)	(13,502)
Exchange alignment	–	–	87	–	3,350	3,437
As at 31 December 2020	**1,383**	**779**	**32,246**	**2,077**	**81,498**	**117,983**
Accumulated depreciation						
As at 1 January 2019	652	507	12,220	957	4,050	18,386
Charge for the year	168	53	3,638	209	6,968	11,036
Exchange alignment	–	–	8	–	(43)	(35)
As at 31 December 2019 and 1 January 2020	820	560	15,866	1,166	10,975	29,387
Charge for the year	194	73	4,723	264	13,887	19,141
Written off	–	(8)	(332)	(25)	(987)	(1,352)
Deemed disposal of a subsidiary (Note 42)	–	(2)	(31)	(9)	(406)	(448)
Exchange alignment	–	–	20	–	634	654
As at 31 December 2020	**1,014**	**623**	**20,246**	**1,396**	**24,103**	**47,382**
Net book values						
As at 31 December 2020	**369**	**156**	**12,000**	**681**	**57,395**	**70,601**
As at 31 December 2019	563	218	15,865	764	68,139	85,549

16. INTANGIBLE ASSETS

	HK$'000
Cost	
As at 1 January 2019, 31 December 2019, 1 January 2020 and 31 December 2020	1,102
Accumulated amortisation	
As at 1 January 2019	266
Charge for the year	114
As at 31 December 2019 and 1 January 2020	380
Charge for the year	114
As at 31 December 2020	**494**
Net book values	
As at 31 December 2020	**608**
As at 31 December 2019	722

The intangible assets include the dance hall license and karaoke license of the club premises and vehicle registration marks. The directors of the Company estimated the useful lives of the vehicle registration marks is 5 years. The dance hall license permits the club to operate as a dance hall. The karaoke license permits the club to operate karaoke activity. The dance hall license and karaoke license are typically granted for a period of one year. The directors of the Company are not aware of any expected impediment with respect to the renewal of the licenses and consider that the possibility of failing in license renewal is remote. Therefore, the directors of the Company estimated the useful lives in 8.5 years of the dance hall license and karaoke license are same expiry date of the operating agreement of the club premises.

17. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December 2020 HK$'000	As at 31 December 2019 HK$'000
Life insurance policy	**5,816**	6,061

During the year ended 31 December 2019, 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. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	As at 31 December 2020 HK$'000	As at 31 December 2019 HK$'000
Unlisted equity investment	**1,972**	2,798

As at 31 December 2020 and 2019, the balance is mainly represented equity investment on 9.05% equity interest of a company in the PRC, which is principally engaged in the operation and management of clubbing venue in Guangzhou.

These investments are not held for trading, instead, they are held for long-term strategic purposes. The directors of the Company have elected to designate these investments in financial assets at FVTOCI as they believe that recognising short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes and realizing their performance potential in the long run.

During the year ended 31 December 2020, the Group entered into a sale and purchase agreement with an independent third party to dispose of the 9.05% equity interest in the company in the PRC at a total consideration of RMB1,660,000. The completion of the disposal is to be taken place on or before 30 June 2021. As a result, the unlisted equity investment is reclassified under current assets.

19. RIGHT-OF-USE ASSETS/LEASE LIABILITIES

Right-of-use assets

	2020 HK$'000	2019 HK$'000
As at 1 January	**110,906**	20,297
Acquisition of subsidiaries (Note 41)	**–**	20,721
Deemed disposal of a subsidiary (Note 42)	**(25,828)**	–
Addition during the year	**–**	84,881
Depreciation provided during the year	**(19,126)**	(14,598)
Lease modification	**(1,262)**	–
Exchange alignment	**1,076**	(395)
As at 31 December	**65,766**	110,906

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 current year, the Group leases 6 properties for the operation of restaurant and clubbing business. Lease contracts are entered into for fixed term of 2 to 6.5 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

Lease liabilities

	As at 31 December 2020 HK$'000	As at 31 December 2019 HK$'000
Analysed as		
— Current	**15,540**	23,011
— Non-current	**66,965**	105,386
	82,505	128,397

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

Lease liabilities *(Continued)*

	As at 31 December 2020 HK$'000	As at 31 December 2019 HK$'000
Minimum lease payments due		
— Within one year	**20,207**	29,852
— More than one year but not later than two years	**16,579**	27,309
— More than two years but not later than five years	**41,012**	63,434
— Over five years	**21,984**	34,225
	99,782	154,820
Less: Future finance charges	**(17,277)**	(26,423)
Present value of lease liabilities	**82,505**	128,397

The weighted average incremental borrowing rates applied to lease liabilities range from 4.04% to 8.15% (2019: 4.04% to 8.15%).

20. INVENTORIES

	As at 31 December 2020 HK$'000	As at 31 December 2019 HK$'000
Food and beverages	**8,147**	8,044
Other operating items for club and restaurant operations	**7**	134
	8,154	8,178

21. ACCOUNT AND OTHER RECEIVABLES

	As at 31 December 2020 HK$'000	As at 31 December 2019 HK$'000
Account receivables	7,634	8,916
Less: Allowance for ECL	(308)	(928)
	7,326	7,988
Sponsorship receivables	485	3,664
Less: Allowance for ECL	(10)	(34)
	475	3,630
Other receivables	9,455	8,732
Less: Allowance for ECL	(202)	(169)
	9,253	8,563
Prepayments	9,555	11,346
Deposits	15,381	32,840
Less: Allowance for ECL	(242)	(337)
	15,139	32,503
	41,748	64,030
Less: Portion classified as non-current — Deposits	(4,771)	(8,136)
Current portion	36,977	55,894

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

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

21. 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 2020 HK$'000	As at 31 December 2019 HK$'000
0 to 30 days	4,937	4,996
31 to 60 days	379	1,394
61 to 90 days	330	698
91 to 120 days	452	564
Over 120 days	1,228	336
	7,326	7,988

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

Movement in the accumulated allowance for ECL of account receivables

	2020 HK$'000	2019 HK$'000
As at 1 January	928	794
(Reversal of)/allowance for ECL recognised during the year	(620)	134
As at 31 December	308	928

Movement in the accumulated allowance for ECL of sponsorship receivables

	2020 HK$'000	2019 HK$'000
As at 1 January	34	43
Reversal of allowance for ECL recognised during the year	(24)	(9)
As at 31 December	10	34

21. ACCOUNT AND OTHER RECEIVABLES *(Continued)*

Movement in the accumulated allowance for ECL of other receivables

	2020 HK$'000	2019 HK$'000
As at 1 January	**169**	21
Allowance for ECL recognised during the year	**33**	148
As at 31 December	**202**	169

Movement in the accumulated allowance for ECL of deposits

	2020 HK$'000	2019 HK$'000
As at 1 January	**337**	–
(Reversal of)/allowance for ECL recognised during the year	**(95)**	337
As at 31 December	**242**	337

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 2020, the Group's prepayments mainly represents prepayments for performance fee of featured events of approximately HK$841,000 (2019: HK$2,300,000) and prepayments for legal and professional fees of approximately HK$1,605,000 (2019: HK$1,667,000). As at 31 December 2020, the Group's deposits mainly represents deposits for acquisition of plant and equipment and decoration of approximately HK$1,276,000 (2019: HK$27,234,000), rental deposits of approximately HK$5,149,000 (2019: HK$9,152,000), and no deposits for holding featured events (2019: HK$193,000).

As at 31 December 2020, the amounts of the Group's other receivables mainly represent value added tax recoverable of approximately HK$3,375,000 (2019: HK$3,836,000).

22. 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$4,450,000 (2019: HK$5,450,000) were carrying interest at 10% (2019: 10%) per annum. The loan receivables were recoverable according to repayment schedules, normally with contractual maturity within one year as at 31 December 2020 and 2019. Included in loan receivables, there was approximately HK$1,000,000 as at 31 December 2019 represented a loan to a related party which was unsecured, carried interest 10% per annum and recoverable within one year. During the year ended 31 December 2020, the loan to a related party was fully repaid.

	As at 31 December 2020 HK$'000	As at 31 December 2019 HK$'000
Loan receivables, gross	4,450	5,450
Less: Allowance for ECL	(94)	(50)
Loan receivables, net	4,356	5,400

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 2020 HK$'000	As at 31 December 2019 HK$'000
Within one year	4,356	5,400

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

Movement in the accumulated allowance for ECL of loan receivables

	2020 HK$'000	2019 HK$'000
As at 1 January	50	264
Allowance for/(reversal of) ECL recognised during the year	44	(214)
As at 31 December	94	50

23. AMOUNTS DUE FROM NON-CONTROLLING INTERESTS

	As at 31 December 2020 HK$'000	As at 31 December 2019 HK$'000
Zhuhai Wei Chong Culture Broadcasting Company Limited	–	446
New Jin Yi investment Company limited	2,376	2,233
Guangzhou Baohui Culture Development Company Limited	171	161
Zhuhai City Zhisheng Commercial Consultancy Company Limited	–	1,688
	2,547	4,528
Less: Allowance for ECL	(54)	–
	2,493	4,528

As at 31 December 2020 and 2019, the amounts mainly represent the outstanding balance of the capital injection to Zhuhai Ruiye Bar Management Company Limited ("Club Cubic Zhuhai") 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).

24. CASH AND CASH EQUIVALENTS/BANK OVERDRAFTS

Cash and cash equivalents

Cash and cash equivalents were denominated in the following currencies:

	As at 31 December 2020 HK$'000	As at 31 December 2019 HK$'000
MOP	3,439	6,038
HK$	5,785	14,522
RMB	651	2,751
	9,875	23,311

Cash and cash equivalents carry interest at 0.01% to 0.15% market rates per annum for the year ended 31 December 2020 (2019: 0.01% to 0.1%).

24. CASH AND CASH EQUIVALENTS/BANK OVERDRAFTS *(Continued)*

Bank overdrafts

Bank overdrafts carry interest at market rates which range from 5.3% to 5.4% (2019: from 5.3% to 5.4%) per annum.

25. INTERESTS AN ASSOCIATE

	2020 HK$'000
As at 1 January	–
Initial recognition on the derecognition of a subsidiary (Note 42)	–
Capital injection (note (a))	1,989
Share of losses of an associate	(1,989)
	–
Loan to an associate (note (b))	3,494
Amount due from an associate (note (c))	1,383
As at 31 December	4,877
Less: Amounts shown under current assets	(1,383)
Amounts shown under non-current assets	3,494

notes:

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

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

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

(d) 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).

25. INTERESTS AN ASSOCIATE *(Continued)*

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

The summarised financial information below represents amount shown in the associate's financial statements prepared in accordance with HKFRSs.

	As at 31 December 2020 HK$'000
Current assets	**1,705**
Non-current assets	**35,048**
Current liabilities	**(14,148)**
Non-current liabilities	**(31,338)**

	From the date of derecognition to 31 December 2020 HK$'000
Revenue	**16,907**
Other income and gain	**2,965**
Loss for the period	**(6,711)**
Other comprehensive loss for the period	**(6,711)**

25. INTERESTS IN AN ASSOCIATE *(Continued)*

Reconciliation to the Group's investment in an associate:

	As at 31 December 2020 HK$'000
Net liabilities of an associate	(8,733)
Proportion of the Group's ownership interests	29.73%
Share of net liabilities of an associate	–

	Year ended 31 December 2020 HK$'000
The unrecognised share of loss of an associate for the year	609

	As at 31 December 2020 HK$'000
Cumulative unrecognised share of loss of an associate	609

26. GOODWILL

Goodwill is allocated to the Group's CGUs identified according to business segment as follows:

	As at 31 December 2020 HK$'000	As at 31 December 2019 HK$'000
Clubs and restaurants operation (Note 41)	**9,152**	9,152

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.

The recoverable amount of the CGU to which goodwill is allocated, being the clubbing business conducted by Club Cubic Zhuhai, a non-wholly owned subsidiary, which was acquired during the year ended 31 December 2019. 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 2.6% (2019: 3%), which does not exceed the long-term growth rate for the clubbing business industry in the PRC. Discount rate is 13.18% (2019: 12.86%) which is pre-tax and reflect specific risks relating to the relevant CGU. Gross profit margin range from approximately 74.1% to approximately 74.3% (2019: from approximately 73% to approximately 77%) 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 2020 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. The directors believe that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the carrying amount of the CGU to exceed the aggregate recoverable amount.

27. ACCOUNT AND OTHER PAYABLES

	As at 31 December 2020 HK$'000	As at 31 December 2019 HK$'000
Account payables	**10,304**	10,259
Rental payables (note (i))	**12,199**	6,797
Other payables	**41,146**	62,467
Accruals	**9,836**	12,822
	73,485	92,345
Less: Portion classified as non-current		
— Other payables (note (ii))	**(29,647)**	(33,822)
Current portion	**43,838**	58,523

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

notes:

(i) As at 31 December 2020, the rental payables represent the short-term leases expense and contingent rental expense of approximately HK$4,991,000 (2019: HK$2,547,000) and HK$7,208,000 (2019: HK$4,250,000) respectively.

(ii) The other payables classified as non-current liabilities represent the design and renovation fee of Club Cubic Zhuhai which were unsecured, interest-free and not repayable within 12 months.

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

	As at 31 December 2020 HK$'000	As at 31 December 2019 HK$'000
0–30 days	**5,779**	6,166
31–60 days	**1,522**	2,257
61–90 days	**1,429**	933
91 to 120 days	**1,574**	903
	10,304	10,259

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

	2020 HK$'000	2019 HK$'000
As at 1 January	1,565	715
Provision for the year	–	850
As at 31 December	1,565	1,565
Less: Non-current portion	(1,565)	(1,565)
Current portion	–	–

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 2020, the Group expected that the total undiscounted costs required in the future would amount to approximately HK$1,565,000 (2019: HK$1,565,000).

30. SHARE CAPITAL

The share capital of the Group as at 31 December 2020 and 2019 represented the share capital of the Company. Movements of the share capital of the Company are as follows:

	2020		2019	
	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 and 31 December	1,800,000	18,000	1,800,000	18,000

31. DERIVATIVE FINANCIAL LIABILITIES

	Convertible promissory notes HK$'000	Convertible loans HK$'000	Total HK$'000
As at 1 January 2019	–	–	–
Issue of convertible promissory notes	983	–	983
Issue of convertible loans	–	199	199
Change in fair value	(938)	(178)	(1,116)
As at 31 December 2019 and 1 January 2020	45	21	66
Change in fair value	264	156	420
As at 31 December 2020	**309**	**177**	**486**

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 Bar Management Company Limited, a non-wholly owned subsidiary ("Club Cubic Zhuhai").

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.

The fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible 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.

The fair value of the convertible loans is approximately HK$8,877,000 as at 31 December 2020 (2019: HK$8,880,000).

For more details of the terms of convertible loans, please refer to the circular dated on 10 June 2019.

32. CONVERTIBLE LOANS *(Continued)*

The liability component of convertible loans recognised in the consolidated statement of financial position was calculated as follow:

	HK$'000
As at 1 January 2019	–
Issue of convertible loans	8,881
Effective interest expenses charged	457
Interest expenses paid and payable	(458)
As at 31 December 2019 and 1 January 2020	8,880
Effective interest expenses charged	814
Interest expenses paid and payable	(817)
As at 31 December 2020	**8,877**

33. CONVERTIBLE PROMISSORY 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 Club Cubic Zhuhai. 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 Club Cubic Zhuhai.

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.

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$17,709,000 as at 31 December 2020 (2019: HK$17,344,000).

For more details of the terms of convertible promissory notes, please refer to the circular dated on 22 August 2019.

33. CONVERTIBLE PROMISSORY NOTES *(Continued)*

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 2019	–
Issue of convertible promissory notes	17,218
Effective interest expenses charged	719
Interest expenses paid and payable	(593)
As at 31 December 2019 and 1 January 2020	17,344
Effective interest expenses charged	2,003
Interest expenses paid and payable	(1,638)
As at 31 December 2020	**17,709**

34. BANK LOANS

	As at 31 December 2020 HK$'000	As at 31 December 2019 HK$'000
The carrying amounts of bank loans that contain a repayment on demand clause (shown under current liabilities) but repayable:		
Within one year	**5,211**	1,200
Within a period of more than one year but not exceeding two years	**5,366**	1,200
Within a period of more than two years but not exceeding five years	**12,380**	8,700
	22,927	11,100
Less: Amounts due within one year shown under current liabilities	**(22,927)**	(1,200)
Amounts shown under non-current liabilities	**–**	9,900

As at 31 December 2020, the bank loans bear interest rate range from 2.45% to 4.75% per annum (2019: range from 2.45% to 4.25% per annum).

The weighted average effective interest rate of bank loans as at 31 December 2020 was approximately 3.16% (2019: 3.40%).

As at 31 December 2020, the bank loans of approximately HK$5,100,000 (2019: HK$5,100,000) was pledged by the financial assets at FVTPL and of approximately HK$6,644,000 (2019: HK$6,000,000) 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 2020 HK$'000	As at 31 December 2019 HK$'000
Assets			
Non-current assets			
Investments in subsidiaries	9	–	–
Financial assets at FVTPL		5,816	6,061
		5,816	6,061
Current assets			
Account and other receivables		753	2,101
Loan receivables		4,000	4,000
Amounts due from subsidiaries		21,396	58,001
Cash and cash equivalents		48	3,711
		26,197	67,813
Liabilities			
Current liabilities			
Account and other payables		5,048	8,092
Amounts due to subsidiaries		317	–
Derivative financial liabilities		309	41
		5,674	8,133
Net current assets		20,523	59,680
Total assets less current liabilities		26,339	65,741
Non-current liabilities			
Bank loans		5,100	5,100
Convertible promissory notes		17,709	17,344
		22,809	22,444
Net assets		3,530	43,297
Equity			
Share capital	30	18,000	18,000
Reserves	35(b)	(14,470)	25,297
		3,530	43,297

The financial statements were approved and authorised for issue by the Board of Directors on 23 March 2021 and signed on its behalf by:

Choi Yiu Ying	**Choi Siu Kit**
Director	*Director*

35. STATEMENT OF FINANCIAL POSITION AND RESERVE OF THE COMPANY *(Continued)*

(b) Reserves

	Share premium HK$'000	Accumulated losses HK$'000	Share-based compensation losses HK$'000	Total HK$'000
As at 1 January 2019	66,235	(9,291)	378	57,322
Loss and total comprehensive loss for the year	–	(32,403)	378	(32,025)
As at 31 December 2019 and 1 January 2020	66,235	(41,694)	756	25,297
Loss and total comprehensive loss for the year	–	(39,907)	140	(39,767)
As at 31 December 2020	**66,235**	**(81,601)**	**896**	**(14,470)**

As at 31 December 2020, the Company had no reserves available for distribution in accordance with the Company law of Cayman Islands (2019: HK$25,297,000).

36. RETIREMENT BENEFIT PLANS

The Group provides defined contribution plans for its employees in Macau, Hong Kong and the PRC.

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.

The amounts charged to the consolidated statement of profit or loss which amounted to HK$1,610,000 (2019: HK$2,343,000) represents contributions payable to the plans by the Group at rates specified in the rules of the plans less forfeitures of no (2019: no) arising from employees leaving the Group prior to completion of qualifying service period.

As at 31 December 2020, 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 (2019: nil).

36. RETIREMENT BENEFIT PLANS *(Continued)*

Employees *(Continued)*

The 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.

At the end of the reporting period, no option has been granted by the Company under the Share Option Scheme.

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 2020	Grant during the year ended 31 December 2020	Exercised during the year ended 31 December 2020	Lapsed during the year ended 31 December 2020	Outstanding as at 31 December 2020
Employees and Consultants	2 October 2018	(note (1))	HK$0.061	9,042,692	–	–	–	9,042,692
	2 October 2018	(note (2))	HK$0.061	9,042,692	–	–	–	9,042,692
	2 October 2018	(note (3))	HK$0.061	9,042,692	–	–	–	9,042,692
	2 October 2018	(note (4))	HK$0.061	3,014,232	–	–	–	3,014,232
Total				30,142,308	–	–	–	30,142,308

Category/ name of grantee	Date of grant	Exercise date/period	Exercise price per share	Number of share options: Outstanding as at 1 January 2019	Grant during the year ended 31 December 2019	Exercised during the year ended 31 December 2019	Lapsed during the year ended 31 December 2019	Outstanding as at 31 December 2019
Employees and Consultants	2 October 2018	(note (1))	HK$0.061	9,042,692	–	–	–	9,042,692
	2 October 2018	(note (2))	HK$0.061	9,042,692	–	–	–	9,042,692
	2 October 2018	(note (3))	HK$0.061	9,042,692	–	–	–	9,042,692
	2 October 2018	(note (4))	HK$0.061	3,014,232	–	–	–	3,014,232
Total				30,142,308	–	–	–	30,142,308

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.

As at 31 December 2020, the options outstanding have a weighted average remaining contractual life of 7.7 years (2019: 8.7 years).

No share options has been granted by the Company during the year ended 31 December 2020 (2019: nil). The estimated fair values of the options as at 2 October 2018 was approximately HK$920,000.

37. SHARE OPTION SCHEME *(Continued)*

These fair values were calculated using the Binomial Model. The inputs into the model were as follows:

Weighted average share price	HK$0.061
Weighted average exercise price	HK$0.061
Expected volatility	49%
Life of option	10 years
Risk free rate	2.42%
Expected dividend yield	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 2020, the Group recognised total expenses of approximately HK$140,000 (2019: HK$378,000) related to equity-settled share-based payment transactions.

38. CAPITAL COMMITMENTS

The Group served a renewal notice with effect on 11 November 2016 to the owner of the club premise ("COD") in Macau to extend the right to operate the club to March 2025. Pursuant to the relevant terms, the Group shall open and fund all fit-out and related works in respect of the first phase expansion ("Expansion") of not less than MOP15.0 million (equivalent to approximately HK$14.6 million) by 1 October 2017, which was agreed to be extended.

However, as no agreement was reached between the Company and COD on the final commercial terms, the Board of the Company has resolved to suspend the Expansion and to reallocate the resources to the renovation of Club Cubic Macau ("Renovation"), please refer to the Company's announcement dated 26 September 2019 for details.

During the year ended 31 December 2020, the Group hold up the capital investments including the Renovation due to the impact of Covid-19. The Board is of the view that the current priority should be to focus on its existing operations and strengthen its position in the market which would require more working capital to provide stronger support for the frontline operations. For the details, please refer to the Company's announcement dated 26 June 2020.

As at 31 December 2020, the amount authorised but not contracted for was approximately HK$10.6 million (2019: HK$10.6 million). Capital commitments outstanding at the end of the reporting period contracted but not provided for in the consolidated financial statements in respect of the Renovation were as follows:

	As at 31 December 2020 HK$'000	As at 31 December 2019 HK$'000
Plant and equipment	**–**	1,052

38. CAPITAL COMMITMENTS *(Continued)*

Other 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 2020 HK$'000	As at 31 December 2019 HK$'000
Unpaid balance of capital contribution to a subsidiary in the PRC	**42,473**	40,175

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 2020 and 2019, the Group had the following transactions with related parties:

Name of related parties	**Nature of transactions**	**Year ended 31 December 2020 HK$'000**	Year ended 31 December 2019 HK$'000
Zone One (CS) Limited (note (i))	Rental expenses	**1,440**	1,200
Xin Limited (note (ii))	Loan interest income	**24**	100

(c) The following table discloses the loan advanced to a related party for the years ended 31 December 2020 and 2019 (Note 22):

Name of a related party	**Maximum amount outstanding during the year HK$'000**	**As at 31 December 2020 HK$'000**	Maximum amount outstanding during the prior year HK$'000	As at 31 December 2019 HK$'000	Security held
Xin Limited (note (ii))	**1,000**	**–**	1,000	1,000	None

notes:

(i) Zone One (CS) Limited is held by Mr. Choi Kuen Kwan and Ms. Lo Mong Yee, who are the father and the mother of Mr. Choi Yiu Ying and Mr. Choi Siu Kit, who are the executive directors of the Company.

(ii) Xin Limited is the subsidiary of Star Century Investments Limited. The executive directors of the Company are the ultimate shareholders of Star Century Investments Limited. The executive director of the Group, Mr. Choi Siu Kit, is also the director of Xin Limited.

40. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Lease liabilities HK$'000 (Note 19)	Amounts due to/(from) non-controlling interests HK$'000 (Notes 23 and 28)	Bank overdrafts HK$'000 (Note 24)	Convertible loans HK$'000 (Note 32)	Convertible promissory notes HK$'000 (Note 33)	Bank loans HK$'000 (Note 34)
As at 1 January 2019	24,963	4,112	574	–	–	–
Changes from financing cash flows:						
Loans from non-controlling interests	–	5,612	–	–	–	–
Proceeds from issuance of convertible loans	–	–	–	9,080	–	–
Proceeds from issuance of convertible promissory notes	–	–	–	–	18,201	–
Proceeds from bank loans	–	–	–	–	–	11,100
Proceeds from bank overdrafts	–	–	5,421	–	–	–
Repayment of lease liabilities	(9,531)	–	–	–	–	–
Interest element of lease rentals paid	(3,982)	–	–	–	–	–
Interest paid	–	–	(105)	–	–	(112)
Total changes from financing cash flows	(13,513)	5,612	5,316	9,080	18,201	10,988
Other changes:						
Exchange adjustment	(118)	(100)	–	–	–	–
Acquisition of subsidiaries (Note 41)	28,203	13	–	–	–	–
Increase in lease liabilities	84,880	–	–	–	–	–
Interest expenses (Note 8)	3,982	–	105	457	719	112
Others	–	–	–	(657)	(1,576)	–
As at 31 December 2019 and 1 January 2020	128,397	9,637	5,995	8,880	17,344	11,100
Changes from financing cash flows:						
Repayment to non-controlling interests	–	(1,536)	–	–	–	–
Proceeds from bank loans	–	–	–	–	–	11,827
Repayment to bank overdrafts	–	–	(3,003)	–	–	–
Repayment of lease liabilities	(12,405)	–	–	–	–	–
Interest element of lease rentals paid	(5,692)	–	–	–	–	–
Interest paid	–	–	(261)	(814)	(2,003)	(488)
Total changes from financing cash flows	110,300	8,101	2,731	8,066	15,341	22,439
Other changes:						
Deemed disposal of a subsidiary	(28,548)	–	–	–	–	–
Interest expenses (Note 8)	5,692	–	261	814	2,003	488
Lease modification	(1,308)	–	–	–	–	–
Covid-19 related rent concession	(5,343)	–	–	–	–	–
Others	1,712	54	–	(3)	365	–
As at 31 December 2020	**82,505**	**8,155**	**2,992**	**8,877**	**17,709**	**22,927**

41. ACQUISITION OF SUBSIDIARIES

Acquisition of Oasis Capital International Limited ("Oasis Capital")

On 10 June 2019, Luk Hing Capital Limited, a wholly owned subsidiary of the Company completed the subscription of 9,080,000 shares of Oasis Capital, represented 72.73% of the total issued shares of Oasis Capital upon completion of the share subscription. On 10 June 2019, Oasis Capital which holds 48.33% effective interest of Club Cubic Zhuhai. Club Cubic Zhuhai is the direct subsidiary of Oasis Capital. The Group also directly holds 19.47% effective interest of Club Cubic Zhuhai through a wholly owned subsidiary. In effect, Club Cubic Zhuhai became an indirect non-wholly owned subsidiary of the Group. Club Cubic Zhuhai principally engages in the operation and management of Club Cubic Zhuhai in the PRC. The Group has acquired Oasis Capital because it expands the Group's clubbing business development portfolio.

The acquisition has been accounted for using the acquisition method. The consolidated financial statements include the results of Club Cubic Zhuhai for the period from the acquisition date.

The fair values of the identifiable assets and liabilities of Oasis Capital as at the date of acquisition were:

	Fair value recognised on acquisition HK$'000
Assets	
Plant and equipment	12,701
Right-of-use assets	20,721
Account and other receivables	5,856
Amounts due from non-controlling interests	3,414
Cash and cash equivalents	9,140
	51,832
Liabilities and Shareholders' Equity	
Lease liabilities	(28,203)
Account and other payables	(12,291)
Amounts due to non-controlling interests	(3,427)
Non-controlling interests	(3,329)
	(47,250)
Total identifiable net assets at fair value	4,582

41. ACQUISITION OF SUBSIDIARIES *(Continued)*

Acquisition of Oasis Capital International Limited ("Oasis Capital") *(Continued)*

	Fair value recognised on acquisition HK$'000
Goodwill arising on acquisition	9,152
Consideration transferred	13,734
Consideration satisfied by:	
Financial assets at FVTOCI	4,654
Subscription of registered share capital by cash	9,080
	13,734
Cash inflow arising on acquisition:	
Cash and cash equivalent acquired	9,140
Less: Cash transferred	(9,080)
	60

Had the acquisition been completed on 1 January 2019, revenue for the year of the Group would have been of approximately HK$225,403,000, and loss for the year of the Group would have been of approximately HK$47,204,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2019, nor is it intended to be a projection of future results.

42. DEEMED DISPOSAL OF A SUBSIDIARY BECOMES AN ASSOCIATE

On 30 March 2020, Luk Hing Mandarin Limited (an indirect wholly owned subsidiary of the Company) ("LH Mandarin") entered into the subscription agreements with the several independent third parties, agreed to subscribe for and to allot and issue 6,127,200 shares of LH Mandarin (the "Subscription"). Upon the completion of the Subscription, the Company's effective interest in LH Mandarin will reduce from 100% to 23.33% thus constituting a deemed disposal of the Company, and LH Mandarin will also cease to be a subsidiary of the Company. LH Mandarin was derecognised as a subsidiary of the Company and excluded from the scope of the consolidation, and was accounted for as an associate using equity accounting in the Group's consolidated financial statements (the "Derecognition").

42. DEEMED DISPOSAL OF A SUBSIDIARY BECOMES AN ASSOCIATE *(Continued)*

The net liabilities of LH Mandarin at the date of the Derecognition are as follows:

	HK$'000
Plant and equipment	13,054
Right-of-use assets	25,828
Inventories	29
Account and other receivables	2,912
Cash and cash equivalents	928
Account and other payables	(23,917)
Lease liabilities	(28,548)
Net liabilities	(9,714)

No cash consideration was received or paid from the transaction.

A gain of approximately HK$9,714,000 recognised in profit or loss for the difference between the fair value of investment retained in the associate and the carrying amount of net liabilities derecognised in the subsidiary.

43. CHANGE IN OWNERSHIP INTEREST IN SUBSIDIARIES

During the year ended 31 December 2019, the Group has further acquired 12.35% effective interest in Club Cubic Zhuhai and decreased 12.35% effective interest in Oasis Capital through capital injection. As a result, the Group recognised an increase in non-controlling interests and other reserve of approximately HK$1,135,000 and HK$92,000 respectively.

44. EVENTS AFTER THE REPORTING PERIOD

(a) On 4 January 2021, the Company granted share options to the Directors, a director of subsidiary of the Company, a consultant and an employee of the Group (the "Grantees") to subscribe for a total of 144,000,000 ordinary shares of HK$0.01 each in the capital of the Company, subject to acceptances of the Grantees, under the share option scheme of the Company adopted on 18 October 2016 (the "Share Option Scheme"). For the details of the grant of share option, please refer to the Company's announcement dated 4 January 2021.

(b) 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 360,000,000 shares of HK$0.033 each for a cash consideration of approximately HK$11,880,000 ("the Subscriptions"). At the date of approval of these consolidated financial statements, the Subscriptions have not been completed. Further details were set out in the Company's announcement dated 23 March 2021.

45. COMPARATIVES

Certain comparative figures have been reclassified to be consistent with the current year's presentation.

46. AUTHORISATION FOR ISSUE OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on 23 March 2021.

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				
	2020	2019	2018	2017	2016
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**158,373**	225,403	206,868	137,384	129,302
Listing expenses	**–**	–	–	–	(16,165)
(Loss)/profit before taxation	**(38,628)**	(42,144)	3,713	(13,295)	(6,184)
Total comprehensive (loss)/income for the year	**(38,615)**	(42,692)	2,947	(13,430)	(6,184)

	As at 31 December				
	2020	2019	2018	2017	2016
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**225,418**	320,635	118,370	112,797	110,690
Total liabilities	**221,205**	280,159	37,434	35,186	23,651
Net current (liabilities)/assets	**(20,407)**	8,235	56,006	52,287	80,517
Net assets	**4,213**	40,476	80,936	77,611	87,039