2023 ANNUAL REPORT

LUK HING ENTERTAINMENT GROUP HOLDINGS LIMITED

陸 慶 娛 樂 集 團 控 股 有 限 公 司

Incorporated in the Cayman Islands with limited liability | Stock Code: 8052

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LUK HING ENTERTAINMENT GROUP

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

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

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Choi Siu Kit
Mr. Ting Patrick (appointed on 21 April 2023 and resigned on 8 February 2024)
Mr. Choi Yat Hon *(Chairman and Chief Executive Officer)* (resigned on 3 October 2023)
Mr. Yeung Chi Shing (resigned on 21 April 2023)

Non-executive Director

Mr. Au Ka Wai (resigned on 3 October 2023)

Independent Non-executive Directors

Ms. Tse Mei Ling
Mr. Mak Kwok Kwan Terence (appointed on 4 September 2023)
Ms. Woo Man Hung (appointed on 4 September 2023)
Mr. Ip Hoi Fan (resigned on 3 October 2023)
Mr. Wong Chung Wai (resigned on 4 September 2023)

BOARD COMMITTEES

Audit Committee

Ms. Tse Mei Ling *(Chairman)*
Mr. Mak Kwok Kwan Terence (appointed on 4 September 2023)
Ms. Woo Man Hung (appointed on 4 September 2023)
Mr. Au Ka Wai (resigned on 3 October 2023)
Mr. Wong Chung Wai (resigned on 4 September 2023)

Remuneration Committee

Ms. Tse Mei Ling *(Chairman)*
Mr. Mak Kwok Kwan Terence (appointed on 4 September 2023)
Ms. Woo Man Hung (appointed on 4 September 2023)
Mr. Wong Chung Wai (resigned on 4 September 2023)
Mr. Ip Hoi Fan (resigned on 3 October 2023)
Mr. Au Ka Wai (resigned on 3 October 2023)

Nomination Committee

Mr. Mak Kwok Kwan Terence *(Chairman)* (appointed on 4 September 2023)
Ms. Woo Man Hung (appointed on 4 September 2023)
Mr. Choi Siu Kit
Mr. Choi Yat Hon *(Chairman)* (resigned on 3 October 2023)
Mr. Wong Chung Wai (resigned on 4 September 2023)
Mr. Ip Hoi Fan (resigned on 3 October 2023)

COMPANY SECRETARY

Mr. Chu Pui Ki Dickson CPA (appointed on 10 November 2023)
Mr. Lee Kun Yin (resigned on 10 November 2023)

COMPLIANCE OFFICER

Mr. Choi Siu Kit

AUTHORISED REPRESENTATIVE

Mr. Choi Siu Kit
Mr. Chu Pui Ki Dickson CPA (appointed on 10 November 2023)
Mr. Lee Kun Yin (resigned on 10 November 2023)

AUDITORS

D & PARTNERS CPA LIMITED
Certified Public Accountants
Registered Public Interest Entity Auditor
Room 2201, 22/F
West Exchange Tower
322 Des Voeux Road Central
Sheung Wan, Hong Kong

LEGAL ADVISOR

Macau Law

Leong Hon Man Law Office

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 2023.

As pandemic control measures were cancelled in 2023, the economy experienced a gradual recovery and the market regained its energy. The restaurants business industry in Hong Kong gets back on track gradually. The Group's revenue had recovered significantly during the year, compared with the year ended 31 December 2022.

BUSINESS ENVIRONMENT AND DEVELOPMENT

At present, the Group are operating two restaurants which are "HEXA" and "SIXA" in Hong Kong. Following the full resumption of cross-border travel on February 6, 2023, relaxation of COVID-19 restrictions and increase in tourist arrivals in Hong Kong, the restaurant business has resumed to pre-pandemic levels. Despite the business environment of the restaurant industry in Hong Kong remains challenging and competitive, the Group continually and regularly introduced special set menus, including various festival meal sets for reunion feast in order to attract more customers.

OUTLOOK

As more time is required for a complete economic recovery, the Group will adopt a prudent approach on the business development of the restaurant industry.

Looking forward to 2024, although the risks directly caused by the pandemic have been fully revealed, inflationary pressures and the risk of financing costs will be a key concern in the year ahead for the Group as its business operation is inevitably relying on capital leverage.

In addition, the Group completed share consolidation and rights issue during the year to enhance its working capital and improve its financial position. The board believes that 2024 will be a better year and the Group will plan to continue optimizing its existing operations in 2024 to enhance operational efficiency. At the same time, the Group's management is exploring investment opportunities in the restaurant and/or new business sectors.

Overall, the Company will continue to review its existing business on a regular basis and is committed to improving the business operations and financial position of the Group, while trying to identify potential business and investment opportunities to expand its source of income. Despite the uncertain and challenging business environments in Hong Kong, we will try our best to leverage our brand and network in order to improve our financial positions for our shareholders.

APPRECIATION

On behalf of the board of directors, I would like to express our sincere gratitude to our valued customers, business partners and shareholders for their persistent support, and express our appreciation to the management team and employees for their hard work and valuable contribution to the Group.

Choi Siu Kit
Executive Director
Hong Kong, 28 March 2024

MANAGEMENT DISCUSSION AND ANALYSIS

During the year ended 31 December 2023, the Group is primarily engaged in the operation of restaurants namely "HEXA" and "SIXA" in Hong Kong.

BUSINESS REVIEW

Hong Kong's retail sales are ticking up since the end of 2022, with the latest figure showing an improvement in spending on catering businesses after full resumption of cross-border travel on February 6, 2023. Recovery of local consumption and the increase in the number of visitors led to the uplift of sales revenue of our restaurants in 2023. Our restaurants have resumed to the pre-pandemic level of revenue performance. The restaurant business continues to contribute a stable source of income to the Group.

The impact of COVID-19 is finally receding after three years long. Our business and operations revert to normal after lifting of anti-epidemic measures. The Group continued maintaining its proactive while prudent approach to recover from the pandemic shadow. During the period under review, the Group has taken a number of measures to improve its liquidity and financial position including: (i) the Company has implemented stronger measures to improve the working capital and cashflow of the Group, including closely monitoring incurrence of other operating expenses; and (ii) the Company has proactively explored fund raising activities included (1) having successfully completed placing of 450,880,000 placing shares by issuance of new shares under general mandate for net proceeds of approximately HK$6.9 million on 17 March 2023; and (2) having entered into underwriting agreement and placing agreement with Sanston Financial Group Limited on 6 April 2023 in respect of, among others, rights issue on the basis of one (1) rights shares for every one (1) consolidated share, for raising gross proceeds of up to approximately HK$43.9 million. Please refer to the announcements of the dated 24 February 2023, 1 March 2023, 17 March 2023, 6 April 2023, 4 August 2023, 18 August 2023 as well as the circular and the prospectus of the Company dated 9 June 2023 and 14 July 2023 for details.

Winding up Petition

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

Disposal of entire issued share capital in a subsidiary

On 29 December 2023, the wholly owned subsidiary of the Company, Luk Hing Group Development Limited entered into a sale and purchase agreement with an independent third party, pursuant to which the entire issued share capital in Luk Hing Group Development Limited, was disposed for a total consideration of approximately HK$8. Luk Hing Group Development Limited ceased to be a subsidiary of the Company and its financial results, asset and liabilities is no longer be consolidated into the financial statements of the Group. A gain on the disposal of approximately HK$25.2 million was recorded.

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

FINANCIAL REVIEW

Revenue

Total revenue of the Group increased by 63.3% from approximately HK$58.6 million in 2022 to approximately HK$95.7 million in 2023 as our restaurants have resumed to the pre-pandemic level of revenue performance after full resumption of cross-border travel.

Expenses

Cost of inventories sold mainly represents for the costs of beverage, food and tobacco products sold. It increased by 47.0% from approximately HK$18.3 million in 2022 to approximately HK$26.9 million in 2023 in line with the increase of revenue.

Staff costs is one of the major components of the Group's operating expenses, which mainly consists of Directors' emoluments, salaries, retirement benefit scheme contribution and other benefits. Staff costs increased by 10.9% from approximately HK$32.2 million in 2022 to approximately HK$35.7 million in 2023. Staff costs resumed to normal along with rebound of sales revenue for which the increased impact was partially offset by the stringent cost control measure.

Property rentals and related expenses decreased by 17.8% from approximately HK$9.0 million in 2022 to approximately HK$7.4 million in 2023 due to the cessation of operation of CUBIC SPACE+.

Advertising and marketing expenses increased by 125.8% from approximately HK$155,000 in 2022 to approximately HK$350,000 in 2023 due to the rebound of sales revenue.

Other operating expenses represent expenses incurred for the operations. These include mainly cleaning and laundry, utilities, credit card commission, repair and maintenance and legal and professional fee. Other operating expenses increased by 45.6% from approximately HK$16.0 million in 2022 to approximately HK$23.3 million in 2023. This increase was mainly attributable to the provision for legal claims of approximately HK$2.0 million from Zhuhai Ruiye's litigation cases which were mainly related to labour disputes and business disputes and bad debts written off of approximately HK$5.3 million on the value added tax recoverable and other receivables from the disposal of a subsidiary in 2023 as well as loss on financial guarantees of approximately HK$2.2 million which were guaranteed for the bank loan of an associate and a former subsidiary.

Depreciation and amortization decreased by 42.2% from approximately HK$23.0 million in 2022 to approximately HK$13.3 million in 2023. This was mainly due to the cessation of operation of CUBIC SPACE+ from October 2022.

Profit/(Loss) Attributable to Owners of the Company

Profit attributable to owners of the Company was approximately HK$14.9 million in 2023 compared to a net loss attributable to owners of the Company was approximately HK$32.1 million in 2022. The significant increase was primarily due to (i) the rebound of sale revenue in our restaurants; and (ii) operating expenses minimized in CUBIC SPACE+ after cessation of operation in October 2022.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Below is a summary of the key financial ratio:

	Notes	As at 31 December 2023	As at 31 December 2022
Current ratio	1	**0.2**	0.1
Quick ratio	2	**0.2**	0.1
Debt ratio	3	**196.0%**	358.9%
Gearing ratio	4	**N/A**	N/A

Notes:

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

The Group had cash and cash equivalents of HK$0.8 million as at 31 December 2023 (31 December 2022: HK$0.6 million).

As at 31 December 2023, The Group had external borrowing of HK$17.4 million (31 December 2022: HK$48.8 million). A series of plans and measures have been taken to mitigate liquidity pressure and to improve the financial position of the Group, for details please refer to Note 2.2.

CHARGES ON ASSETS

As at 31 December 2023, the Group did not have any charges on its assets except the pledge of the life insurance policy to China Citic Bank International Limited for the revolving loan facility of HK$5.1 million for the life insurance policy premium financing.

FOREIGN EXCHANGE EXPOSURE

The Group's principal operations are primarily conducted and recorded in Hong Kong dollar ("HK$"), Renminbi ("RMB"). The financial statements of foreign operations are translated into HK$ which is the Company's functional and presentation currency. During the year under review, a significant portion of revenues are denominated in Hong Kong dollar.

TREASURY POLICIES

The management will continue to follow a prudent policy in managing the Group's cash balances and maintain a strong and healthy liquidity to ensure that the Group is well placed to take advantage of future growth opportunities.

CONTINGENT LIABILITIES

Save as disclosed in Note 40 to the consolidated financial statements of the Group, the Group did not have any contingent liabilities.

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

Save for those disclosed in this annual report, there were no other significant investments held by the Group as at 31 December 2023, nor were there other material acquisitions and disposal of subsidiaries and affiliated companies by the Group during the year.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed in this annual report, the Group has no concrete plan for future investments or acquisition of capital assets in place as at the date of this annual report.

DIVIDEND

The Board does not recommend the payment of dividend by the Company for the year ended 31 December 2023.

PLACING

On 24 February 2023, the Company has entered into a placing agreement with Sanston Financial Group Limited, the placing agent, pursuant to which the Company has conditionally agreed to place through the placing agent, on a best effort basis, a maximum of 450,880,000 placing shares at the placing price of HK$0.016 per placing share to one or more placee(s) who and whose beneficial owners shall be Independent Third Parties (the "Placing"). The Placing Price of HK$0.016 per placing share is equal to the closing price of HK$0.016 per existing Share as quoted on the Stock Exchange on 24 February 2023, being the date of the placing agreement. The net issue price of approximately HK$0.0155 per placing share. The placing shares, when allotted and issued, shall rank pari passu in all respects among themselves and with the existing Shares in issue on the date of allotment and issue of the placing shares. The aggregate nominal value of the rights shares will be up to HK$4,508,800.00. The Placing was completed on 17 March 2023 and the net proceeds was approximately HK$7 million among which approximately HK$6.5 million was used to partial settlement of outstanding principal of convertible promissory note and convertible loan and the remaining HK$0.5 million will be used as working capital of the Company. The net proceeds have been fully utilised.

For details, please refer to the Company's announcements dated 24 February 2023, 1 March 2023 and 17 March 2023.

SHARE CONSOLIDATION

On 4 July 2023, a share consolidation (the "Share Consolidation") on the basis that every ten issued and unissued existing shares were consolidated into one consolidated share of HK$0.1 (the "Consolidated Shares") each became effective. The Share Consolidation was approved by shareholders at the extraordinary general meeting held on 30 June 2023.

RIGHTS ISSUE

On 6 April 2023, the Company proposed to raise gross proceeds of up to approximately HK$43.9 million before expenses by way of a rights issue of 274,128,000 rights shares at the subscription price of HK$0.160 each and on the basis of one (1) rights share for every one (1) share held by the qualifying shareholders on the record date (the "Rights Issue"). The Directors consider that the Rights Issue represents an opportunity to settle, in a full and final manner, its major outstanding liabilities, in particular the amount due in respect of its convertible promissory notes issuance in July 2019 and the convertible loans obtained in June 2019, strengthen the Group's financial position, and raise additional funding for the business operations of the Group without any interest burden.

The rights shares (when allotted, fully paid or credited as fully paid and issued) will rank pari passu with the existing shares in all respects. The subscription price represents a discount of approximately 5.88% to the theoretical closing price of HK$0.17 per consolidated share (after taking into account the effect of the Share Consolidation) based on the closing price of HK$0.017 per Previous Share as quoted on the Stock Exchange on 6 April 2023. The aggregate nominal value of the rights shares will be up to HK$27,412,800. The net price per rights shares will be approximately HK$0.149 per rights share.

The actual net proceeds from the rights issue of the Company completed on 18 August 2023 (the "Rights Issue"), after deduction of all expenses borne by the Company in connection with the Rights Issue, were approximately HK$40.9 million (the "Rights Issue Proceeds"), which was fully utilised in accordance with the intended use during the year ended 31 December 2023.

For details, please refer to the Company's announcements dated 10 April 2023, 2 May 2023, 25 May 2023, 30 June 2023, 4 August 2023 and 18 August 2023, the circular dated 9 June 2023, the prospectus dated 14 July 2023 (the "Prospectus").

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

The Board wishes to draw the attention of the shareholders of the Company (the "Shareholders") to the section headed "Basis for Disclaimer of Opinion" as contained in the Independent Auditor's Report dated 28 March 2024 issued by the Company's auditors, D & PARTNERS CPA LIMITED (the "Auditor"), contained in pages 73 and 74 of this report.

In respect of the basis for disclaimer of opinion as disclosed in the independent auditor's report for the year ended 31 December 2023 relating to the appropriateness of the assumption regarding the Company's ability to continue as a going concern, the Group has prepared a forecast covering a period of 15 months from the end of the reporting period taking into account of a number of measures undertaking to improve its liquidity and financial position including but not limited to:

(i) the management will continue to negotiate with banks for renewing banking facilities. Based on the latest communications with the banks, the directors of the Company are not aware of any intention of the banks to withdraw their bank facilities or require early repayment of the loans, and the directors believe that the existing bank facilities will be renewed when their current terms expire given the good track records and relationships the Group has with the banks;

(ii) the management will consider other financing arrangements and fund-raising alternatives with a view to increasing the Group's capitalisation/equity and to support the continuing growth of the Company; and

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

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

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

AUDIT COMMITTEE'S VIEW ON THE DISCLAIMER OF OPINION

The audit committee of the Company (the "Audit Committee") had critically reviewed the basis for disclaimer of opinion (the "Disclaimer") of the Auditor. The Audit Committee had also discussed with the Auditor regarding the financial position of the Group, the measures taken and to be taken by the Company, and considered the Auditor's rationale and understood their consideration in arriving the disclaimer of opinion. The Audit Committee is in agreement with the management with respect to the Disclaimer and the Group's ability to continue as a going concern, and in particular the actions or measures to be implemented by the Group. The Audit Committee's views are based on (i) a critical review of the action plan to address the Disclaimer; and (ii) discussions between the Audit Committee, the auditors and the management regarding the Disclaimer and the proposed measures and action plan together with the timeline stated therein to address the Disclaimer. The Audit Committee requested the management to take all necessary actions to address the effect on the basis for disclaimer of opinion to procure no such disclaimer of opinion to be made in the next financial year.

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

BOARD OF DIRECTORS

Executive Director

Mr. Choi Siu Kit (蔡紹傑) ("Mr. John Choi"), aged 46, was appointed as our Director on 30 November 2015. He was re-designated as our executive Director on 2 March 2016. He was also appointed as the compliance officer of our Company on 2 March 2016 and is currently the authorized representative of the Company. Mr. John Choi is primarily responsible for overall strategic planning and supervising marketing and entertainment aspects of our Group. He has joined our Group as our managing director since May 2010. He has been responsible for overseeing daily operation, developing business strategies, building client relationships and business reputation, liaising with suppliers and relevant government departments and implementing the overall business strategies. He has also been a director of certain subsidiaries of the Group.

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

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

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

Independent non-executive Directors

Ms. Tse Mei Ling (謝美玲), aged 44, was appointed as an independent non-executive Director of the Company, the chairman of the Audit Committee and Remuneration Committee of the Company on 13 January 2023. Ms. Tse is a fellow member of Association of Chartered Certified Accountants with 20 years of experience in accounting and financial management. Ms. Tse is currently a financial controller of the NEFIN Group. She served as financial controller of Energy International Investments Holdings Limited, a company listed on the Main Board of The Stock Exchange of Hong Kong Limited (stock code: 353) between 2016 and 2018. Ms. Tse has also served as financial controller of the Company between 2012 and 2015.

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

Mr. Mak Kwok Kwan Terence (麥國坤), aged 43, was appointed as an independent non-executive Director of the Company, the chairman of the Nomination Committee and members of each of the Audit Committee and the Remuneration Committee of the Company on 4 September 2023. He obtained a Bachelor of Commerce degree from the University of New South Wales in September 2006. He has over 11 years of experience in financial management and consultancy services. Since August 2007, Mr. Mak has been a consultant of Tung Yue Tai Company Limited, a company which is principally engaged in the trading, retail and wholesale of Chinese dried and preserved seafood, and he is responsible for overseeing the overall financial and business operation. Since June 2016, Mr. Mak has also been the managing director of Maia Global Investments Limited, primarily responsible for overseeing the overall management and strategic planning of the company.

Mr. Mak is also experienced in investing in both private and public companies. As confirmed by Mr. Mak, he has invested in a number of pre-IPO investments, such as the pre-IPO investment in Asia Grocery Distribution Limited (a company whose shares are listed on GEM of the Stock Exchange (stock code: 8413)); and investment in a company which is principally engaged in the manufacturing and sales of bead wires for automobile tires.

Ms. Woo Man Hung (吳文鴻), aged 51, was appointed as an independent non-executive Director of the Company, the member of each of the Nomination Committee, the Audit Committee and the Remuneration Committee of the Company on 4 September 2023. She obtained a Bachelor of Arts (Hons) degree from the City University of Hong Kong in 1999. She has been a fellow member of the Association of Chartered Certified Accountants since October 2003 and a member of the Hong Kong Institute of Certified Public Accountants (Practising) since January 2003. Ms. Woo has accumulated extensive work and management experience in accounting and auditing from her own practice and international accounting firms in the past 25 years.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

The Company has adopted and complied with the principles and code provisions in the Corporate Governance Code and Corporate Governance Report (the "CG Code") as previously set out in Appendix C1 to the GEM Listing Rules for the year ended 31 December 2023, except for the below deviation.

F.2

One non-executive Director and three independent non-executive Directors were absent from the last annual general meeting of the Company held on 16 June 2023 as they were away from Hong Kong due to other important engagements at the time of this meeting. The Board considered that sufficient measures had been taken for the absent Directors to understand the views of shareholders, including having circulated the minutes of the annual general meeting to each of the absent Directors after the conclusion of the annual general meeting.

BOARD OF DIRECTORS

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

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

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

The Board currently comprises 4 Directors, including 1 executive Director and 3 independent non-executive Directors, and the Director's details during the year and up to the date of this annual report are as set out below:

Executive Directors
Mr. Choi Siu Kit
Mr. Ting Patrick (appointed on 21 April 2023 and resigned on 8 February 2024)
Mr. Choi Yat Hon *(Chairman and Chief Executive Officer)* (resigned on 3 October 2023)
Mr. Yeung Chi Shing (resigned on 21 April 2023)

Non-executive Director
Mr. Au Ka Wai (resigned on 3 October 2023)

Independent Non-executive Directors
Ms. Tse Mei Ling
Mr. Mak Kwok Kwan Terence (appointed on 4 September 2023)
Ms. Woo Man Hung (appointed on 4 September 2023)
Mr. Ip Hoi Fan (resigned on 3 October 2023)
Mr. Wong Chung Wai (resigned on 4 September 2023)

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

CHANGES IN DIRECTORS' INFORMATION

Save as disclosed in this annual report, there was no change in the information of the Directors required to be disclosed pursuant to paragraphs (a) to (e) and (g) of Rule 17.50(2) of the GEM Listing Rules during the year ended 31 December 2023 and remain so as at the date 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 diverse perspectives, including but not limited to gender, age, cultural background and ethnicity, in addition to educational background, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. The nomination committee reviews and monitors the implementation of the Board diversity policy periodically and the Board diversity policy has been published on the website of the Company up to the date of this annual report.

As at 31 December 2023, three of the Board members are independent non-executive Directors and at least one of whom has appropriate professional qualifications or accounting or related financial management expertise, in accordance with Rule 5.05(1)(2) and 5.05A of the GEM Listing Rules. All of the independent non-executive Directors have been appointed for an initial term of one year and none of the independent non-executive Directors has served the Company for more than 9 years. The Company has received from each independent non-executive Director an annual confirmation of his independence pursuant to Rule 5.09 of the GEM Listing Rules and considers all the independent non-executive Directors to be independent. All independent non-executive Directors are identified as such in all corporate communications of the Company containing the names of the Directors.

The Company has entered into a service agreement with our executive Director for an initial term of three 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 annual general meeting after their appointment, and are subject to re-election by shareholders of the Company.

Gender diversity

Board composition

The Board believes that gender diversity is a manifestation of board diversity, among all other measurable objectives. The Board currently comprises of 4 Directors, two of which are female. The Board is currently of the opinion that it generally meets the diversity requirements under the GEM Listing Rules. Yet, the Board will continue to take opportunities to increase the proportion of female members over time as and when suitable candidates are identified and will review the implementation and effectiveness of the diversity policy on an annual basis to ensure its continued effectiveness.

The Group recognises the importance of diversity and has a diverse workforce in terms of gender, providing a variety of ideas and levels of competency that contribute to the Group's success. In the hiring process, the Company takes into account a number of measurable factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional specialisation, experience, skills, knowledge and other qualifications. Appointment of candidates is solely based on meritocracy, and candidates will be considered against objective criteria, having due regards for the benefits of diversity on the Group. As of 31 December 2023, the gender ratio of the Group's workforce is 2.2 male : 1 female and the Group is in the view that the existing gender ratio is satisfactory to our operations.

WHISTLEBLOWING POLICY

The whistleblowing policy has been put in place for all employees and those who have business dealings with the Group (including customers and suppliers) to deal with concerns related to fraudulent or unethical acts or non-compliances with laws and the Group's policies that have or could have significant adverse financial, legal or reputational impacts on the Group. They may raise concerns about the possible improprieties in any matters related to the Group, in person or in writing to the company secretary who shall report to the chairman of the Audit Committee in confidence and anonymity. The chairman of the Audit Committee shall then determine the course of action to pursue, with power to delegate, with respect to the report.

ANTI-CORRUPTION POLICY

The Group has formulated its own anti-corruption policy to ensure the Directors and employees within the Group comply with the Hong Kong Prevention of Bribery Ordinance, the Criminal Law of the PRC, the Anti-Unfair Competition Law of the PRC and the Anti-Money Laundering Law of the PRC, where applicable. The policy sets out the integrity and conduct requirements and policies or controls in place which applies to all Directors and employees of the Group at all levels, and external parties doing business with the Group and those acting in an agency or fiduciary capacity on behalf of the Group (e.g., agents, consultants and contractors). The policy is reviewed from time to time to ensure that it remains appropriate.

TRAINING, INDUCTION AND CONTINUING PROFESSIONAL DEVELOPMENT OF DIRECTORS

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

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

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by the Directors of the Company on terms no less exacting than the required standard of dealings set out in Rules 5.46 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 2023. 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 2023, the Company has held five Board meetings in total. The attendance record of each Director at Board meetings, audit committee meetings, remuneration committee meeting, nomination committee meeting and general meeting during the year ended 31 December 2023 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 Siu Kit	11/11	NA	NA	NA	2/2
Mr. Ting Patrick (appointed on 21 April 2023 and resigned on 8 February 2024)	6/6	NA	NA	NA	2/2
Mr. Choi Yat Hon (resigned on 3 October 2023)	9/9	NA	NA	5/5	2/2
Mr. Yeung Chi Shing (resigned on 21 April 2023)	4/5	NA	NA	NA	NA
Non-executive Director					
Mr. Au Ka Wai (resigned on 3 October 2023)	9/9	3/3	5/5	NA	0/2
Independent Non-executive Directors					
Ms. Tse Mei Ling	8/8	5/5	3/3	NA	0/2
Mr. Mak Kwok Kwan Terence (appointed on 4 September 2023)	3/3	2/2	NA	NA	NA
Ms. Woo Man Hung (appointed on 4 September 2023)	3/3	2/2	NA	NA	NA
Mr. Ip Hoi Fan (resigned on 3 October 2023)	9/9	NA	5/5	5/5	0/2
Mr. Wong Chung Wai (resigned on 4 September 2023)	6/6	3/3	4/4	4/4	0/2

During year ended 31 December 2023, the Board also reviewed the implementation and effectiveness of mechanisms to ensure independent views and input are available to the Board. Taking into account the following channels, the Board considered that the Company had in place mechanisms which remain effective to ensure a strong independent element on the Board:

- a sufficient number of three Independent non-executive Directors representing at least one-third of the Board and all of them continue to devote adequate time contribution to the Company;
- the independent non-executive Directors have an equal status to other Board members;
- all independent non-executive Directors share their views and opinions through regular meetings;
- interaction with management and other Board members including the Chairman outside the boardroom upon request by the Directors; and
- independent professional advice would be provided to Independent non-executive Directors upon reasonable request to assist them to perform their duties to the Company

BOARD COMMITTEES

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

Nomination Committee

The Company established a nomination committee with written terms of reference in compliance with paragraph B.3.1 of the CG Code. As of the date of this Report, the nomination committee is chaired by our independent non-executive Director, Mr. Mak Kwok Kwan Terence, and consists of one independent non-executive Director, Ms. Woo Man Hung and one executive Director, Mr. Choi Siu Kit. 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.

Five meetings were held during the year ended 31 December 2023. All members attended the meetings. The members of the nomination committee reviewed the composition of the Board, the retirement and re-election of Directors and made recommendation to the Board.

Remuneration Committee

The Company established a remuneration committee with written terms of reference in compliance with paragraph E.1.2 of the CG Code. As of the date of this Report, the remuneration committee is chaired by our independent non-executive Director, Ms. Tse Mei Ling, and consists of two independent non-executive Directors, Mr. Mak Kwok Kwan Terence and Ms. Woo Man Hung. 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; (iii) to review and/or approve matters relating to share schemes under Chapter 23 of the GEM Listing Rules and (iv) 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.

Five meeting were held during the year ended 31 December 2023. All members attended the meetings. They made recommendation to the Board regarding the Company's remuneration policy, the remuneration package of all directors (excluding his own remunerations) of the Company and the grant of Company's share options. No Director was involved in deciding his or her own remuneration during the year under review.

Audit Committee

The Company established an audit committee with written terms of reference in compliance with Rules 5.28 and 5.29 of the GEM Listing Rules and paragraph D.3.3 and D.3.7 of the CG Code. As of the date of this report, the audit committee is chaired by our independent non-executive Director, Ms. Tse Mei Ling, who holds the appropriate professional qualifications as required under Rules 5.05(2) and 5.28 of the GEM Listing Rules and consists of another two independent non-executive Directors Mr. Mak Kwok Kwan Terence and Ms. Woo Man Hung. 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.

Five meetings were held by the Audit Committee during the year ended 31 December 2023. Please refer to the attendance sheet table under Board Meeting for the individual attendance of each member. The Group's quarterly reports, interim report and annual report had all been reviewed by the audit committee and recommendation was provided to the Board for approval.

RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENT AND REMUNERATION OF AUDITORS

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

The Directors were aware that as of 31 December 2023, the Group's current liabilities exceeded its current assets and total liabilities exceeded its total assets by approximately HK$34,743,000 and HK$22,042,000 respectively. As at that date, the Group's aggregate bank loans and lease liabilities amounted to approximately HK$17,435,000 and HK$4,652,000 respectively. On the other hand, the Group's cash and cash equivalents amounted to only approximately HK$846,000.

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

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

The audit committee has reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2023 and recommended approval to the Board.

The consolidated financial statements of the Group for the year ended 31 December 2023 were audited by D & PARTNERS CPA LIMITED ("D & PARTNERS") 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 D & PARTNERS 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	550
Total	550

COMPANY SECRETARY

Mr. Chu Pui Ki Dickson ("Mr. Chu") has over 10 years of relevant experience in accounting and auditing and has experience in tax, internal control matters and holding the positions of company secretary and authorised representative in other companies listed on the Stock Exchange. He is currently serving as the company secretary and providing professional corporate services to companies listed in the main board and GEM of the Stock Exchange.

Mr. Chu graduated from the Hong Kong Baptist University in Hong Kong with a bachelor's degree of business administration in accounting in November 2006 and he has been a member of Hong Kong Institute of Certified Public Accountants since February 2011. Mr. Chu has confirmed that he has taken no less than 15 hours of relevant professional training during the year ended 31 December 2023 and in compliance with Rules 5.15 of the GEM Listing Rules.

COMPLIANCE OFFICER

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

DIVIDEND POLICY

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

– the Articles of Association of the Company;

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

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

– the investment and operating requirements of the Company; and

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

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

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

RISK MANAGEMENT AND INTERNAL CONTROL

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

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

Internal Control System

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

- Control Environment: a set of standards, processes and structures that provide the basis for carrying out internal control across the Group;

- Risk Assessment: a dynamic and iterative process for identifying and analyzing risks to achieve the Group's objectives, forming a basis for determining how risks should be managed;

- Control Activities: action established by policies and procedures to help ensure that management directives to mitigate risks to the achievement of objectives are carried out;

- Information and Communication: internal and external communication to provide the Group with the information needed to carry out day-to-day controls;

- Monitoring: ongoing and separate evaluations to ascertain whether each components of internal control is present and functioning.

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

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

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

INVESTOR RELATIONS

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

Constitutional Documents

During the year ended 31 December 2023, the second amended and restated Memorandum and Articles of Association was adopted by the shareholders of the Company in the extraordinary general meeting of the Company held on 30 June 2023 in order to (i) allow a general meeting to be held as an electronic meeting (also referred to as virtual general meeting) or a hybrid meeting; (ii) bring the Memorandum and Articles of Association in line with relevant amendments made to the GEM Listing Rules and applicable laws of the Cayman Islands; and (iii) incorporate certain housekeeping amendments to the Memorandum and Articles of Association. An up-to-date version of the Company's Memorandum and Articles of Association is also available on the Company's website and the Stock Exchange's website.

Shareholders' Rights

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

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

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

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

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

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

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

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

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

Shareholders' Communication Policy

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

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

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

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

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

The Company reviewed the implementation and effectiveness of the shareholders' communication policy and considered it to be effective for the year ended 31 December 2023.

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

Luk Hing Entertainment Group Holdings Limited (the "Company") and its subsidiaries (collectively referred as the "Group" or "we" or "us") is pleased to present our annual Environmental, Social and Governance ("ESG") Report (the "ESG Report" or "Report") for the year ended 31 December 2023 (the "Year" or "Reporting Period" or "2023") to provide an overview of the Group's performance of significant issues affecting the operation, including ESG matters.

Both the English and Chinese versions of this ESG Report are available on the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). If there is any conflict or inconsistency, the English version shall prevail. Corporate governance section can be found in the Group's annual report for the year ended 31 December 2023 on pages 15 to 27 therein.

I. OVERVIEW

(I) Purpose

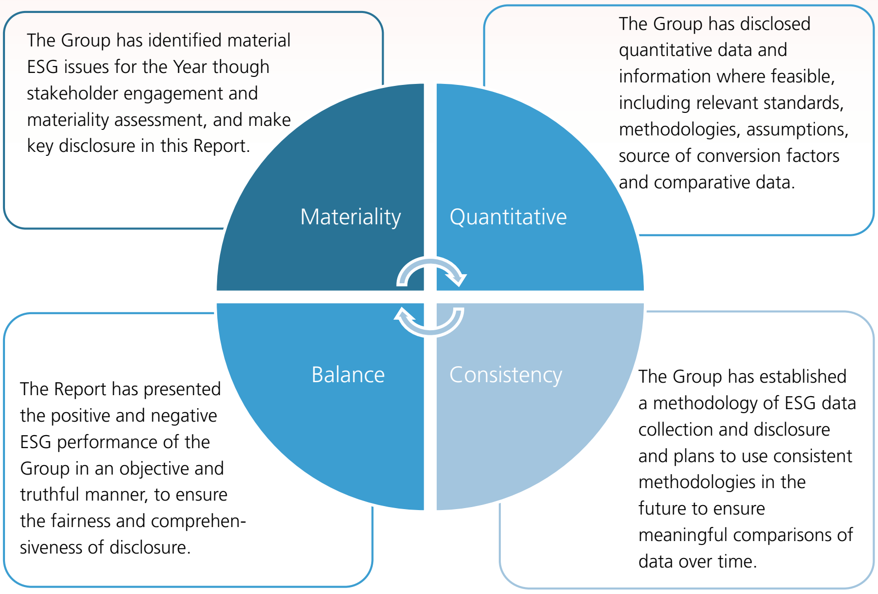
In accordance with the requirements of Hong Kong Exchanges and Clearing Limited ("HKEx"), listed companies are required to provide an ESG Report. This ESG Report is prepared mainly with reference to the ESG Reporting Guide contained in Appendix C2 (formerly known as Appendix 20) to the Rules Governing the Listing of Securities on the GEM of HKEx, covering the ESG related information of the Group. The purpose of this ESG report is to disclose an overall review to shareholders the management measures and performance of the Group in 2023 in terms of ESG. ESG Report outlines the Group's vision, policies and measures including KPIs, and reports its performance regarding environmental and social issues for internal assessment and management control, and for communication to the internal and external stakeholders.

(II) Scope of Report and Basis of Preparation

This Report summarizes the performance contributed by the Group in respect of corporate environmental and social responsibility, covering its principal activities in the operation of two restaurants under the brand name "HEXA" and "SIXA" and an administrative office in Hong Kong, which is the same as the reporting scope in the corresponding period. As the operations and activities of the aforementioned segment accounts for the most significant part of the Group's revenue and its impacts on stakeholders, it is covered in the Reporting Period as the core business of the Group in our scope of reporting by the Group as we consider that as material unless otherwise specified. Revenue from the aforementioned segment in Hong Kong accounted for approximately 100% of the total revenue of the Group during the Reporting Period. The Group will continue to optimize and improve the general disclosure and disclosure of KPIs and assess the impacts of its business on the major ESG aspects and to include the results of such assessment in this ESG Report.

This ESG Report is compiled in accordance with the ESG Reporting Guide outlined in Appendix C2 of the GEM Listing Rules and Guidance Governing the Listing of Securities on HKEx. The content of this report includes two main subject areas as outlined and required by the ESG Reporting Guide, being Area A – ENVIRONMENTAL and Area B – SOCIAL and includes disclosure of climate change related issues which have or may impact the Group.

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



(III) Reporting Period

This ESG Report is for the period from 1 January 2023 to 31 December 2023.

(IV) 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.

(V) ESG Governance

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

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

2. The Board determines and approves the ESG strategies, policies and guidelines, and is ultimately responsible for the ESG reporting. The Board identifies and manages ESG risks in order to achieve its business objectives and ensure its stable development. Through exercising oversight on the Group's management and active and conductive communication with management personnels and employees who are involved in the day-to-day operation of the Group's business, the Board is able to identify material ESG risks in the aspects of emissions, consumption of resources, impact on natural resources and climate change, as well as other social aspects pertaining to our Group. 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 Chief Executive Officer ("CEO"), the relevant departments are responsible for exploring and developing KPIs and targets where appropriate and necessary in accordance with the Group's policies and goals. The Board also reviews progress made towards improving the Group's ESG performance by keeping track of the ESG KPIs on a regular basis, in the environmental and social aspects, which are vital and closely related to the daily operation of the Group.

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.

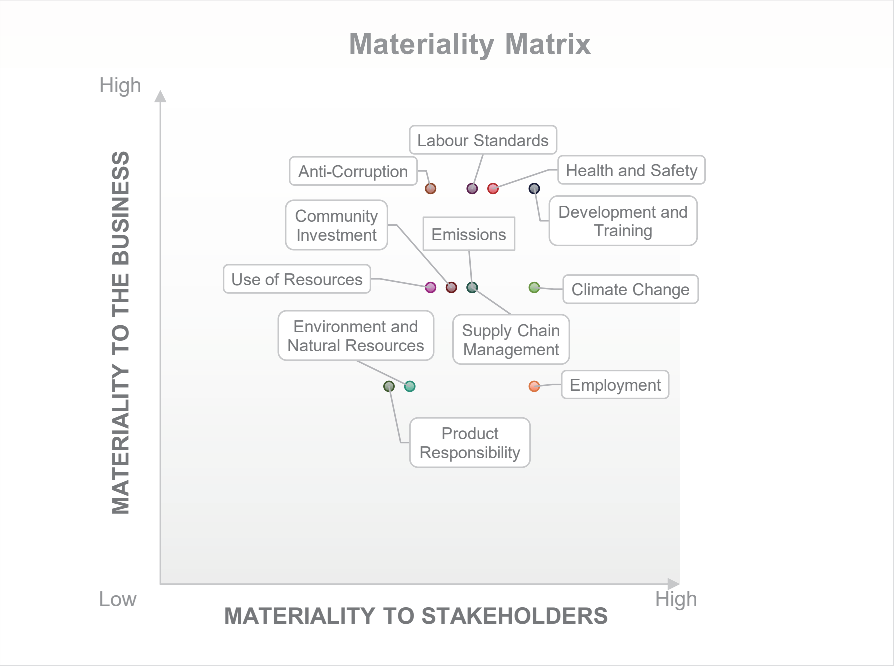
II. STAKEHOLDERS COMMUNICATION AND MATERIALITY

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

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

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

After collecting the stakeholders' views and opinions, the CEO will carry out materiality assessments internally with the related managers and externally with related stakeholders through various means. Given the importance of the identified ESG issues to its business and various stakeholders, the Group will make targeted disclosures in this Report and prioritise relevant issues during its operational decision-making and strategic planning. Results of the materiality assessment are listed as below.



A. ENVIRONMENTAL AREAS AND ASPECTS

1.1 Overview

The Group understands the importance of environmental protection, strictly controls emission generation, waste discharges and the usage of resources in adherence to the relevant laws and regulations, for instance, the Air Pollution Control Ordinance of Hong Kong (Chapter 311 of the Laws of Hong Kong) and the Waste Disposal Ordinance of Hong Kong (Chapter 354 of the Laws of Hong Kong), etc.

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

Given the nature of our business, with the exception of some gas emissions generated from the gas and electricity consumed in the course of our restaurant operations, our activities do not generate material emissions and hazardous wastes.

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 of all operational activities that are most likely to give rise to any significant environmental impact.

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

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

- Climate change and greenhouse gas ("GHG") 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, same as the previous 5 years, the Group was not subject to any breach of environmental legislation in relation to emissions and waste discharge or other environmental issues that could have an adverse impact on the local environment.

A1: Emissions and Wastes

(i) Air Pollutant Emissions and GHG Emissions

The operations and activities of the Group generate minimal air pollutant emissions and the GHG emissions are generated mainly from the use of gas in cooking at our restaurants, and the use of electricity across all the operations of the Group.

During the Reporting Period, the Group's operations generated a total of 464.38 (2022: 452.84) tonnes of GHG emissions, which comprised 264.73 (2022: 256.00) tonnes generated indirectly from purchased electricity and gas, and 199.65 (2022: 196.84) tonnes generated directly from restaurants cooking gas used. Due to the resumption of normal business hours of the restaurants with the reduced impact of pandemic, there is an overall increase of GHG emissions amounting to 11.54 tonnes or approximately 2.55% compared to 2022. In terms of intensity, the GHG emissions generated per staff is 5.34 (2022: 5.73) tonnes during the Reporting Period, the 6.81% decrease compared to 2022 was mainly due to the increase in number of staff as the intensity calculation base. Additionally, there was no fuel consumed during the Reporting Period as our Group has no motor vehicles owned, thus the air pollutant emissions generated by the Group are solely from the consumption of gas.

We are formulating a climate change strategy that will continue to improve our energy saving practices including strictly controlling the electricity and gas consumption and avoiding unnecessary resource wastage in our restaurant operations and their cooking facilities, and by investing in new equipment and processes which improve energy efficiency and thus reduce indirect and direct GHG emissions. To promote cost saving and to reduce our impact on global warming, management goals were set to reduce the overall GHG emissions by 3%-5% by 2023, compared to the corresponding period in 2022.

The table below recorded air pollutant emissions and GHG emissions generated by the Group from the usage of gaseous fuel and electricity during the Reporting Period and the corresponding period in 2022.

Air pollutants emissions			
Types of emissions	**Unit**	**2023**	2022
Nitrogen Oxides (NO_x)	kg	**15.015**	14.800
Sulphur Oxides (SO_x)	kg	**0.075**	0.074
Respirable Suspended Particulates (RSP)	kg	**–**	–
Total air pollutants emissions	kg	**15.090**	14.874
Total air pollutants emissions intensity	kg/employee	**0.173**	0.188

GHG emissions			
Scope	**Unit**	**2023**	2022
Scope 1: Direct GHG emissions	tonnes of CO_2-e	**199.65**	196.84
Scope 2: Indirect GHG emissions	tonnes of CO_2-e	**264.73**	256.00
GHG emissions in total	tonnes of CO_2-e	**464.38**	452.84
Total GHG intensity	tonnes of CO_2-e/ employee	**5.34**	5.73

Notes:

1. The calculation of the GHG emission and air pollutant emission are mainly referenced from the Appendix 2: Reporting Guidance on Environmental KPIs in "How to prepare an ESG Report" issued by HKEx.

As shown above, NO_x and SO_x generated directly from gaseous used for the operation of restaurants, slightly increased by 1.45% and 1.35% respectively compared to 2022 due to the resumption of normal business hours of the restaurants during the Reporting Period. Given no motor vehicle, emission generated from vehicle fuel consumption such as PM was zero for the Reporting Period.

As at the end of Reporting Period, the achievement status of target set in 2022 is as follow:

Environmental KPI	Target	2023 vs. 2022	Status
Greenhouse gas emissions	Reduce the overall GHG emissions by 3%-5% by 2023	Increased by 2.55%	In progress

The Group has also set targets during the Reporting Period, aiming to achieve a lower GHG emissions intensity and the air pollutants intensity by 3% by the end of 2028, with 2023 as the baseline year.

(ii) Hazardous and Non-Hazardous Wastes

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.

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

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

The Group is in the progress of establishing data collection system of both the hazardous and non-hazardous wastes. Looking ahead, we will conduct internal discussions on the formulation of the corresponding quantitative reduction targets by considering various factors such as industry performance and past, current and future environmental performances.

During the Reporting Period, in continuance with our record in the previous 5 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 requirements pursuant to the laws in Hong Kong, including but not limited to Air Pollution Control Ordinance (Cap. 311 of the Laws of Hong Kong), Noise Control Ordinance (Cap. 400 of the Laws of Hong Kong) and Waste Disposal Ordinance (Cap. 354 of the Laws of Hong Kong). Furthermore, we have integrated eco-friendly measures to reduce the environmental impact of our daily operations. We encourage the economic and efficient use of resources, while enhancing our recycling efforts to prevent the waste of resources.

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

- Encourage the establishment of a waste-classification system and the practice of recycling used papers and double-sided printing in workplace;

- Reduce unnecessary business trips and promote the use of information technology such as video conference;

- Encourage our staff to take public transportation and minimize the use of private vehicles and taxi;

- Adjust the temperature of our offices appropriately and switch office equipment to energy-saving mode, such as the automatically power down of printers and computers after a period of inactivity, to economize the use of electricity;

- Utilize temperate and lighting controls and efficient energy bulbs where possible in the restaurant establishments so as to reduce energy inefficiencies;

- Usage of grease traps to prevent cooking oil seeping into the waste water system;

- Utilisation of more energy efficient cooking equipment and processes where possible;

- Utilize recycled packaging and products in our restaurant operations; and

- Encourage water-saving habits of our staff.

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

A2: Use of Resources

The Group mainly uses electricity, fresh water, paper for napkins and takeaway packaging and printing for our activities in the offices and restaurants. We also use gas and cooking oil in our restaurant activities.

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

(i) Electricity & Fuel Consumption

Electricity is supplied to our operations in Hong Kong from the local electricity grid. We are dedicated to reducing energy consumption, driven by both cost efficiency considerations and our commitment to properly tackling climate change and reducing greenhouse gas emissions. The Group regularly monitors its electricity consumption across all parts of its operations of the restaurants and the head office. During the Reporting Period, due to the resumed normal opening hours of the restaurants with the alleviation of the effect of the COVID-19 pandemic, the Group consumed an aggregate of 541,384 (2022: 490,920) kWh of purchased electricity, representing an increase of 50,464 kWh or 10.28% compared to 2022. In terms of intensity, the electricity consumption is 6,222.80 (2022: 6,214.18) kWh per staff.

Gas is supplied to our restaurant operations from the local gas networks in Hong Kong. During the Reporting Period, we consumed a total of 78,205 (2022: 77,106) cubic metres of gas used for the restaurant operations. The Group's gas usage intensity during the Reporting Period is 898.91 (2022: 976.03) cubic metres per staff, which has decreased by approximately 7.90% compared to 2022. The increase in total gas usage is mainly attributable to the Group's resumption of normal operations due to the reduced impact of the COVID-19 pandemic, while the decrease of the gas usage intensity is mainly due to the increase in number of staff as the intensity calculation base.

We had set management goals of a reduction of 3%-5% of gas usage, electricity consumption and overall energy consumption compared to the corresponding period in 2022 through improvement in various energy efficiency management measures across all operations, including continually look at ways to improve gas usage efficiencies through more efficient processes and equipment for the restaurant operations.

Energy consumption of the Group during the Reporting Period and the corresponding period in 2022 are set out as below:

Category	Energy Consumption Unit	2023	2022
Gas	kWh	**1,042,733**	1,028,080
Electricity	kWh	**541,384**	490,920
Total energy consumption	kWh	**1,584,117**	1,519,000
Energy intensity	kWh/employee	**18,208**	19,228

Note:

1. The calculation of the energy consumption is referenced from the Appendix 2: Reporting Guidance on Environmental KPIs in "How to prepare an ESG Report" issued by HKEx.

As at the end of Reporting Period, the achievement status of targets set in 2022 are as follow:

Environmental KPIs	Targets	2023 vs. 2022	Status
Electricity consumption	Reduce the overall electricity consumption by 3%-5% by 2023	Increased by 10.28%	In progress
Gas usage	Reduce the overall gas usage by 3%-5% by 2023	Increased by 1.43%	In progress
Energy consumption	Reduce the overall energy consumption by 3%-5% by 2023	Increased by 4.29%	In progress

The Group has also set targets during the Reporting Period, aiming to achieve a lower energy consumption intensity, gas usage intensity and electricity consumption intensity by 3% by the end of 2028, with 2023 as the baseline year.

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

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

(ii) Fresh Water Consumption and Sourcing

Water is supplied from the city central water systems in Hong Kong and there are no problems with water supply. Prior to the commencement of restaurant operations, the Group did not consume material amounts of water in its operations and on a like-for like basis. The Group did not encounter any problems in sourcing water that is fit for purpose during the Reporting Period. 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 had set management goals to reduce our water consumption overall by 3%-5% compared to the corresponding period in 2022.

During the Reporting Period, the Group consumed 28,367 (2022: 20,076) cubic metres, which has significantly increased its water consumption of 8,291 cubic metres or approximately 41.30% compared to 2022 which is mostly due to the resumption of the normal opening hours of our restaurants. The intensity of water consumption during the Reporting Period is 326.06 (2022: 254.13) cubic metres per staff.

As at the end of Reporting Period, the achievement status of target set in 2022 is as follow:

Environmental KPI	Target	2023 vs. 2022	Status
Water consumption	Reduce the water consumption by 3%-5% by 2023	Increased by 41.30%	In progress

The Group has also set target during the Reporting Period, aiming to achieve a lower water consumption intensity by 3% by the end of 2028, with 2023 as the baseline year.

(iii) Paper and Packaging Materials Consumption

Given its business nature, the Group does not use significant paper and packaging materials. Paper is used only for printing and writing purposes in the offices. The Group has adopted various 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. The Group is in the progress of establishing data collection system of paper and packaging materials consumption. Looking ahead, we will conduct internal discussions on the formulation of the corresponding quantitative reduction targets by considering various factors such as industry performance and past, current and future environmental performances.

A3: Environment and Natural Resources

The Group's activities and operation do not utilise many natural resources nor generate many environmental hazards. Fresh water, electricity, cooking gas and paper-based packaging materials were the only key elements which were considered to have an impact on the environment and with the restaurant operations. We are even more acutely aware of this and have instigated strong operational procedures to ensure this. We strive to minimise our impact on the 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 5 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. Climate change has caused frequent extreme weather and has an impact on the business operations of the Group. Therefore, the Group has formulated working mechanisms to identify, prevent and mitigate climate change issues that may have a significant impact. The Group's management and operating departments identify material risks related to climate change via self-assessment questionnaires annually. Regarding the material risks identified, the Group organizes and develops prevention and control measures. At the same time, we would adjust the use of resources and energy. In response to disasters and accidents which are easily induced by extreme weather, we always enhance the capability to the disaster response.

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

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

- Measuring and monitoring greenhouse gas emissions;
- Consideration of potential disruption to our operations due to extreme weather events and changing weather patterns;
- Consideration of changing customer behaviours and requirements as demand moves towards more carbon neutral and organic based food and beverages;
- Changes in cost and availability of raw materials (organic produce) and utilities such as renewable electricity, water and gas and relevant costs of securing and maintaining sufficient supply;
- Changes to government policy, law and regulation (including pricing carbon, renewable electricity pricing, sustainable waste including food scrap disposal etc), which could result in increased operational costs and potential for litigation; and
- Failure to meet expectations of stakeholders.

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

Physical Acute Risk

The Group has identified extreme weather such as typhoons, heavy rain, thunder and lightning and flooding that can cause physical acute risk. The potential consequences include damage to documents, equipment and even employees' health and life. The above potential consequences will cause economic losses to and increase operating costs of the Group.

The Group has established different measures as below to prevent and minimize the negative effect of extreme weather.

Extreme weather	Physical Acute Risk Preventative and mitigation measures
Typhoons	– Close doors and windows with advance notice – Move materials and equipment to safety areas in advance, or covered with a tarp – Reinforce equipment and components that may be blown away
Heavy rain and flooding	– Clean up trash and make sure drains unblocked – Reinforce equipment and assets which may be damaged or blew away.
Thunder and lightning	– Keep good conditions of earthing devices – Remind employees to save data and turn off computers

Physical Chronic Risk

The Group has identified extreme weather such as extremely hot weather which can cause physical chronic risk. The potential consequences include a higher chance of getting heatstroke for employees, increasing turnover rate and work-related injuries. The demand for cooling for the working environment will be increased, which may lead to an increase in power demand and operating costs of the Group.

The Group has established different measures as below to prevent and minimize the negative effects of extreme weather.

Extreme weather	Physical Chronic Risk Preventative and mitigation measures
Extremely hot weather	– Keep a First-aid kit in a convenient location – Keep cold water available 24 hours a day – Keep air conditioner on during business hours

Transitional Risk

The Group has identified related matters such as the tightened laws and regulations imposed by the government which can cause transitional risk. The potential consequences include a higher chance of breach of relevant laws and regulations.

The Group has established different measures as below to prevent and minimize the negative effects of transitional risk.

Transitional Risk	
Climate-related risks description	**Preventative and mitigation measures**
Legal risk Exposure to litigation risk. We have to adapt the tightened law and regulations imposed by the local government due to climate change, as well as bear the risk of potential litigation once we fail to obligate the new regulations.	– Monitor the updates of environmental laws and regulations permitted by the local authorities in advance – Continue monitoring of the ESG reporting standards of the Hong Kong Listing Rules
Market risk More customers are concerned about climate-related risks and opportunities, which may lead to changes in customer preference.	– Fulfil the climate-related regulations by the government – Prioritize the climate change as a high concern in the market decisions to show to the clients that the company is concerned about the problem and challenges of climate change

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 relevant labour laws including the Employment Ordinance (Chapter 57 of Laws of Hong Kong). We are committed to an inclusive culture, providing equal employment opportunities for all without discrimination in hiring, promotion, dismissal, remuneration, benefits, training and development and treating all people with dignity and respect.

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

Our recruitment and selection process are based on merit, in respect of essential and desirable criteria of the job nature and in line with the policy of equal opportunity. We 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. The hiring of senior managers will be decided by the CEO.

We strike to hire talented employees in the market by providing more training and internal promotion opportunities. Meanwhile, we believe our recruitment policy allows us to attract, motivate and retain employees who are crucial to the operations and the development of the Group.

(i) Employment Mix

As at the end of the Reporting Period, the Group employed a total of 87 employees, among which 70 full-time staffs and 17 part-time staffs. Further analysis of the Group's employment situations for the Reporting Period and the corresponding period in 2022 are summarised below:

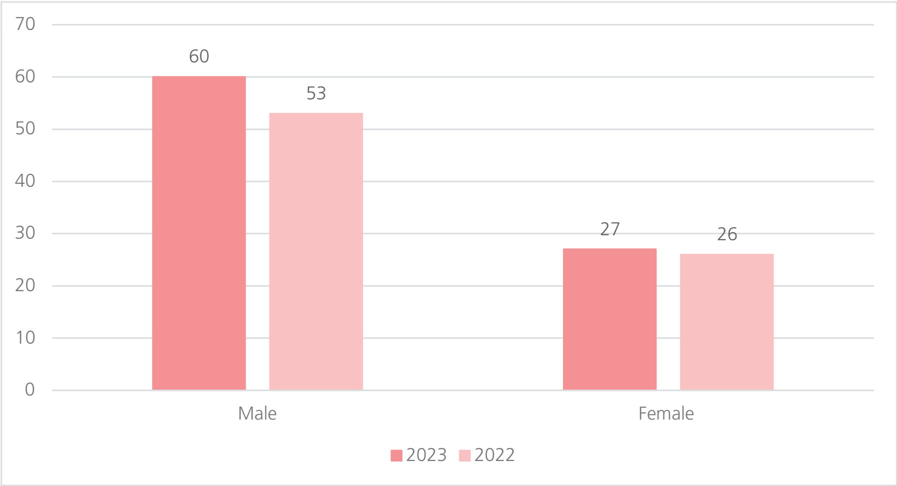


Figure 1: Number of Employee by Gender

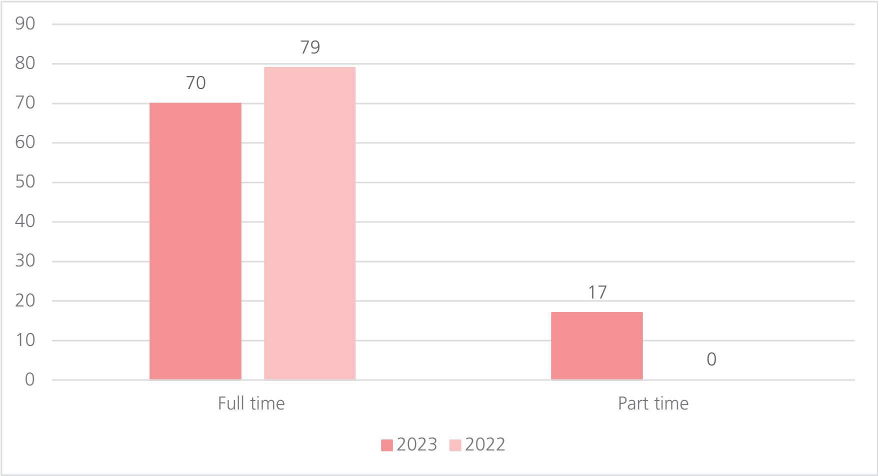


Figure 2: Number of Employee by Employment Type

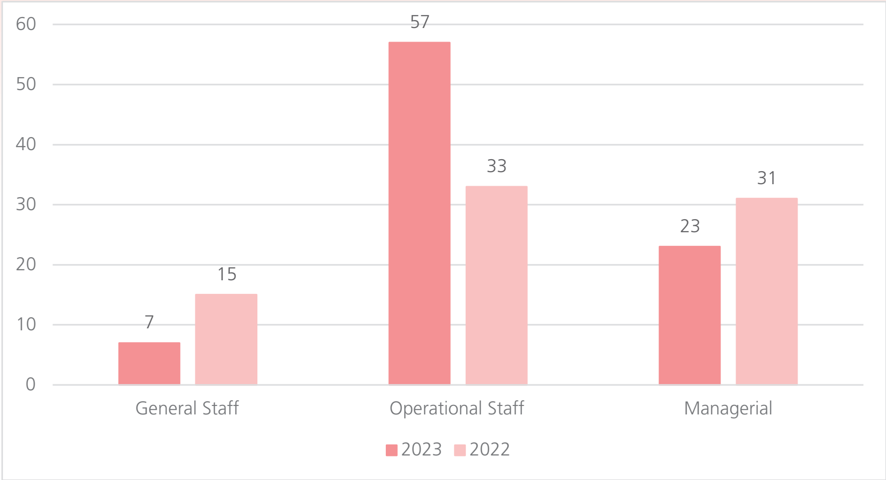


Figure 3: Number of Employee by Employee Category

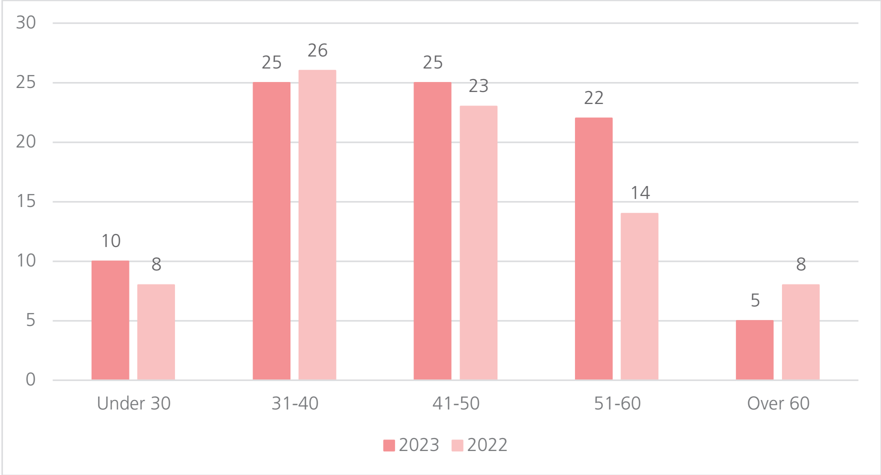


Figure 4: Number of Employee by Age

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 during the Reporting Period.

(ii) Employee Turnover Rate

During the Reporting Period, a total of 16 (2022: 63) employees voluntarily left for various reason, and the total employee turnover rate of the Group is 19.28% (2022: 79.75%). The sharp decrease compared to 2022 was mainly due to the reduced impact of the COVID-19 epidemic, and staff were more inclined to stable and permanent employment during the Reporting Period. A breakdown of the employee turnover rate during the Reporting Period and the corresponding period in 2022 is set out below:

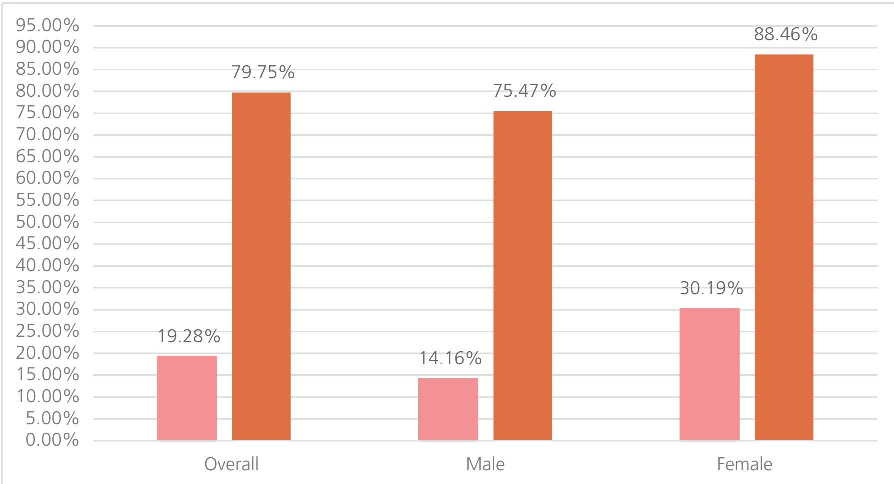


Figure 5: Turnover Rate by Gender

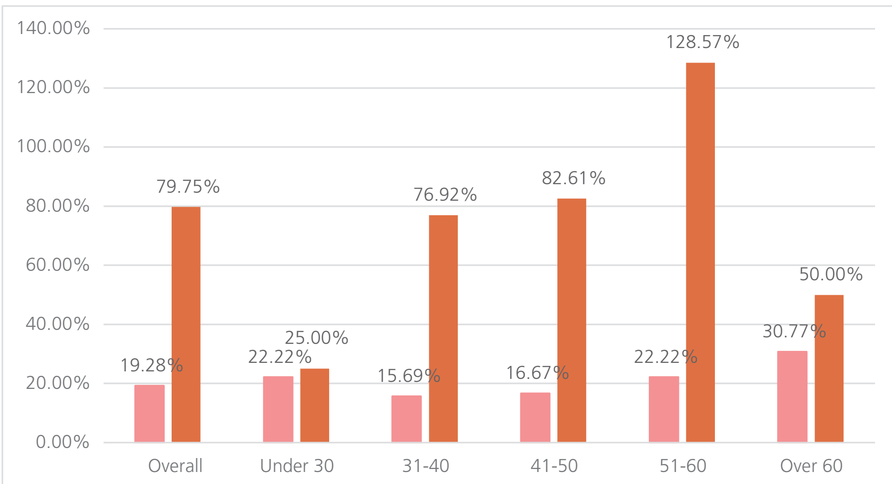


Figure 6: Turnover Rate by Age

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

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

We implement our staff structure on the philosophy of "making the best use of ability" and offer reasonable yet competitive compensation packages. All employees are required to sign a contract with the Group, which contains terms and conditions according to the local labour laws and employment ordinances. The Group has developed clear rules and regulations to provide provisions on remuneration, dismissal, recruitment and promotion, working hours, holidays, equal opportunities, diversity and other benefits as well as welfare for employees.

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

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

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

During the 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, including but not limited to the Minimum Wage Ordinance (Chapter 608 of Laws of Hong Kong) and the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of Laws of Hong Kong). We are confident that the Group will achieve the same result for the coming year.

B2: Health and Safety

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

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

During the Reporting Period, the Group recorded 3 injury cases, all of which are light injuries. The Group provided 55 working-day leaves for the staffs injured. Through the continued efforts in training and monitoring of health and safety in our workplaces. The Group continues to target to achieve a zero injury and causality result for the coming year.

	2023	2022	2021
Number of Work-Related Fatalities:	**–**	–	–
Rate of work-related fatalities	**–**	–	–
Number of Work Injuries:	**3**	3	–
Lost days due to work injuries	**55**	37	–

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 is 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.

No specific training was provided during the Reporting Period due to the resources focus put on resumption to normal operations after the reduced impact of the pandemic. However, the managers of the Group's establishments provided training to the operational staff when time was available, yet, such training is not recorded. The Group is in the process of arranging and assigning responsible departments and personnel on the data collection of the training provided.

B4: Labour 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 2023, 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 regularly monitors information and data related to employment to prevent non-compliance with rules on child labour and forced labour. To prevent forced labour, we protect the right of our employees to freely choose employment and ensure that all employment relationships are voluntary. The Group and its employees may terminate the employment contract for personal reasons or other reasons, and need to give an appropriate notice period or payment in lieu of notice. We ensure that internationally recognized human rights are respected, promoted and enhanced in our labour practices, including prohibition of any form of forced labour. To prevent child labour, The Group has established comprehensive recruitment procedures to check the background of candidates. Before hiring any job applicant, the HR Department will verify their age by inspecting their identity documents and ensure applicant's appearance is consistent with the photograph on the ID card.

If the Group and its employees found relevant violations such as identity, age, or forced labour, both parties can immediately terminate their labour contracts to protect their legitimate labour rights and interests. We are not aware of any material non-compliance with the relevant standards, rules and regulations in relation to the employment and labour practices during the Reporting Period.

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.

In addition, the Group attaches great importance to the environmental and social risks within its supply chain. The Group regularly reviews the updates of policies and laws related to the supply chain, and communicates with internal and external stakeholders to understand and identify potential environmental and social risks within its supply chain.

During the Reporting Period, same as the previous 5 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 9 suppliers, which is a sharp decrease of 80.85% compared to the 47 suppliers we had in 2022. The number of suppliers decreased during the Reporting Period as we focused on procurement from suppliers with best performances under our supplier management system. 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 Responsibility

(i) Safety, Fire and Hygiene

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

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

(ii) Security

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

During the Reporting Period, same as the previous 5 years, no serious cases which resulted in serious life-threatening events and accidents to our employees and customers were reported by our restaurant establishments.

(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 5 years, there were no cases initiated against us, nor any complaints received, regarding any breach of relevant privacy laws, regulations and policies in any jurisdiction in which we operate. We will continue to target for zero cases to be initiated or complaints received in the future.

(iv) Customer Service and Complaints

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

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

During the Reporting Period, same as the previous 5 years, we were not aware of any incident of customer complaint claiming material compensation or any sold products subjecting to recalls for safety and health reasons, or any investigation by any government authorities in relation to such complaint, that could have a material adverse impact on our business.

(v) Insurance and Third Party Liability

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

(vi) Intellectual Property Right

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

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

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

During 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 5 years, there were no legal proceedings against the Group with respect to our use of musical works in our restaurant establishments in Hong Kong. We will continue to target zero infringement in coming years.

B7: Anti-corruption

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

During the Reporting Period, we had not provided any anti-corruption training to our directors and staff because we were in the process of determining and arranging appropriate resources in promoting such topics within our organization. Yet, looking ahead, we will invest more resources to our anti-corruption training and expand the scope of anti-corruption training data disclosure.

Same as the previous 5 years, there were no complaints of corruption against the Group or its staff during 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, though no specific resources or money were donated, we will continue 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.

Appendix: ESG Reporting Guide Content Index of HKEx

Content of Indicator		Relevant Sections
A. Environmental Aspect		
A1: Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and GHG emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Emissions and Wastes – Air Pollutant Emissions and GHG Emissions
A1.1	The types of emissions and respective emissions data.	Emissions and Wastes – Air Pollutant Emissions and GHG Emissions
A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Emissions and Wastes – Air Pollutant Emissions and GHG Emissions
A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Emissions and Wastes – Hazardous and Non-Hazardous Wastes
A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Emissions and Wastes – Hazardous and Non-Hazardous Wastes
A1.5	Description of emission target(s) set and steps taken to achieve them.	Emissions and Wastes
A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	Emissions and Wastes – Hazardous and Non-Hazardous Wastes
A2: Use of Resources		
General Disclosure	Policies on efficient use of resources including energy, water, and other raw materials.	Use of Resources
A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Use of Resources – Electricity & Fuel Consumption
A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Use of Resources – Fresh Water Consumption and Sourcing
A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Use of Resources – Electricity & Fuel Consumption
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	Use of Resources – Fresh Water Consumption and Sourcing
A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Use of Resources – Paper and Packaging Materials Consumption

Content of Indicator		Relevant Sections
A3: The Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer's significant impacts on the environment and natural resources.	Environment and Natural Resources
A3.1	Description of the significant impacts of activities on the environment and natural resources and actions taken to manage them.	Environment and Natural Resources
A4: Climate Change		
General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	Climate Change
A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Climate Change
B. Social Aspect		
B1: Employment		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Employment and Labour Practices Aspects – Employment
B1.1	Total workforce by gender, employment type (for example, full-or part-time), age group and geographical region.	Employment and Labour Practices Aspects – Employment
B1.2	Employee turnover rate by gender, age group and geographical region.	Employment and Labour Practices Aspects – Employment
B2: Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Health and Safety
B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Health and Safety
B2.2	Lost days due to work injury.	Health and Safety
B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	Health and Safety

Content of Indicator		Relevant Sections
B3: Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Development and Training
B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Development and Training
B3.2	The average training hours completed per employee by gender and employee category.	Development and Training
B4: Labour Standards		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Labour Standards
B4.1	Description of measures to review employment practices to avoid child and forced labour.	Labour Standards
B4.2	Description of steps taken to eliminate non-compliance when discovered.	Labour Standards
B5: Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Supply Chain Management
B5.1	Number of suppliers by geographical region.	Supply Chain Management
B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Supply Chain Management
B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Supply Chain Management
B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Supply Chain Management

Content of Indicator		Relevant Sections
B6: Product Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Product Responsibility
B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Product Responsibility – Customer Service and Complaints
B6.2	Number of products and service related complaints received and how they are dealt with.	Product Responsibility – Customer Service and Complaints
B6.3	Description of practices relating to observing and protecting intellectual property rights.	Product Responsibility – Intellectual Property Right
B6.4	Description of quality assurance process and recall procedures	Product Responsibility – Insurance and Third Party Liability
B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	Product Responsibility – Privacy
B7: Anti-corruption		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud, and money laundering.	Anti-corruption
B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the Reporting Period and the outcomes of the cases.	Anti-corruption
B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	Anti-corruption
B7.3	Description of anti-corruption training provided to directors and staff.	Anti-corruption
B8: Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities takes into consideration communities' interests.	Community Investment
B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Community Investment
B8.2	Resources contributed (e.g. money or time) to the focus area.	Community Investment

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 2023.

PRINCIPAL ACTIVITIES

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

BUSINESS REVIEW

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

Principal Risks and Uncertainties

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

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

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

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 2023.

Key Relationships with Employees, Customers and Suppliers

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

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

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

Environmental Policies

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

SEGMENT INFORMATION

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

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2023 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 2023.

SUMMARY OF FINANCIAL INFORMATION

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

PLANT AND EQUIPMENT

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

SHARE CAPITAL

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

RESERVES

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

As at 31 December 2023, the Company had no reserves available for distribution in accordance with the Company law of Cayman Islands while the Company's share premium account was approximately HK$94,952,000.

DIRECTORS

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

Executive Directors
Mr. Choi Siu Kit
Mr. Ting Patrick (appointed on 21 April 2023 and resigned on 8 February 2024)
Mr. Choi Yat Hon *(Chairman and Chief Executive Officer)* (resigned on 3 October 2023)
Mr. Yeung Chi Shing (resigned on 21 April 2023)

Non-executive Director
Mr. Au Ka Wai (resigned on 3 October 2023)

Independent Non-executive Directors
Ms. Tse Mei Ling
Mr. Mak Kwok Kwan Terence (appointed on 4 September 2023)
Ms. Woo Man Hung (appointed on 4 September 2023)
Mr. Ip Hoi Fan (resigned on 3 October 2023)
Mr. Wong Chung Wai (resigned on 4 September 2023)

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. Choi Siu Kit shall retire from office as Director 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 annual general meeting of the company after his appointment and be subject to re-election at such meeting. Mr. Mak, who was appointed on 4 September 2023 and Ms. Woo, who was appointed on 4 September 2023, shall hold office of Director until the forthcoming annual general meeting. Mr. Mak and Ms. Woo being eligible, will offer themselves for re-election as a Director at the 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 87 employees as at 31 December 2023 (2022: 79 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 2023, 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 [Note 1]	Approximate percentage of shareholding interest
Mr. Choi Siu Kit (Notes 2 and 3)	The Company	Interest of a controlled corporation, interest held jointly with another person	109,350,000 ordinary shares of the Company (L)	19.95%
	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%

Notes:

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

(2) On 2 March 2016, Mr. Choi Yat Hon, Mr. Choi Siu Kit, Mr. Au Wai Pong Eric, Mr. Au Ka Wai, Mr. Yeung Bernard Sie Hong and Mr. Yeung Chi Shing entered into an acting in concert confirmation whereby each of them confirmed that since 31 January 2011, they acted in concert with each other when dealing with matters concerning operation management, accounts, finance and treasury and human resources management of the Group, details of which are set out in the Prospectus. On 20 August 2019, Mr. Yeung Bernard Sie Hong sold all his shares in Welmen to Mr. Choi Kuen Kwan (father of Mr. Choi Yat Hon and Mr. Choi Siu Kit). On 4 June 2020, Mr. Choi Kuen Kwan sold 50% and 50% of his shares in Welmen to Mr. Choi Yat Hon and Mr. Choi Siu Kit respectively. As such, pursuant to the acting in concert arrangement, each of Mr. Choi Yat Hon, Mr. Choi Siu Kit, Mr. Au Wai Pong Eric, Mr. Au Ka Wai and Mr. Yeung Chi Shing is deemed to be interested in 19.95% of the issued share capital of the Company held by Welmen.

(3) Welmen is owned as to 30.3111% by Yui Tak Investment Limited ("Yui Tak") and Yui Tak is owned as to 50% by Mr. Choi Yat Hon and as to 50% by Mr. Choi Siu Kit. By virtue of the SFO, each of Mr. Choi Yat Hon and Mr. Choi Siu Kit is deemed to be interested in 30.3111% of the issued share capital of Welmen held by Yui Tak and 19.95% 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 2023, 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 2023, 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(Note 1)	Approximate percentage of shareholding interest
Welmen Investment Co. Ltd ("Welmen") (Note 2)	Beneficial owner	109,350,000 ordinary shares (L)	19.95%
Yui Tak Investment Limited ("Yui Tak") (Note 2)	Interest of a controlled corporation	109,350,000 ordinary shares (L)	19.95%
Trendy Pleasure Limited ("Trendy") (Note 3)	Beneficial owner	30,000,000 ordinary shares (L)	5.47%
Saint Lotus Cultural Development Group Co., Limited ("Saint Lotus") (Note 3)	Interest of a controlled corporation	30,000,000 ordinary shares (L)	5.47%

Name of shareholder	Nature of interest	Number and class of securities(Note 1)	Approximate percentage of shareholding interest
Mr. Zhang Jianguang (Note 3)	Interest of a controlled corporation	30,000,000 ordinary shares (L)	5.47%
Mr. Choi Yat Hon (Note 4)	Interest of a controlled corporation, interest held jointly with another person	109,350,000 ordinary shares (L)	19.95%
Mr. Au Wai Pong Eric (Note 4)	Interest held jointly with another person	109,350,000 ordinary shares (L)	19.95%
Mr. Au Ka Wai (Note 4)	Interest held jointly with another person	109,350,000 ordinary shares (L)	19.95%
Mr. Yeung Chi Shing (Note 4)	Interest held jointly with another person	109,350,000 ordinary shares (L)	19.95%
Ms. Chan Ting Fai (Note 5)	Interest of spouse	109,350,000 ordinary shares (L)	19.95%
Ms. Lee Wan (Note 6)	Interest of spouse	109,350,000 ordinary shares (L)	19.95%
Restoran Oversea (CST) Sdn Bhd ("Restoran Oversea") (Note 7)	Interest of a controlled corporation	158,988,000 ordinary shares (L)	29.00%

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 owned as to 50% by Mr. Choi Yat Hon and as to 50% by Mr. Choi Siu Kit. By virtue of the SFO, each of Mr. Choi Yat Hon and Mr. Choi Siu Kit is deemed to be interested in 30.3111% of the issued share capital of Welmen held by Yui Tak and 19.95% of the issued share capital of the Company held by Welmen.

(3) Trendy Pleasure Limited is wholly owned by Saint Lotus and Saint Lotus is wholly owned by Mr. Zhang Jianguang. By virtue of the SFO, each of Saint Lotus and Mr. Zhang Jianguang is deemed to be interested in 5.47% of the issued share capital of the Company held by Trendy.

(4) On 2 March 2016, Mr. Choi Yat Hon, Mr. Choi Siu Kit, Mr. Au Wai Pong Eric, Mr. Au Ka Wai, Mr. Yeung Bernard Sie Hong and Mr. Yeung Chi Shing entered into an acting in concert confirmation whereby each of them confirmed that since 31 January 2011, they acted in concert with each other when dealing with matters concerning operation management, accounts, finance and treasury and human resources management of the Group, details of which are set out in the Prospectus. On 20 August 2019, Mr. Yeung Bernard Sie Hong sold all his shares in Welmen to Mr. Choi Kuen Kwan (father of Mr. Choi Yat Hon and Mr. Choi Siu Kit). On 4 June 2020, Mr. Choi Kuen Kwan sold 50% and 50% of his shares in Welmen to Mr. Choi Yat Hon and Mr. Choi Siu Kit respectively. As such, pursuant to the acting in concert arrangement, each of Mr. Choi Yat Hon, Mr. Choi Siu Kit, Mr. Au Wai Pong Eric, Mr. Au Ka Wai and Mr. Yeung Chi Shing is deemed to be interested in 19.95% of the issued share capital of the Company held by Welmen.

(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 19.95% 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 19.95% of the issued share capital of the Company in which Mr. Au Wai Pong Eric is interested.

(7) Restoran Oversea is a company incorporated in Malaysia with limited liability and wholly and beneficially owned by Oversea Enterprise Berhad.

Save as disclosed above and so far as is known to the Directors, as at 31 December 2023, 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 2023.

INTEREST IN A COMPETING BUSINESS

The Directors 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, 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 2023:

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

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

As Mr. Choi Siu Kit had engaged the Retained HK Restaurant before the Group's Listing, such business are excluded from the Group and is not covered by the Deed of Non-competition entered between the Controlling Shareholders and the Company.

Saved as disclosed, during the twelve-month period ended 31 December 2023, 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 Directors 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 Directors 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 Directors and the Company.

REPORT OF THE DIRECTORS

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

The Share Consolidation has resulted in the following adjustments to the exercise prices of the Share Options and the number of Shares to be issued upon the exercise of the outstanding Share Options:

	Exercise Period		Before the adjustments		Immediately after the adjustments	
Date of Grant	From	To	Exercise price per Existing Share	Number of Existing Shares to be issued upon full exercise of the Share Options	Exercise price per Consolidated Share	Number of Consolidated Shares to be issued upon full exercise of the Share Options
2 October 2018	2 October 2018	1 October 2028	HK$0.061	7,485,000	HK$0.5921	771,180
2 October 2018	2 October 2019	1 October 2028	HK$0.061	7,485,000	HK$0.5921	771,180
2 October 2018	2 October 2020	1 October 2028	HK$0.061	4,381,154	HK$0.5921	451,390
2 October 2018	2 October 2021	1 October 2028	HK$0.061	2,495,000	HK$0.5921	257,060

The above adjustments in relation to the Share Options took effect during the year ended 31 December 2023. Save for the above adjustments, all other terms and conditions of the outstanding Share Options remain unchanged. Further details are set out in the Company's announcement dated 20 October 2023.

No share option was granted to eligible participants of the Group during the year ended 31 December 2023. The movements of share options under the Share Option Scheme during the year ended 31 December 2023 are 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 2023	Granted during the year	Exercised during the year	Cancelled during the year	Share option adjustment during the year	Lapsed during the year	Outstanding as at 31 December 2023
(1) Employees and Consultants	2 October 2018	(Note 1)	HK$0.5921	7,485,000	–	–	–	(6,713,820)	–	771,180
	2 October 2018	(Note 2)	HK$0.5921	7,485,000	–	–	–	(6,713,820)	–	771,180
	2 October 2018	(Note 3)	HK$0.5921	7,485,000	–	–	(3,103,846)	(3,929,764)	–	451,390
	2 October 2018	(Note 4)	HK$0.5921	2,495,000	–	–	–	(2,237,940)	–	257,060
Total				24,950,000	–	–	(3,103,846)	(19,595,344)	–	2,250,810

The number of share options available for grant under the Share Option Scheme as at 1 January 2023 and 31 December 2023 was 5,857,692 and 585,769 (adjusted take into effect of the Share Consolidation with effect from 4 July 2023) respectively.

As at the date of this annual report, the total number of share options granted and outstanding under the Share Option Scheme is 2,250,810 Shares, representing 0.41% of the issued share capital of the Company.

Notes:

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

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

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

4. Subject to fulfillment of the pre-determined vesting conditions, the share options shall be vested and exercisable from 2 October 2021 to 1 October 2028.

The Share Option Scheme will expire on 11 November 2026. The Share Option Scheme has a remaining life of approximately 2.7 years as at the date of this annual report.

A total of 2,836,579 Shares are available for issue under the Share Option Scheme, representing approximately 0.52% of the Company's total number of issued Shares as at the date of this Annual Report.

EQUITY-LINKED AGREEMENTS

Save for the share option scheme of the Group as set out in Note 35 to the consolidated financial statements of the Group, and the convertible loans and the convertible promissory notes issued in 2019 as set out in Notes 30 and 31 to the consolidated financial statements of the Group, no other equity-linked agreements were entered into by the Group or existed during the year ended 31 December 2023.

During the year ended 31 December 2023, no convertible loans or convertible promissory notes issued in 2019 as set out in Notes 30 and 31 to the consolidated financial statements of the Group were converted to shares of subsidiary of the Group while the Company is negotiating with the convertible promissory notes holders to extend the repayment date of the convertible promissory note.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2023.

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 54.0% of the total purchase of the Group and the purchase from the largest supplier accounted for 24.2% of the total purchase of the Group. To the best knowledge of the Board, none of the Directors, their close associates or any shareholder holding more than 5% of the issued share capital of the Company, had any beneficial interests in the Group's five largest customers or suppliers.

DONATIONS

During the year ended 31 December 2023, the Group made no charitable and other donations.

CONNECTED TRANSACTIONS

Related party transactions entered into by the Group during the year ended 31 December 2023 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

Save as disclosed in this annual report, the Directors are not aware of any significant event requiring disclosure that has taken place subsequent to 31 December 2023 and up to the date of this report.

AUDITORS

On 21 December 2023, D & PARTNERS CPA LIMITED, who were appointed as the Company's auditor to fill the casual vacancy arising from the resignation of HLB Hodgson Impey Cheng Limited on 21 December 2023. Save as disclosed above, there has been no other change of auditors for the preceding three years.

The consolidated financial statements of the Group for the Year were audited by D & PARTNERS CPA LIMITED.

On behalf of the Board

Choi Siu Kit
Executive Director

Hong Kong, 28 March 2024

D & PARTNERS
CERTIFIED PUBLIC ACCOUNTANTS

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

DISCLAIMER OF OPINION

We were engaged to audit the consolidated financial statements of Luk Hing Entertainment Group Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 75 to 171, which comprise the consolidated statement of financial position as at 31 December 2023, 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 material accounting policy information and other explanatory information.

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

BASIS FOR DISCLAIMER OF OPINION

Material uncertainties relating to going concern basis

We draw attention to Note 2.2 in the consolidated financial statements, which describes as at 31 December 2023, the Group's current liabilities exceeded its current assets and total liabilities exceeded its total assets by approximately HK$34,743,000 and HK$22,042,000 respectively. As at that date, the Group's aggregate bank loans and lease liabilities amounted to approximately HK$17,435,000 and HK$4,652,000 respectively. On the other hand, the Group's cash and cash equivalents amounted to only approximately HK$846,000. These events and conditions, along with other matters as set forth in Note 2.2 to the consolidated financial statements, indicate the existence of material uncertainties which may cast significant doubt on the Group's ability to continue as a going concern.

The directors have certain plans and measures to improve the Group's liquidity and financial position, which are set out in Note 2.2 to the consolidated financial statements. The consolidated financial statements have been prepared on a going concern basis, the validity of which is dependent on the outcomes of these plans and measures, which are subject to multiple uncertainties, including (i) whether the Group is able to successfully negotiate with the banks for renewing banking facilities; (ii) whether the Company is successful in implementing alternative capital raising initiatives to provide additional funds for the Group; and (iii) whether the Group is able to implement its cost control measures to attain positive cash flows from operations of the Group.

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

BASIS FOR DISCLAIMER OF OPINION *(Continued)*

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

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

OTHER MATTER

The consolidated financial statements of the Group for the year ended 31 December 2022 were audited by another auditor who expressed an disclaimer of opinion on those statements on 30 March 2023.

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

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

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The engagement partner on the audit resulting in this independent auditors' report is Lau, Ming Tak Simeon.

D & PARTNERS CPA LIMITED
Certified Public Accountants

Lau, Ming Tak Simeon
Practising Certificate Number: P07579

Hong Kong, 28 March 2024

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Year ended 31 December 2023 HK$'000	Year ended 31 December 2022 HK$'000
Revenue	6	**95,747**	58,590
Other income and gain	7	**6,046**	4,596
Cost of inventories sold		**(26,853)**	(18,313)
Staff costs		**(35,678)**	(32,189)
Property rentals and related expenses		**(7,408)**	(8,965)
Advertising and marketing expenses		**(350)**	(155)
Other operating expenses		**(23,335)**	(15,987)
Depreciation and amortisation		**(13,272)**	(22,969)
Impairment losses under expected credit loss model, net of reversal		**(368)**	(11,654)
Loss on cessation of business		**–**	(11,341)
Fair value change of financial assets at fair value through profit or loss		**145**	315
Gain on disposal of a subsidiary	39	**25,153**	16,424
Share of losses of joint ventures		**(3)**	(764)
Finance costs	8	**(3,734)**	(6,523)
Profit/(loss) before taxation	11	**16,090**	(48,935)
Taxation	10	**(183)**	–
Profit/(loss) for the year		**15,907**	(48,935)
Other comprehensive income			
Items that may be reclassified to profit or loss:			
Exchange difference on translating of financial statements of overseas subsidiaries		**2,381**	2,134
Other comprehensive income for the year		**2,381**	2,134
Total comprehensive income/(expense) for the year		**18,288**	(46,801)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Year ended 31 December 2023 HK$'000	Year ended 31 December 2022 HK$'000
Profit/(loss) for the year attributable to:			
Owners of the Company		**14,899**	(32,093)
Non-controlling interests		**1,008**	(16,842)
		15,907	(48,935)
Total comprehensive income/(expense) for the year attributable to:			
Owners of the Company		**16,886**	(31,083)
Non-controlling interests		**1,402**	(15,718)
		18,288	(46,801)
			(Restated)
Earnings/(loss) per share (in HK cents)			
– Basic	14	**4.06**	(14.01)
– Diluted	14	**4.04**	(14.01)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 31 December 2023 HK$'000	As at 31 December 2022 HK$'000
Non-current assets			
Plant and equipment	15	4,100	6,815
Intangible assets	16	–	130
Financial assets at fair value through profit or loss ("Financial assets at FVTPL")	17	6,354	6,209
Right-of-use assets	18	4,087	13,521
Investment in joint ventures	25	–	3
Investment in an associate	24	–	–
Deposits	20	–	3,903
		14,541	30,581
Current assets			
Inventories	19	487	560
Account and other receivables	20	7,075	8,027
Loan receivables	21	–	–
Amounts due from non-controlling interests	22	–	1,808
Cash and cash equivalents	23	846	626
		8,408	11,021
Current liabilities			
Account and other payables	26	19,316	101,352
Income tax payables		183	–
Lease liabilities	18	4,652	10,105
Bank loans	32	17,435	21,605
Provision for reinstatement costs	28	1,565	–
		43,151	133,062
Net current liabilities		(34,743)	(122,041)
Total assets less current liabilities		(20,202)	(91,460)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 31 December 2023 HK$'000	As at 31 December 2022 HK$'000
Non-current liabilities			
Lease liabilities	18	–	4,652
Amounts due to non-controlling interests	27	1,840	10,041
Provision for reinstatement costs	28	–	1,565
		1,840	16,258
Net liabilities		(22,042)	(107,718)
Equity and reserves			
Share capital	29	54,826	22,904
Reserves		(62,402)	(94,505)
Equity attributable to owners of the Company		(7,576)	(71,601)
Non-controlling interests		(14,466)	(36,117)
Total equity		(22,042)	(107,718)

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

The consolidated financial statements on pages 75 to 171 were approved and authorised for issue by the Board of Directors on 28 March 2024 and signed on its behalf by:

Choi Siu Kit
Director

Tse Mei Ling
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Equity attributable to owners of the Company								Attributable to non-controlling interests	Total
	Share Capital	Share premium	Share-based compensation reserve	Legal reserve	Exchange reserve	Accumulated losses	Other reserve	Sub-total		
	HK$'000	HK$'000	HK$'000	HK$'000 (Note)	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As at 1 January 2022	22,544	77,839	1,648	12	251	(140,377)	(685)	(38,768)	(21,902)	(60,670)
Loss for the year	–	–	–	–	–	(32,093)	–	(32,093)	(16,842)	(48,935)
Other comprehensive income for the year	–	–	–	–	1,010	–	–	1,010	1,124	2,134
Lapsed of share options	–	–	(246)	–	–	246	–	–	–	–
Exercise of share options	360	1,330	(646)	–	–	–	–	1,044	–	1,044
Others	–	–	–	–	(29)	29	–	–	–	–
Disposal of a subsidiary	–	–	–	(12)	–	12	–	–	–	–
Change in ownership in a subsidiary	–	–	–	–	(39)	–	(2,755)	(2,794)	1,503	(1,291)
As at 31 December 2022 and 1 January 2023	22,904	79,169	756	–	1,193	(172,183)	(3,440)	(71,601)	(36,117)	(107,718)
Profit for the year	–	–	–	–	–	14,899	–	14,899	1,008	15,907
Other comprehensive income for the year	–	–	–	–	1,987	–	–	1,987	394	2,381
Cancelled of share options	–	–	(91)	–	–	91	–	–	–	–
Issue of shares (Note 29)	31,922	19,153	–	–	–	–	–	51,075	–	51,075
Transaction cost attributable to issue of new shares	–	(3,370)	–	–	–	–	–	(3,370)	–	(3,370)
Disposal of a subsidiary (Note 39)	–	–	–	–	(3,229)	–	2,663	(566)	20,249	19,683
As at 31 December 2023	**54,826**	**94,952**	**665**	**–**	**(49)**	**(157,193)**	**(777)**	**(7,576)**	**(14,466)**	**(22,042)**

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. The subsidiary was disposed on 23 December 2022.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	Year ended 31 December 2023 HK$'000	Year ended 31 December 2022 HK$'000
Operating activities			
Profit/(loss) before taxation		**16,090**	(48,935)
Adjustments for:			
Impairment losses under expected credit loss model, net of reversal	11	**368**	11,654
Depreciation of plant and equipment	11	**3,838**	12,785
Depreciation of right-of-use assets	11	**9,434**	10,184
Bad debt written off	11	**5,279**	–
Loss on cessation of business	11	**–**	11,341
Fair value change of financial assets at FVTPL	11	**(145)**	(315)
Gain on disposal of plant and equipment	7	**–**	(62)
Gain on disposal of a subsidiary	39	**(25,153)**	(16,424)
Waive of other payables	7	**821**	–
Waive of interest expenses	7	**4,751**	–
Share of losses of joint ventures		**3**	764
COVID-19 related rent concession	7	**–**	(881)
Finance costs	8	**3,734**	6,523
Bank interest income		**(1)**	(6)
Operating cash flows before movements in working capital		**19,019**	(13,372)
Decrease in inventories		**73**	1,159
(Increase)/decrease in account and other receivables		**(1,436)**	5,546
(Decrease)/increase in account and other payables		**(22,612)**	6,625
Net cash used in operating activities		**(4,956)**	(42)

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	Year ended 31 December 2023 HK$'000	Year ended 31 December 2022 HK$'000
Investing activities			
Purchase of plant and equipment	15	**(1,123)**	(1,139)
Net cash outflow on disposal of a subsidiary	39	**(93)**	(127)
Capital injection to joint ventures		**–**	(230)
Proceed from disposal of plant and equipment		**–**	220
Increase in amount due from an associate		**(3)**	(1,232)
Interest received		**1**	6
Net cash used in investing activities		**(1,218)**	(2,502)
Financing activities			
Repayment of amounts due to non-controlling interests		**(60)**	(106)
Proceed from issue of shares		**51,075**	–
Transaction costs attributable to issue of new shares		**(3,370)**	–
Proceed from exercise of share options		**–**	1,044
Proceeds from other loans		**166**	7,000
Repayment of other loans		**(27,993)**	(2,370)
Proceeds from bank loans		**–**	8,000
Repayment of bank loans		**(4,170)**	(5,843)
Repayment of convertible promissory notes		**–**	(92)
Interest paid		**(748)**	(592)
Repayment of lease liabilities		**(10,105)**	(3,365)
Interest element of lease rentals paid		**(760)**	(2,499)
Net cash generated from financing activities		**4,035**	1,177
Net decrease in cash and cash equivalents		**(2,139)**	(1,367)
Cash and cash equivalents at the beginning of the year		**626**	2,034
Effect of foreign exchange rate		**2,359**	(41)
Cash and cash equivalents at the end of the year		**846**	626
Represented by:			
Cash and bank balances		**846**	626

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Luk Hing Entertainment Group Holdings Limited ("the Company") was incorporated in Cayman Islands on 30 November 2015 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. On 11 November 2017, the Company's shares were listed on the GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The registered office of the Company is PO Box 1350, Clifton House, 75 Fort Street, Grand Cayman, KY1-1180, Cayman Islands and the principal place of business in Hong Kong is located at Room 1505, 15/F., Shun Tak Centre West Tower, 168–200 Connaught Road Central, Sheung Wan, Hong Kong. The Company is an investment holding company.

The directors of the Company regard Welmen Investment Co. Ltd, a company incorporated in the British Virgin Islands as the ultimate holding company.

The Company and its subsidiaries (collectively referred as the "Group") are principally engaged in the food and beverage and entertainment industry. Details of the principal activities and other particulars of the subsidiaries are set out in Note 9 to these consolidated financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

The functional currency of the subsidiaries established in the People's Republic of China (the "PRC") is Renminbi ("RMB") and the functional currency of the Company and Hong Kong operating subsidiaries is Hong Kong dollars (HK$).

The consolidated financial statements are presented in Hong Kong dollars ("HK$") for the convenience of the investors as the shares of the Company are listed on the GEM of the Stock Exchange. All values are rounded to the nearest thousand ("HK$'000") except when otherwise indicated.

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND MATERIAL ACCOUNTING POLICY INFORMATION

2.1 Application of amendments to HKFRSs

New and amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2023 for the preparation of the consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform-Pillar Two model Rules
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies

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

Impacts on application of Amendments to HKAS 8 Definition of Accounting Estimates

The Group has applied the amendments for the first time in the current year. The amendments define accounting estimates as "monetary amounts in financial statements that are subject to measurement uncertainty". An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. The amendments to HKAS 8 clarify the distinction between changes in accounting estimates, and changes in accounting policies and the correction of errors.

The application of the amendments in the current year had no material impact on the consolidated financial statements.

Impacts on application of Amendments to HKAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The Group has applied the amendments for the first time in the current year. The amendments narrow the scope of the recognition exemption of deferred tax liabilities and deferred tax assets in paragraphs 15 and 24 of HKAS 12 Income Taxes so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

2.1 Application of amendments to HKFRSs *(Continued)*

Impacts on application of Amendments to HKAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction *(Continued)*

In accordance with the transition provision:

(i) the Group has applied the new accounting policy retrospectively to leasing transactions and that occurred on or after 1 January 2022;

(ii) the Group also, as at 1 January 2022, recognised a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary difference associated with right-of-use-assets and lease liabilities.

The application of the amendments in the current year had no material impact on the consolidated financial statements.

Impacts on application of Amendments to HKAS 1 and HKFRS Practice Statement 2 Disclosure of Accounting Policies

The Group has applied the amendments for the first time in the current year. HKAS 1 Presentation of Financial Statements is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 Making Materiality Judgements (the "Practice Statement") is also amended to illustrate how an entity applies the "four-step materiality process" to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments has had no material impact on the Group's financial positions and performance but has affected the disclosure of the Group's accounting policies set out in Note 2.3 to the consolidated financial statements.

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

2.1 Application of amendments to HKFRSs *(Continued)*

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:

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback[2]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[2]
Amendments to HKAS 1	Non-current Liabilities with Covenants[2]
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements[2]
Amendments to HKAS 21	Lack of Exchangeability[3]

1 Effective for annual periods beginning on or after a date to be determined.
2 Effective for annual periods beginning on or after 1 January 2024.
3 Effective for annual periods beginning on or after 1 January 2025.

2.2 Basis of preparation of consolidated financial statements

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

Going concern

These consolidated financial statements have been prepared in conformity with the principles applicable to a going concern basis. The applicability of these principles is dependent upon the Group being a going concern and will be able to continue its operations for the forseeable future. The ability of the Group to continue as a going concern is dependent on the continued availability of adequate finance to the Group and the Group's ability to attain profitable operations in the foreseeable future, all of which depend on the eventual successful outcome of the below mentioned plans and measures in view of the fact that, as of that date, the Group's current liabilities exceeded its current assets and its total liabilities exceeded its total assets by approximately HK$34,743,000 and HK$22,042,000 respectively. As at that date, the Group's aggregate bank loans and lease liabilities amounted to approximately HK$17,435,000 and HK$4,652,000 respectively as of 31 December 2023. On the other hand, the Group's cash and cash equivalents amounted to only approximately HK$846,000.

These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern and therefore, the Group may not be able to realise its assets and discharge its liabilities in the normal course of business.

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

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

Going concern *(Continued)*

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

(i) the management will continue to negotiate with banks for renewing banking facilities. Based on the latest communications with the banks, the directors of the Company are not aware of any intention of the banks to withdraw their bank facilities or require early repayment of the loans, and the directors believe that the existing bank facilities will be renewed when their current terms expire given the good track records and relationships the Group has with the banks;

(ii) the management will consider other financing arrangements and fund-raising alternatives with a view to increasing the Group's capitalisation/equity and to support the continuing growth of the Company; and

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

Having considered the above and after reviewing the cash flow forecast of the Group, the Directors are of the opinion that it is appropriate to prepare the consolidated financial statements of the Group for the year ended 31 December 2023 on a going concern basis.

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

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND MATERIAL ACCOUNTING POLICY INFORMATION

(Continued)

2.3 Material accounting policy information

Basis of consolidation

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

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

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

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

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

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

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

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

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

2.3 Material accounting policy information *(Continued)*

Basis of consolidation *(Continued)*

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

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

Changes in the Group's interests in existing subsidiaries

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

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

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

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

2.3 Material accounting policy information *(Continued)*

Investments in associates and joint ventures

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

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

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

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

2.3 Material accounting policy information *(Continued)*

Investments in associates and joint ventures *(Continued)*

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

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

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

2.3 Material accounting policy information *(Continued)*

Revenue from contracts with customers

Information about the Group's accounting policies relating to contracts with customers is provided in Note 6.

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

The Group as a lessee

Allocation of consideration to components of a contract

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

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

Short-term leases and leases of low-value assets

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

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

2.3 Material accounting policy information *(Continued)*

Leases *(Continued)*

The Group as a lessee *(Continued)*

Right-of-use assets

The cost of right-of-use asset includes:

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

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

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

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

Refundable rental deposits

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

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

2.3 Material accounting policy information *(Continued)*

Leases *(Continued)*

The Group as a lessee *(Continued)*

Lease liabilities

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

The lease payments include:

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

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

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

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

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

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

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

2.3 Material accounting policy information *(Continued)*

Leases *(Continued)*

The Group as a lessee *(Continued)*

Lease modifications

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

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

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

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

COVID-19-related rent concessions

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

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2022; and
- there is no substantive change to other terms and conditions of the lease.

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

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

2.3 Material accounting policy information *(Continued)*

Foreign currencies

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

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

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

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

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

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

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

2.3 Material accounting policy information *(Continued)*

Borrowing costs

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

Government grants

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

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

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

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

Employee benefits

Retirement benefit costs

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

Short-term employee benefits

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

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

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date. Any changes in the liabilities' carrying amounts resulting from service cost, interest and remeasurements are recognised in profit or loss except to the extent that another HKFRS requires or permits their inclusion in the cost of an asset.

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

2.3 Material accounting policy information *(Continued)*

Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit/(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 and at the time of the transaction does not give rise to equal taxable and deductible temporary differences. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

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

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

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

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

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

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

2.3 Material accounting policy information *(Continued)*

Taxation *(Continued)*

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

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

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

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

Plant and equipment

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

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

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

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

2.3 Material accounting policy information *(Continued)*

Plant and equipment *(Continued)*

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

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

Inventories

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

Cash and cash equivalents

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

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

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

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

Intangible assets

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

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

2.3 Material accounting policy information *(Continued)*

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

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

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

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

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

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

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

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

2.3 Material accounting policy information *(Continued)*

Share-based payments

Equity-settled share-based payment transactions

Share options granted to employees

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

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

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

Share options granted to non-employees

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service. The fair values of the goods or services received are recognised as expenses.

Financial instruments

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

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

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

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

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

2.3 Material accounting policy information *(Continued)*

Financial instruments *(Continued)*

Financial assets

Classification and subsequent measurement of financial assets

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

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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.

Amortised cost and interest income

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

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

2.3 Material accounting policy information *(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, amounts due from non-controlling interests and cash and bank balances) which are subject to impairment assessment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

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

The Group always recognises lifetime ECL for account receivables.

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

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

2.3 Material accounting policy information *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (Continued)

Significant increase in credit risk

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

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

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

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

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

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

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

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

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

Definition of default

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

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

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

2.3 Material accounting policy information *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (Continued)

Credit-impaired financial assets

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

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

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

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

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

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

Write-off policy

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

Measurement and recognition of ECL

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

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

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

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

2.3 Material accounting policy information *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (Continued)

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

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

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

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

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

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

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

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

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

2.3 Material accounting policy information *(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 loans and amounts due to non-controlling interests) are subsequently measured at amortised costs, using the effective interest method.

Derecognition of financial liabilities

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

Derivative financial instruments

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

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument. Financial guarantee contract liabilities are measured initially at their fair values. It is subsequently measured at the higher of:

- the amount of the loss allowance determined in accordance with HKFRS 9; and
- the amount initially recognised less, where appropriate, cumulative amortisation recognised over the guarantee period.

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

2.3 Material accounting policy information *(Continued)*

Financial instruments *(Continued)*

Derivative financial instruments *(Continued)*

Convertible loans and promissory notes

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

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

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

Embedded derivatives

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

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

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

Related parties

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

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

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

  (b) has significant influence over the Group; or

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

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

2.3 Material accounting policy information *(Continued)*

Related parties *(Continued)*

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

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

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

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

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

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

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

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

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

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

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

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

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

2.3 Material accounting policy information *(Continued)*

Provision

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

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

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

Contingent liabilities

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

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

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

3. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

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

As at 31 December 2023, the carrying amounts of plant and equipment and right-of-use assets subjected to impairment assessment were of approximately HK$4,100,000, and HK$4,087,000 (2022: approximately HK$6,815,000 and HK$13,521,000) respectively.

(b) Estimated impairment of account receivables

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

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

4. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	As at 31 December 2023 HK$000	As at 31 December 2022 HK$'000
Financial assets		
At amortised cost		
– Account and other receivables	1,941	6,271
– Deposits	4,520	4,940
– Amounts due from non-controlling interests	–	1,808
– Cash and cash equivalents	846	626
Financial assets at FVTPL	6,354	6,209
Financial liabilities		
At amortised cost		
– Account and other payables	19,316	101,352
– Amounts due to non-controlling interests	1,840	10,041
– Bank loans	17,435	21,605
– Lease liabilities	4,652	14,757

4. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies

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

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

Credit risk

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

Cash and cash equivalents

In respect of cash deposited at banks, the credit risk is considered to be low as the counterparties are reputable banks. The existing counterparties do not have defaults in the past. Therefore, ECL rate of cash at bank is assessed to be close to zero and no provision was made for the years ended 31 December 2023 and 2022.

Account receivables

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

As at 31 December 2023 and 2022, account receivables that are individually significant have been separately assessed for impairment. The Group makes periodic assessments on the recoverability of the receivables based on the background and reputation of the customers, historical settlement records and past experience.

4. FINANCIAL INSTRUMENTS *(Continued)*

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

Credit risk *(Continued)*

Account receivables *(Continued)*

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

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

In addition, the Group performs impairment assessment under ECL model on account receivables with significant balances and credit-impaired individually and/or collectively. Except for, which are assessed for impairment individually, the remaining account receivables are grouped based on shared credit risk characteristics by reference to the Group's internal credit ratings. Impairment of HK$883,000 (2022: HK$656,000) is recognised as at 31 December 2023. Details of the quantitative disclosures are set out below in this note.

Loan to an associate and amount due from an associate

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

Amounts due from non-controlling interests

The Group accounts for its credit risk by appropriately providing for ECL on a timely basis. The Group has assessed that the ECL rate for these receivables under 12m ECL method and none of loss allowance was recognised as at 31 December 2023 (2022: HK$43,000).

4. FINANCIAL INSTRUMENTS *(Continued)*

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

Credit risk *(Continued)*

Loan receivables

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

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

(i) *Credit risk assessment of customers*

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

(ii) *Mechanism in determining terms of loans*

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

4. FINANCIAL INSTRUMENTS *(Continued)*

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

Credit risk *(Continued)*

Loan receivables *(Continued)*

(iii) Approval process for granting loans

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

(iv) Monitoring loan repayment

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

(v) Actions for recovering problem loans

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

4. FINANCIAL INSTRUMENTS *(Continued)*

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

Credit risk *(Continued)*

Loan receivables *(Continued)*

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

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

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

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

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

The management estimates the estimated loss rates of loan receivables based on historical credit loss experience of the debtors the internal credit risk assessment. The Group provided impairment base on credit-impaired using lifetime ECL and loss allowance of approximately HK$3,450,000 (2022:HK$3,450,000) are recognised as at 31 December 2023.

Other receivables and deposits

For other receivables and deposits, the management makes periodic individual assessment on the recoverability of other receivables and deposits based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. The Group provided impairment based on credit-impaired using lifetime ECL and loss allowances of approximately HK$2,653,000 (2022: HK$3,982,000) are recognised as at 31 December 2023.

4. FINANCIAL INSTRUMENTS *(Continued)*

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

Credit risk *(Continued)*

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

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

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

	Notes	External credit rating	Internal rating	12m or lifetime ECL	2023 Gross carrying amount HK$'000	HK$'000	2022 Gross carrying amount HK$'000	HK$'000
Financial assets at amortised cost								
Account receivables	20	N/A	Performing	Lifetime ECL – not credit impaired	1,354		1,082	
			Under-Performing	Lifetime ECL – not credit impaired	235		–	
			Non-Performing	Lifetime ECL – credit impaired	819	2,408	643	1,725
Other receivables	20	N/A	Non-Performing	Lifetime ECL – credit impaired		2,909		9,075
Deposits	20	N/A	Performing	12m ECL		4,680		5,049
Loan receivables	21	N/A	Non-Performing	Lifetime ECL – credit impaired		3,450		3,450
			Performing	12m ECL		–		–
Loan to an associate and amount due from an associate		N/A	Non-Performing	Lifetime ECL – credit impaired		–		–
Amounts due from non-controlling interests	22	N/A	Performing	12m ECL		–		1,851

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

4. FINANCIAL INSTRUMENTS *(Continued)*

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

Credit risk *(Continued)*

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

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

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

	Lifetime ECL not credit impaired HK$'000	Lifetime ECL credit-impaired HK$'000	Total HK$'000
As at 1 January 2022	39	515	554
Disposal of a subsidiary	(1)	(485)	(486)
Impairment loss reversed	(38)	–	(38)
Impairment loss recognised	18	608	626
As at 31 December 2022 and 1 January 2023	18	638	656
Disposal of a subsidiary	–	(96)	(96)
Impairment loss reversed	(19)	–	(19)
Impairment loss recognised	64	650	714
Written-off	–	(372)	(372)
As at 31 December 2023	63	820	883

4. FINANCIAL INSTRUMENTS *(Continued)*

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

Credit risk *(Continued)*

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

	12m ECL HK$'000	Lifetime ECL credit-impaired HK$'000	Total HK$'000
As at 1 January 2022	91	–	91
Disposal of a subsidiary	(11)	–	(11)
Transfer to lifetime ECL	(80)	80	–
Impairment loss recognised	–	3,793	3,793
As at 31 December 2022 and 1 January 2023	–	3,873	3,873
Disposal of a subsidiary	–	(551)	(551)
Impairment loss reversed	–	(399)	(399)
Impairment loss recognised	–	19	19
Written-off	–	(449)	(449)
As at 31 December 2023	–	2,493	2,493

As at 31 December 2023, the Group's other receivables of approximately HK$2,493,000 (2022: HK$3,873,000) which are past due 90 days or more. The directors of the Company considered that credit risks have increased significantly for other receivables past due more than 90 days. Furthermore, the outstanding balance of the loan interest receivables from an individual under the money lending business are considered as credit-impaired as the Company has taken legal action against the individual to recover the outstanding receivables.

The following table show the movement in 12m ECL that has been recognised for deposits under the general approach:

	12m ECL HK$'000
As at 1 January 2022	817
Disposal of a subsidiary	(669)
Impairment loss reversed	(39)
As at 31 December 2022 and 1 January 2023	109
Disposal of a subsidiary	(2)
Impairment loss reversed	(55)
Impairment loss recognised	108
As at 31 December 2023	160

4. FINANCIAL INSTRUMENTS *(Continued)*

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

Credit risk *(Continued)*

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

	12m ECL HK$'000	Lifetime ECL credit-impaired HK$'000	Total HK$'000
As at 1 January 2022	79	–	79
Transfer to lifetime ECL	(79)	79	–
Impairment loss recognised	–	3,371	3,371
As at 31 December 2022, 1 January 2023 and 31 December 2023	–	3,450	3,450

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

	Lifetime ECL credit-impaired HK$'000
As at 1 January 2022	5,119
Impairment loss recognised	3,957
Written-off	(9,076)
As at 31 December 2022, 1 January 2023 and 31 December 2023	–

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.

4. FINANCIAL INSTRUMENTS *(Continued)*

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

Market risk *(Continued)*

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.

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 2023 would increase/decrease by approximately HK$18,000 (2022: HK$29,600). This is mainly attributable to the Group's exposure to interest rates on its floating-rate borrowings.

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

Liquidity risk

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

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

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

	Weighted average interest rate %	On demand or within one year HK$'000	More than one year but less than two years HK$'000	More than two years but less than five years HK$'000	More than five years HK$'000	Total undiscounted cash flow HK$'000	Carrying amount HK$'000
As at 31 December 2023							
Non-derivative financial liabilities							
Account and other payables	–	19,316	–	–	–	19,316	19,316
Amounts due to non-controlling interests	–	–	–	1,840	–	1,840	1,840
Bank loans	4.67	3,110	9,308	3,272	3,912	19,602	17,435
Lease liabilities	5.15	4,749	–	–	–	4,749	4,652

4. FINANCIAL INSTRUMENTS *(Continued)*

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

Liquidity risk *(Continued)*

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

(c) Fair value of financial instruments

Fair value measurements of financial instruments

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

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

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

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

	Fair value as at 31 December 2023 HK$'000	2022 HK$'000	Fair value hierarchy	Valuation techniques and key inputs
Financial assets				
Financial assets at FVTPL	**6,354**	6,209	Level 2 (2022: Level 2)	Discounted cash flow. The key inputs is market interest rate

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

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

4. FINANCIAL INSTRUMENTS *(Continued)*

(d) Capital risk management

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

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

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

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

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

	As at 31 December 2023 HK$'000	As at 31 December 2022 HK$'000
Total liabilities	**44,991**	149,320
Total assets	**22,949**	41,602
Debt-to-asset ratio	**196.0%**	358.9%

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 and the PRC. The Group's revenue from external customers based on the location of the customers is detailed as below:

	Year ended 31 December 2023 HK$'000	Year ended 31 December 2022 HK$'000
Hong Kong	95,747	57,930
The PRC	–	660
	95,747	58,590

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

	Year ended 31 December 2023 HK$'000	Year ended 31 December 2022 HK$'000
Hong Kong	14,541	30,581

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 for both years.

6. REVENUE

Revenue represents the amounts received or receivable from the sales of food, beverage and other products 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 2023 HK$'000	Year ended 31 December 2022 HK$'000
Revenue from contracts with customers:		
Recognised at a point in time		
Sales of food, beverage and other products	**95,747**	58,334
Revenue from other sources:		
Loan interest income	**–**	256
	95,747	58,590

Performance obligations for contracts with customers and revenue recognition policies

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.

7. OTHER INCOME AND GAIN

	Year ended 31 December 2023 HK$'000	Year ended 31 December 2022 HK$'000
Net foreign exchange loss	(280)	(424)
Consultancy and management fee income	90	142
COVID-19 related rental concession	–	881
Rents refund	226	–
Government grants (Note (a))	–	3,864
Waive of other payables (Note (c))	821	–
Waive of interest expenses (Note (c))	4,751	–
Gain on disposal of plant and equipment	–	62
Others (Note (b))	438	71
	6,046	4,596

Notes:

(a) During the year ended 31 December 2023, none of government grant was received (2022: HK$3,864,000) in respect of COVID-19-related subsidies, e.g. Employment Support Scheme (2022: approximately HK$2,179,000) and other subsidies under the Anti-epidemic Fund provided by the Hong Kong government and Macau Financial Services Bureau respectively (2022: HK$1,200,000 and HK$485,000 respectively).

(b) Others mainly included the tips income, bank interest income and reversal of accrued expense in prior year.

(c) During the year ended 31 December 2023, the Group entered the settlement agreements with other creditors from defaulted convertible loan of HK$8,405,000, defaulted convertible promissory note of HK$13,715,000 and interest payables of HK$6,849,000, and agreed to discharge the balances of HK$18,177,000, the remaining amount of HK$821,000 and HK$4,751,000 represent the amounts of waive of other payables and waive of interest expense. The direct transaction cost incurred in the settlement agreements was HK$3,816,000. The remaining outstanding balance of HK$1,404,000 was recognised in other payables.

8. FINANCE COSTS

	Year ended 31 December 2023 HK$'000	Year ended 31 December 2022 HK$'000
Interest on convertible promissory notes	–	1,341
Interest on convertible loans	–	522
Default interest on convertible loans	1,958	1,309
Interest on bank loans	748	592
Interest on lease liabilities	760	2,499
Others	268	260
	3,734	6,523

9. PRINCIPAL SUBSIDIARIES

The following is a list of principal subsidiaries as at 31 December 2023 and 2022:

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				Principal activities
				Directly 2023	Directly 2022	Indirectly 2023	Indirectly 2022	
Luk Hing Investment Limited (Note (i))	Macau	Macau	MOP25,000	–	–	–	–	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 (Note (iii))	Hong Kong	The PRC	HK$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 ("Betula")	Hong Kong	Hong Kong	HK$20,000,000	–	–	69%	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* (Note (iii))	The PRC	The PRC	HK$20,000,000	–	–	–	100%	Investment holding
珠海橫琴陸慶樺霖文化產業投資有限公司*	The PRC	The PRC	RMB$20,000,000	–	–	100%	100%	Investment holding
Zhuhai Ruiye# (Note (iii))	The PRC	The PRC	RMB$20,000,000	–	–	–	66%	Operating of clubbing business
珠海市陸慶麒天餐飲管理有限公司* (Note (ii))	The PRC	The PRC	RMB$12,000,000	–	–	–	–	Investment holding
Hou Tin Zaak Limited	Hong Kong	Hong Kong	HK$1,000,000	–	–	69%	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	–	–	81%	74%	Investment holding
Oasis Capital International Limited (Note (iii))	Hong Kong	Hong Kong	HK$15,038,752	–	–	–	60%	Investment holding

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

Limited liability company established in the PRC.

Note:

(i) The subsidiary was disposed on 23 December 2022. Further details please refer to Note 39.

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

(iii) The subsidiaries was disposed on 29 December 2023. Further details please refer to Note 39.

9. PRINCIPAL SUBSIDIARIES *(Continued)*

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

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

Name of company	Place of incorporation/ registration and operation	Proportion of ownership interests and voting rights held by non-controlling interests		Profit/(loss) allocated to non-controlling interests		Accumulated non-controlling interests	
		2023	2022	**2023**	2022	**2023**	2022
		HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Zhuhai Ruiye	The PRC	**–***	34%	**(1,596)**	(9,907)	**–**	22,131
Betula	Hong Kong	**31%**	41%	**2,733**	(3,399)	**3,946**	6,679

* The Group disposed all ownership interest of Zhuhai Ruiye on 29 December 2023.

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.

Zhuhai Ruiye

	As at 31 December 2023 HK$'000	As at 31 December 2022 HK$'000
Current assets	**–**	2,030
Non-current assets	**–**	–
Current liabilities	**–**	(39,101)
Non-current liabilities	**–**	(28,019)
Equity attributable to owners of the Company	**–**	(42,959)
Non-controlling interests	**–**	(22,131)

9. PRINCIPAL SUBSIDIARIES *(Continued)*

Zhuhai Ruiye *(Continued)*

	Period ended 29 December 2023 HK$'000	Year ended 31 December 2022 HK$'000
Revenue	–	660
Expenses	**(4,657)**	(29,798)
Loss for the year	**(4,657)**	(29,138)
Loss attribute to owners of the Company	**(3,061)**	(19,231)
Loss attribute to non-controlling interests	**(1,596)**	(9,907)
Loss for the year	**(4,657)**	(29,138)
Total comprehensive expense attributable to owners of the Company	**(1,599)**	(17,552)
Total comprehensive expense attributable to non-controlling interests	**(833)**	(9,042)
Total comprehensive expense for the year	**(2,432)**	(26,594)
Net cash flows used in operating activities	**(687)**	(4,163)
Net cash flows used in investing activities	–	(61)
Net cash flows generated from financing activities	–	1,101
Net cash outflow	**(687)**	(3,123)

9. PRINCIPAL SUBSIDIARIES *(Continued)*

Betula Profit Holdings Limited

	As at 31 December 2023 HK$'000	As at 31 December 2022 HK$'000
Current assets	**28,476**	21,712
Non-current assets	**5,617**	14,926
Current liabilities	**(20,590)**	(28,636)
Non-current liabilities	**–**	(4,346)
Equity attributable to owners of the Company	**17,449**	10,335
Non-controlling interests	**(3,946)**	(6,679)

	Year ended 31 December 2023 HK$'000	Year ended 31 December 2022 HK$'000
Revenue	**73,506**	46,642
Expenses	**(65,258)**	(55,022)
Profit/(loss) and total comprehensive income/(expense) for the year	**8,248**	(8,380)
Profit/(loss) and total comprehensive income/(expense) attributable to owners of the Company	**5,515**	(4,981)
Profit/(loss) and total comprehensive income/(expense) attributable to non-controlling interests	**2,733**	(3,399)
Profit/(loss) and total comprehensive income/(expense) for the year	**8,248**	(8,380)
Net cash flows generated from operating activities	**10,543**	6,322
Net cash flows used in investing activities	**(663)**	(484)
Net cash flows used in financing activities	**(9,965)**	(5,955)
Net cash outflow	**(85)**	(117)

10. TAXATION

	Year ended 31 December 2023 HK$'000	Year ended 31 December 2022 HK$'000
Current tax		
– Hong Kong Profits Tax	183	–
– The PRC Enterprise Income Tax (the "EIT")	–	–
	183	–

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

The two-tiered profits tax rates regime is applicable to the Company for the years ended 31 December 2023 and 2022.

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 2023 and 2022.

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

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

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

At the end of the reporting period, the Group has estimated unused tax losses of appropriately HK$57,457,000 (2022: HK$61,139,000) available for offset against future profits that may be carried forward indefinitely. Tax losses of approximately HK$1,486,000 (2022: HK$71,248,000) 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.

10. TAXATION *(Continued)*

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

	Year ended 31 December 2023 HK$'000	Year ended 31 December 2022 HK$'000
Profit/(loss) before taxation	**16,090**	(48,935)
Tax at the applicable income tax rate	**2,124**	(10,622)
Tax effect of temporary difference not recognized	**382**	870
Tax effect of expenses not deductible for tax purpose	**11,392**	6,238
Tax losses not recognized	**1,462**	7,660
Tax effect of non-taxable income	**(14,002)**	(4,136)
Exemption for tax liabilities in:		
Utilisation of previously unrecognised tax losses	**(1,009)**	(10)
Tax concession	**(166)**	–
Taxation for the year	**183**	–

11. PROFIT/(LOSS) BEFORE TAXATION

	Year ended 31 December 2023 HK$'000	Year ended 31 December 2022 HK$'000
Profit/(loss) before taxation has been arrived at after charging/(crediting):		
Staff costs:		
Directors' emoluments (included retirement scheme contributions)	**2,080**	1,811
Salaries and other benefits	**32,318**	29,133
Retirement benefits scheme contributions	**1,280**	1,245
	35,678	32,189
Auditors' remuneration:		
Audit services:		
– D & Partners CPA Limited	**550**	–
– HLB Hodgson Impey Cheng Limited	**–**	600
– Other auditor	**–**	36
	550	636
Cost of inventories sold	**26,853**	18,313
Impairment losses under expected credit loss ("ECL") model, net of reversal:		
– account and other receivables	**368**	4,342
– loan receivables	**–**	3,371
– amounts due from non-controlling interests	**–**	(16)
– loan to an associate and amount due from an associate	**–**	3,957
Loss on cessation of business (Note (i))	**–**	11,341
Fair value change of financial assets at FVTPL	**(145)**	(315)
Bad debt written off*	**5,279**	–
Loss on financial guarantees (Note (ii))*	**2,206**	–
Provision for legal claim (Note (iii))*	**1,988**	–
Utilities*	**2,128**	1,752
Legal and professional fee*	**4,109**	4,563
Entertainment and travelling*	**329**	752
Repair and maintenance*	**746**	284
Uniform and cleaning*	**1,360**	1,112
Bank charges*	**96**	1,341

11. PROFIT/(LOSS) BEFORE TAXATION *(Continued)*

	Year ended 31 December 2023 HK$'000	Year ended 31 December 2022 HK$'000
Profit/(loss) before taxation has been arrived at after charging/(crediting): *(Continued)*		
Short term leases#	**1,018**	1,391
Profit sharing for lease payment (Note (iv))#	**1,369**	245
Depreciation of plant and equipment	**3,838**	12,785
Depreciation of right-of-use assets	**9,434**	10,184
	13,272	22,969

* These items were grouped under other operating expense.

These items were grouped under property rentals and related expenses.

Notes:

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

(ii) The Company had the financial guarantee for the bank loans of an associate, Luk Hing Mandarin Limited, and the former subsidiary, Luk Hing Investment Limited, the management considered not highly probable to settle the financial guarantees for the year ended 31 December 2022.

During the year ended 31 December 2023, an associate and the former subsidiary failed to repay the bank loans, with the total amount of HK$2,206,000 and the Company had an obligation to settle the financial guarantees. The former subsidiary was disposed on 23 December 2022.

(iii) Provision for legal claim was represented by the provision of Zhuhai Ruiye's litigation cases. The litigation cases were mainly related to labour disputes and business disputes.

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

12. DIRECTORS', EMPLOYEES' EMOLUMENTS

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

	Year ended 31 December 2023 HK$'000	Year ended 31 December 2022 HK$'000
Directors' fees	351	358
Salaries and other benefits	1,696	1,418
Retirement schemes contributions	33	35
	2,080	1,811

(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 2023 and 2022 are as follows:

For the year ended 31 December 2023

	Fees HK$'000	Salaries, allowances and benefits kind HK$'000	Performance related bonus HK$'000	Retirement scheme contributions HK$'000	Total remuneration HK$'000
Executive directors					
Mr. Choi Yat Hon (Note (i))	–	528	–	14	542
Mr. Choi Siu Kit	–	1,050	–	18	1,068
Mr. Yeung Chi Shing (Note (xii))	–	29	–	1	30
Mr. Patrick Ting (Note (xi))	–	89	–	–	89
Non-executive directors					
Mr. Au Ka Wai (Note (xv))	–	–	–	–	–
Independent non-executive directors					
Mr. Mak Kwok Kwan Terence (Note (xiv))	39	–	–	–	39
Mr. Wong Chung Wai (Note (ix))	63	–	–	–	63
Ms. Tse Mei Ling (Note (x))	116	–	–	–	116
Mr. Ip Hoi Fan (Note (iv))	91	–	–	–	91
Mr. Chan Wai (Note (viii))	3	–	–	–	3
Ms. Woo Man Hung (Note (xiii))	39	–	–	–	39
	351	1,696	–	33	2,080

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

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

For the year ended 31 December 2022

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

Notes:

(i) Mr. Choi Yat Hon is also the Chief Executive of the Group and his emoluments disclosed above include those for the services rendered by him as the Chief Executive. Mr. Choi Yiu Ying had changed his name to Mr. Choi Yat Hon with effect from 1 February 2023. Mr. Choi Yat Hon was resigned as an executive director with effect from 3 October 2023.

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

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

(iv) Mr. Ip Hoi Fan was appointed as an independent non-executive director with effect from 6 May 2022 and resigned as an independent non-executive director with effect from 3 October 2023.

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

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

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

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

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

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

Notes: *(Continued)*

(ix) Mr. Wong Chung Wai was appointed as an independent non-executive director with effect from 10 January 2023 and resigned as an independent non-executive director with effect from 4 September 2023.

(x) Ms. Tse Mei Ling was appointed as an independent non-executive director with effect from 13 January 2023.

(xi) Mr. Patrick Ting was appointed as an executive director with effect from 21 April 2023 and resigned as an executive director on 8 February 2024.

(xii) Mr. Yeung Chi Shing was resigned as an executive director with effect from 21 April 2023.

(xiii) Ms. Woo Man Hung was appointed as an independent non-executive director with effect from 4 September 2023.

(xiv) Mr. Mak Kwok Kwan Terence was appointed as an independent non-executive director with effect from 4 September 2023.

(xv) Mr. Au Ka Wai was resigned as a non-executive director with effect from 3 October 2023.

(b) Employees' emoluments

The five highest paid individuals during the year included 2 directors (2022: 2 directors) whose emoluments are disclosed in above. The aggregate of the emoluments in respect of the other 3 individuals (2022: 3 individuals) with the highest emoluments are as follows:

	Year ended 31 December 2023 HK$'000	Year ended 31 December 2022 HK$'000
Salaries, allowances and benefits in kind	**2,162**	2,566
Retirement scheme contributions	**45**	54
	2,207	2,620

The emoluments of the other 3 individuals (2022: 3 individuals) with the highest emoluments are within the following bands:

	Year ended 31 December 2023	Year ended 31 December 2022
Nil to HK$1,000,000	**3**	2
HK$1,000,001 to HK$1,500,000	**–**	1

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

(b) Employees' emoluments *(Continued)*

During the years ended 31 December 2023 and 2022, 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 2023 and 2022. There was no arrangement under which a director waived or agreed to waive any remuneration during the years ended 31 December 2023 and 2022.

During the years ended 31 December 2023 and 2022, 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 2023 and 2022, 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 2023 (2022: nil).

14. EARNINGS/(LOSS) PER SHARE

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

	Year ended 31 December 2023 HK$'000	Year ended 31 December 2022 HK$'000
Earnings/(loss) for the purpose of basic and diluted earnings/(loss) per share	**14,899**	(32,093)

	'000	'000 (Restated)
Weighted average number of ordinary shares for the purpose of basic earnings/(loss) per share	**367,004**	229,040
Effect of dilutive potential ordinary shares:		
Options	**2,098**	–
Weighted average number of ordinary shares for the purpose of diluted earnings/(loss) per share	**369,102**	229,040

The weighted average number of ordinary shares for the purpose of basic earnings/(loss) per share has been adjusted for the consolidation of shares on 4 July 2023. Details of consolidation of shares are set out in the Note 29.

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 2022	970	176	11,390	1,569	82,285	96,390
Additions	–	–	347	217	575	1,139
Disposal	(390)	–	–	–	–	(390)
Written off (Note)	–	–	(1,930)	–	(54,718)	(56,648)
Exchange alignment	–	–	(97)	–	(2,757)	(2,854)
As at 31 December 2022 and 1 January 2023	580	176	9,710	1,786	25,385	37,637
Additions	–	–	823	300	–	1,123
As at 31 December 2023	580	176	10,533	2,086	25,385	38,760
Accumulated depreciation						
As at 1 January 2022	795	107	7,644	951	42,282	51,779
Charge for the year	17	30	1,881	256	10,601	12,785
Disposal	(232)	–	–	–	–	(232)
Written off (Note)	–	–	(1,536)	–	(30,703)	(32,239)
Exchange alignment	–	–	(57)	–	(1,214)	(1,271)
As at 31 December 2022 and 1 January 2023	580	137	7,932	1,207	20,966	30,822
Charge for the year	–	25	1,031	230	2,552	3,838
As at 31 December 2023	**580**	**162**	**8,963**	**1,437**	**23,518**	**34,660**
Net book values						
As at 31 December 2023	**–**	**14**	**1,570**	**649**	**1,867**	**4,100**
As at 31 December 2022	–	39	1,778	579	4,419	6,815

In view of there are impairment indicators noted from segments, the Group performed impairment assessment of the plant and equipment and right-of-use assets. The recoverable amount is the higher of fair value less costs of disposal and value in use.

For the year ended 31 December 2023 and 2022, the recoverable amount of plant and equipment and right-of-use assets were higher than the carrying amount, no impairment loss was provided.

15. PLANT AND EQUIPMENT *(Continued)*

Note:

During the year ended 31 December 2022, due to disputes between Zhuhai Urban Construction Group Co., Ltd. and Zhuhai Urban Construction Haiyun Asset Management Co., Ltd., and the Group in relation to the operation of CUBIC SPACE+ in Zhuhai, the Group would be unable to continue to operate CUBIC SPACE+ from 20 October 2022. For further details, please refer to Notes 11 and 40(b). Plant and equipments of approximately HK$24,409,000 was written off.

16. INTANGIBLE ASSETS

	HK$'000
Cost	
As at 1 January 2022, 31 December 2022 and 1 January 2023	130
Eliminated on disposal of a subsidiary (Note 39)	(130)
As at 31 December 2023	–
Accumulated amortisation	
As at 1 January 2022, 31 December 2022, 1 January 2023 and 31 December 2023	–
Net book values	
As at 31 December 2023	–
As at 31 December 2022	130

For the year ended 31 December 2023 and 2022, the intangible assets included vehicle registration marks. The directors of the Company estimated the useful lives of the vehicle registration marks is infinite and is renewable every 5 years at minimal cost. The directors of the Company are of the opinion that the Group would renew the vehicle registration mark continuously and has the ability to do so.

During the year ended 31 December 2023, the intangible assets were being disposed together with subsidiaries. Details of disposed of a subsidiary are set out in the Note 39.

17. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December 2023 HK$'000	As at 31 December 2022 HK$'000
Life insurance policy	**6,354**	6,209

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

18. RIGHT-OF-USE ASSETS/LEASE LIABILITIES

Right-of-use assets

	2023 HK$'000	2022 HK$'000
As at 1 January	**13,521**	21,455
Addition	**–**	13,736
Depreciation provided during the year	**(9,434)**	(10,184)
Termination of leases	**–**	(10,839)
Exchange alignment	**–**	(647)
As at 31 December	**4,087**	13,521

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

Right-of-use assets *(Continued)*

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

During the year ended 31 December 2023, the Group leases 2 (2022: 2) properties for the operation of restaurant and clubbing business. Lease contracts are entered into for fixed term of 2 (2022: 2) years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

Details of impairment assessment on right-of-use assets are set out in the Note 15.

During the year ended 31 December 2022, due to disputes between Zhuhai Urban Construction Group Co., Ltd. and Zhuhai Urban Construction Haiyun Asset Management Co., Ltd., and the Group in relation to the operation of CUBIC SPACE+ in Zhuhai, the Group would be unable to continue to operate CUBIC SPACE+ from 20 October 2022. The further details are disclosed in Notes 11 and 40(b).

Lease liabilities

	As at 31 December 2023 HK$'000	As at 31 December 2022 HK$'000
Analysed as		
– Current	**4,652**	10,105
– Non-current	**–**	4,652
	4,652	14,757

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

Lease liabilities *(Continued)*

	As at 31 December 2023 HK$'000	As at 31 December 2022 HK$'000
Minimum lease payments due		
– Within one year	**4,749**	10,865
– More than one year but not later than two years	**–**	4,749
	4,749	15,614
Less: Future finance charges	**(97)**	(857)
Present value of lease liabilities	**4,652**	14,757

The weighted average incremental borrowing rates applied to lease liabilities range was 5.15% (2022: 5.15%).

19. INVENTORIES

	As at 31 December 2023 HK$'000	As at 31 December 2022 HK$'000
Food and beverages	**487**	556
Other operating items for club and restaurant operations	**–**	4
	487	560

20. ACCOUNT AND OTHER RECEIVABLES

	As at 31 December 2023 HK$'000	As at 31 December 2022 HK$'000
Account receivables	**2,408**	1,725
Less: Allowance for ECL	**(883)**	(656)
	1,525	1,069
Other receivables	**2,909**	9,075
Less: Allowance for ECL	**(2,493)**	(3,873)
	416	5,202
Prepayments	**614**	719
Deposits	**4,680**	5,049
Less: Allowance for ECL	**(160)**	(109)
	4,520	4,940
	7,075	11,930
Less: Portion classified as non-current		
– Deposits	**–**	(3,903)
Current portion	**7,075**	8,027

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

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

20. ACCOUNT AND OTHER RECEIVABLES *(Continued)*

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

	As at 31 December 2023 HK$'000	As at 31 December 2022 HK$'000
0 to 30 days	**1,396**	1,064
31 to 60 days	**44**	–
61 to 90 days	**85**	–
91 to 120 days	**–**	–
Over 120 days	**–**	5
	1,525	1,069

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

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 2023, the Group's prepayments mainly represent prepayments for legal and professional fees of approximately HK$189,000.

As at 31 December 2023, the Group's deposits mainly represent rental deposits of approximately HK$3,859,000 (2022: HK$3,980,000).

As at 31 December 2022, the amounts of the Group's other receivables mainly represent value added tax recoverable of approximately HK$5,118,000. The entire balance was written off during the year ended 31 December 2023.

21. LOAN RECEIVABLES

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

As at 31 December 2023, the Group's loan receivables of approximately HK$3,450,000 (2022: HK$3,450,000) which are past due 90 days or more. The directors of the Company consider credit risks have increased significantly for those past due more than 90 days and consider that the debtors were in financial difficulties. The Company has taken legal action against the individual to recover the outstanding receivables and considered the recoverability is remote. The loan receivables are considered as credit-impaired with ECL fully provided.

Included in the carrying amount of loan receivables as at 31 December 2023 is accumulated impairment losses of approximately HK$3,450,000 (2022: HK$3,450,000). Details of impairment assessment are set out in Note 4(b).

	As at 31 December 2023 HK$'000	As at 31 December 2022 HK$'000
Loan receivables, gross	**3,450**	3,450
Less: Allowance for ECL	**(3,450)**	(3,450)
Loan receivables, net	**–**	–

22. AMOUNTS DUE FROM NON-CONTROLLING INTERESTS

	As at 31 December 2023 HK$'000	As at 31 December 2022 HK$'000
Liu Ching	–	1,690
Guangzhou Baohui Culture Development Company Limited	–	161
	–	1,851
Less: Allowance for ECL	–	(43)
	–	1,808

As at 31 December 2023, there was no amounts due from non-controlling interests due to the disposal of subsidiary Zhuhai Ruiye on 29 December 2023. Details of disposal of subsidiary are set out in Note 39.

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

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

23. CASH AND CASH EQUIVALENTS

Cash and cash equivalents

Cash and cash equivalents were denominated in the following currencies:

	As at 31 December 2023 HK$'000	As at 31 December 2022 HK$'000
HK$	773	601
RMB	73	25
	846	626

Cash and cash equivalents carry interest at 0.01% to 0.875% market rates per annum for the year ended 31 December 2023 (2022: 0.01% to 0.15%).

24. INVESTMENT IN AN ASSOCIATE

	As at 31 December 2023 HK$'000	As at 31 December 2022 HK$'000
Cost of investment in associate	**1,989**	1,989
Share of post-acquisition losses and other comprehensive expense, net of dividend received	**(1,989)**	(1,989)
	–	–

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			Principal activity
			Group's effective interests	Held by the Company	Held by a subsidiary	
LH Mandarin	Hong Kong	7,992,000 shares of HK$1 each	29.73	–	29.73	Catering business

24. INVESTMENT IN AN ASSOCIATE *(Continued)*

Aggregate information of the associate that is not individually material

	Year ended 31 December 2023 HK$'000	Year ended 31 December 2022 HK$'000
The Group's share of profit	**84**	4,895
The Group's share of total comprehensive income	**84**	4,895

	Year ended 31 December 2023 HK$'000	Year ended 31 December 2022 HK$'000
The unrecognised share of profit of an associate for the year	**84**	4,895

	As at 31 December 2023 HK$'000	As at 31 December 2022 HK$'000
Cumulative unrecognised share of loss of an associate	**(5,284)**	(5,368)

25. INVESTMENT IN JOINT VENTURES

	As at 31 December 2023 HK$'000	As at 31 December 2022 HK$'000
Cost of investment in joint ventures	**1,440**	1,440
Share of post-acquisition profits and other comprehensive expense	**(1,440)**	(1,437)
	–	3

Details of each of the Group's joint ventures at the end of the reporting period are as follows:

The following list contains only the particulars of joint venture, of which is an unlisted corporate entity, which principally affected the results or assets of the Group:

25. INVESTMENT IN JOINT VENTURES *(Continued)*

Details of each of the Group's joint ventures at the end of the reporting period are as follows:

Name of entity	Country of incorporation/ registration	Principal place of business	Proportion of ownership interest held by the Group 2023	2022	Principal activity
萬慶娛樂策劃(廣州)有限公司	PRC	PRC	**50%**	50%	Property management business (Note)
Cubic Immersive Limited	Hong Kong	Hong Kong	**50%**	50%	Investment holding (Note)

Note: Both companies are dormant during the year.

Aggregate information of joint ventures that are not individually material

	Year ended 31 December 2023 HK$'000	Year ended 31 December 2022 HK$'000
The Group's share of loss	**(10)**	(764)
The Group's share of other comprehensive income/(expense) for the year	**1**	(25)
The Group's share of total comprehensive expense	**(9)**	(789)

	Year ended 31 December 2023 HK$'000	Year ended 31 December 2022 HK$'000
The unrecognised share of loss of a joint venture for the year	**(7)**	–

	As at 31 December 2023 HK$'000	As at 31 December 2022 HK$'000
Cumulative unrecognised share of loss of a joint venture	**(7)**	-

26. ACCOUNT AND OTHER PAYABLES

	As at 31 December 2023 HK$'000	As at 31 December 2022 HK$'000
Account payables	2,989	6,567
Rental payables	599	5,112
Other payables	9,132	68,573
Loan from directors (Note (i))	750	4,904
Loan from shareholders (Note (ii))	1,082	1,059
Loan from third parties (Note (iii))	–	382
Accruals	4,764	14,755
	19,316	101,352

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

The other loans disclosed in Note 38 were represented by loan from directors of approximately HK$750,000 (2022: HK$4,904,000), loan from shareholders of approximately HK$1,082,000 (2022:1,059,000), loan from third parties of approximately HK$Nil (2022:HK$382,000), defaulted convertible loans included in other payables of approximately HK$Nil (2022: HK$9,080,000), defaulted convertible promissory notes included in other payables of approximately HK$1,404,000 (2022: HK$18,109,000) and interest payables included in other payables of approximately HK$504,000 (2022: HK$1,309,000).

Notes:

(i) As at 31 December 2023, the amount of approximately HK$750,000 (2022: HK$4,720,000) was represented loan from directors was unsecured, with annual interest at 5.25% and repayable within 1 year.

As at 31 December 2023, the amount of approximately HK$Nil (2022: HK$184,000) was represented loan from directors was unsecured, interest free and repayable on demand.

(ii) As at 31 December 2023, the amount of approximately HK$572,000 (2022: HK$674,000) represented loan from shareholders of a subsidiary of the Group was unsecured, interest-free, and repayable on demand.

As at 31 December 2023, the amount of approximately HK$360,000 (2022: HK$385,000) represented loan from shareholders of the Group was unsecured, interest-free, and repayable on demand.

As at 31 December 2023, the amount of approximately HK$150,000 (2022: HK$Nil) represented loan from shareholders of the Group was unsecured, with annual interest at 5.25% and repayable on demand.

(iii) As at 31 December 2023, the amount of approximately HK$Nil (2022: HK$382,000) represented loan from a third party was unsecured, with annual interest at 5% and repayable within 1 year.

26. ACCOUNT AND OTHER PAYABLES *(Continued)*

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 2023 HK$'000	As at 31 December 2022 HK$'000
0–30 days	**856**	219
31–60 days	**709**	103
61–90 days	**4**	15
91 to 120 days	**1,420**	6,230
	2,989	6,567

27. AMOUNTS DUE TO NON-CONTROLLING INTERESTS

The amounts due to non-controlling interests are unsecured, interest-free and repayable over one year.

28. PROVISION FOR REINSTATEMENT COSTS

	2023 HK$'000	2022 HK$'000
As at 1 January and 31 December	**1,565**	1,565
Less: Non-current portion	**–**	(1,565)
Current portion	**1,565**	–

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 2023, the Group expected that the total undiscounted costs required in the future would amount to approximately HK$1,565,000 (2022: HK$1,565,000).

29. SHARE CAPITAL

The share capital of the Group as at 31 December 2023 and 2022 represented the share capital of the Company. Movements of the share capital of the Company are as follows:

	2023		2022	
	Number shares '000	Nominal value HK$'000	Number of shares '000	Nominal value HK$'000
Authorised				
Ordinary share of HK$0.01 each (before share consolidation) and HK$0.1 each (after share consolidation)				
As at 1 January	10,000,000	100,000	10,000,000	100,000
Share consolidation (Note (iii))	(9,000,000)	–	–	–
As at 31 December	1,000,000	100,000	10,000,000	100,000
Issued and fully paid				
At 1 January	2,290,400	22,904	2,254,400	22,544
Ordinary shares issued (Note (i) and (ii))	725,008	31,922	–	–
Share consolidation (Note (iii))	(2,467,152)	–	–	–
Exercise of share options (Note 35)	–	–	36,000	360
	548,256	54,826	2,290,400	22,904

Notes:

(i) On 24 February 2023, the Company entered into the placing agreement ("the Placing Agreement") with Sanston Financial Group Limited (the "Placing Agent"), pursuant to which the Placing Agent had agreed to place, and the Company has conditionally agreed to allot and issue, a total of 450,880,000 shares of HK$0.016 each for a cash consideration of approximately HK$7,214,000 to independent third parties ("the Placing"). Further details were set out in the Company's announcement dated 24 February 2023. Completion of the Placing took place on 17 March 2023 pursuant to the terms and conditions of the Placing Agreement. The 450,880,000 placing shares represent approximately 19.69% and 16.45% of the issued share capital of the Company immediately before and after the completion of the Placing. The shares issued rank pari passu in all respects with the then existing shares. The net proceeds of the Placing are approximately HK$6,876,000. Proceeds of approximately HK$4,509,000, representing the par value of the shares issued, were credited to the share capital of the Company and the remaining proceeds of approximately HK$2,367,000 net of share issue expense were credited to the share premium account. The net proceeds have been fully utilised.

(ii) On 18 August 2023, the Company issued 274,128,000 ordinary shares at a subscription price of HK$0.16 per rights share, in connection with the rights issue on the basis of one rights share for every one share held by the qualifying shareholders on the record date (the "Rights Issue"), resulting in net proceeds of HK$40.9 million. Accordingly, the number of issued shares of the Company increased from 274,128,000 shares to 548,256,000 shares. Details of the Rights Issue are set out in the Company's circular dated 9 June 2023, the prospectus dated 14 July 2023 and the Company's announcement dated 4 August 2023 and 18 August 2023.

(iii) On 4 July 2023, every ten issued and unissued shares of par value HK$0.01 each in the share capital of the Company was consolidated into one share of par value HK$0.1 (the "Share Consolidation"). Following the Share Consolidation on 4 July 2022, 2,741,280,000 shares in the issued share capital of the Company were consolidated into 274,128,000 consolidated shares. Details of the Share Consolidation are set out in the Company's announcements dated 6 April 2023 and the Company's circular dated 9 June 2023.

30. CONVERTIBLE LOANS

On 10 June 2019, Luk Hing Capital Limited ("Luk Hing Capital"), a subsidiary of the Company, as borrower and the Company, as guarantor of Luk Hing Capital entered into the convertible loan agreements with the lenders. The convertible loans bear an annual interest of 9% payable in arrear annually with aggregate principal amount of RMB8 million (equivalent to approximately HK$9.08 million), with a term commencing from 10 June 2019 until 36 months from opening of a clubbing venue in Zhuhai by Zhuhai Ruiye, a non-wholly-owned subsidiary.

According to the Group's accounting policy, the convertible loans are classified separately as financial liabilities and derivative financial liabilities in accordance with the substance of the contractual arrangements. Conversion option that will be settled by the share of an affiliated company of Luk Hing Capital. Should any of the holders of convertible loans elect to exercise the conversion, Luk Hing Capital would be responsible for the payment of a bonus, subject to a cap of interest of 25% per annum on the principle amount of the convertible loans in accordance with interest period.

The fair value of the liability component is estimated using the prevailing market interest rate for similar nonconvertible instruments. The fair value assessment of the convertible loans was performed by an independent professional valuer. The effective interest rate of the liability element on initial recognition is 9.17% per annum.

The maturity date of the convertible loans is the 3 year from the date of issue. Conversion option can be exercised at the maturity date of the converted loans. The Company will redeem the convertible loans if the shares have not been converted on maturity date. During the year ended 31 December 2022, the convertible loans was defaulted and fell due for repayment. The amounts were transferred to other payables.

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

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

	HK$'000
As at 1 January 2022	8,873
Effective interest expenses charged	522
Interest expenses paid and payable	(315)
Transfer to other payables (Note 26)	(9,080)
As at 31 December 2022	–

31. CONVERTIBLE PROMISSIONRY NOTES

On 3 July 2019, the Company entered into the note purchase agreements ("NPA") with investors in the aggregate principal amount of approximately RMB16.0 million. The proceeds are intended to be used for the additional investment by the Group to Zhuhai Ruiye. The convertible promissory notes bear an annual interest rate of 9% payable in arrear annually with aggregate principal amount of RMB16.0 million, with a term commencing from 3 July 2019 until 36 months from opening of a clubbing venue in Zhuhai by Zhuhai Ruiye.

According to the Group's accounting policy, the convertible promissory notes are classified separately as financial liabilities and derivative financial liabilities in accordance with the substance of the contractual arrangements. Conversion option that will be settled by the share of Luk Hing Group Development (China) Limited ("Luk Hing China") based on the conversion ratio of USD100,000 of the principle amount to 1.03% of shares of Luk Hing China provided that Luk Hing China shall in turn hold not less than 44.44% of the equity interests of Zhuhai JV, subject to the adjustment described in the NPA. If any of the investors elects not to exercise the conversion, the entire principal amount of the convertible promissory notes shall be redeemed by the Company at a redemption amount equal to the entire principal amount of the convertible promissory notes together with fixed interests accrued thereon, subject to adjustment described in the NPA.

During the year ended 31 December 2022, the convertible promissory notes was defaulted and fell due for repayment. The Company negotiate with the investors for the extension of the repayment. Subsequent to the end of reporting period, the Company extended the new repayment schedule with the investors. The final payment deadline will be on or before 31 July 2023. The amounts were transferred to other payables.

The effective interest rate of the liability element on initial recognition is 11.55% per annum.

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

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

	HK$'000
As at 1 January 2022	18,117
Repayment during the year	(92)
Effective interest expenses charged	1,341
Interest expenses paid and payable	(1,257)
Transfer to other payables (Note 26)	(18,109)
As at 31 December 2022	–

32. BANK LOANS

	As at 31 December 2023 HK$'000	As at 31 December 2022 HK$'000
The carrying amounts of bank loans that contain a repayment on demand clause (shown under current liabilities) but repayable:		
Within one year	**2,335**	4,174
Within a period of more than one year but not exceeding two years	**8,721**	3,544
Within a period of more than two years but not exceeding five years	**2,727**	8,500
Over 5 years	**3,652**	5,387
	17,435	21,605

As at 31 December 2023, the bank loans bear interest rate range from 3.08% to 6.52% per annum (2022: range from 2.45% to 4.75% per annum).

The weighted average effective interest rate of bank loans as at 31 December 2023 was approximately 4.67% (2022: 3.32%).

As at 31 December 2023, the bank loans of approximately HK$5,100,000 (2022: HK$5,100,000) was pledged by the financial assets at FVTPL of approximately HK$6,354,000 (2022: HK$6,209,000) and the remaining were guaranteed by the corporate guarantee of the Company.

33. STATEMENT OF FINANCIAL POSITION AND RESERVE OF THE COMPANY

(a) Statement of Financial Position

	Notes	As at 31 December 2023 HK$'000	As at 31 December 2022 HK$'000
Assets			
Non-current asset			
Investment in subsidiaries	9	–	–
Financial assets at FVTPL		6,354	6,209
		6,354	6,209
Current assets			
Account and other receivables		330	35
Amounts due from subsidiaries		1	313
Cash and cash equivalents		64	13
		395	361
Liabilities			
Current liabilities			
Account and other payables		6,974	30,542
Bank loans		5,100	5,100
Financial guarantees		2,827	–
		14,901	35,642
Net current liabilities		(14,506)	(35,281)
Total assets less current liabilities		(8,152)	(29,072)
Net liabilities		(8,152)	(29,072)
Equity and reserves			
Share capital	29	54,826	22,904
Reserves	33(b)	(62,978)	(51,976)
		(8,152)	(29,072)

The financial statements were approved and authorised for issue by the Board of Directors on 28 March 2024 and signed on its behalf by:

Choi Siu Kit
Director

Tse Mei Ling
Director

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

(b) Reserve

	Share premium HK$'000	Share-based compensation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
As at 1 January 2022	77,839	1,648	(121,048)	(41,561)
Loss and total comprehensive expense for the year	–	–	(11,099)	(11,099)
Lapsed of share options	–	(246)	246	–
Exercise of share options	1,330	(646)	–	684
As at 31 December 2022 and 1 January 2023	79,169	756	(131,901)	(51,976)
Loss and total comprehensive expense for the year	–	–	(26,785)	(26,785)
Cancelled of share options	–	(91)	91	–
Issue of shares	19,153	–	–	19,153
Transaction cost attributable to issue of new shares	(3,370)	–	–	(3,370)
As at 31 December 2023	**94,952**	**665**	**(158,595)**	**(62,978)**

As at 31 December 2023, the Company had no reserves available for distribution in accordance with the Company law of Cayman Islands (2022: nil).

34. RETIREMENT BENEFIT PLANS

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

The amounts charged to the consolidated statement of profit or loss which amounted to HK$1,280,000 (2022 HK$1,245,000) represents contributions payable to the plans by the Group at rates specified in the rules of the plans less forfeitures of no (2022: no) arising from employees leaving the Group prior to completion of qualifying service period.

As at 31 December 2023, none of forfeited contributions which arose upon employees leaving the retirement plans and which are available to reduce the contributions payable in the future years for both years.

Employees

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.

Obligation to pay LSP under Hong Kong Employment Ordinance (Chapter 57)

For the Group's subsidiaries operating in Hong Kong, pursuant to the Employment Ordinance, Chapter 57, the Group has the obligation to pay LSP to qualifying employees in Hong Kong under certain circumstances (e.g. dismissal by employers or upon retirement), subject to a minimum of 5 years employment period, based on the following formula:

Last monthly wages (before termination of employment) × 2/3 × Years of service

Last monthly wages are capped at HK$22,500 while the amount of long service payment shall not exceed HK$390,000. This obligation is accounted for as a post-employment defined benefit plan.

Furthermore, the Mandatory Provident Fund Schemes Ordinance passed in 1995 permits the Group to utilize the Group's mandatory MPF contributions, plus/minus any positive/negative returns thereof, for the purpose of offsetting LSP payable to an employee (the "Offsetting Arrangement').

The Amendment Ordinance was gazetted on 17 June 2022, which abolishes the use of the accrued benefits derived from employers' mandatory MPF contributions to offset the LSP. The Abolition will officially take effect on the Transition Date (i.e., 1 May 2025). Separately, the Government of the HKSAR is also expected to introduce a subsidy scheme to assist employers for a period of 25 years after the Transition Date on the LSP payable by employers up to a certain amount per employee per year.

Under the Amendment Ordinance, the Group's mandatory MPF contributions, plus/minus any positive/negative returns, after the Transition Date can continue to be applied to offset the pre-Transition Date LSP obligation but are not eligible to offset the post-Transition Date LSP obligation. Furthermore, the LSP obligation before the Transition Date will be grandfathered and calculated based on the Last monthly wages immediately preceding the Transition Date and the years of service up to that date. The Amendment Ordinance has impact on the Group's LSP liability with respect to employees that participate in MPF Scheme and the Group has accounted for the offsetting mechanism and its abolition as disclosed in Note 2.3.

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.

35. 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.

Scheme 2018

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.

Scheme 2021

On 4 January 2021, the Company granted 144,000,000 share options at the exercise price of HK$0.029 per share to its directors and employees under the Share Option Scheme. Among the 144,000,000 share options granted, 103,600,000 share options were granted to the six directors of the Company. The option period of the share options is from 4 January 2021 to 3 January 2031. The closing price of the Company's shares prior to the date of grant (i.e., 31 December 2020) was HK$0.029 per share.

35. SHARE OPTION SCHEME *(Continued)*

Details of specific categories of options are as follows:

2023

Category/ name of grantee	Date of grant	Exercise Date/ period	Exercise price per share	Number of share options						
				Outstanding as at 1 January 2023	Grant during the year ended 31 December 2023	Exercised during the year ended 31 December 2023	Cancelled during the year ended 31 December 2023	Share option adjustment during the year (Note)	Lapsed during the year ended 31 December 2023	Outstanding as at 31 December 2023
Employees and Consultants	2 October 2018	(Note 1)	HK$0.5921	7,485,000	–	–	–	(6,713,820)	–	771,180
	2 October 2018	(Note 2)	HK$0.5921	7,485,000	–	–	–	(6,713,820)	–	771,180
	2 October 2018	(Note 3)	HK$0.5921	7,485,000	–	–	(3,103,846)	(3,929,764)	–	451,390
	2 October 2018	(Note 4)	HK$0.5921	2,495,000	–	–	–	(2,237,940)	–	257,060
Total				24,950,000	–	–	(3,103,846)	(19,595,344)	–	2,250,810

Note: The Company adjusted the exercise price of the Share Options under Scheme 2018 and the number of Consolidated Shares falling to be issued upon the exercise of the Share Options in relation to Share Consolidation on 4 July 2023. Details of the Adjustments of the Share Option are set out in the Company's announcements dated 20 October 2023.

2022

Category/ name of grantee	Date of grant	Exercise Date/ period	Exercise price per share	Number of share options				
				Outstanding as at 1 January 2022	Grant during the year ended 31 December 2022	Exercised during the year ended 31 December 2022	Lapsed during the year ended 31 December 2022	Outstanding as at 31 December 2022
Employees and Consultants	2 October 2018	(Note 1)	HK$0.061	7,485,000	–	–	–	7,485,000
	2 October 2018	(Note 2)	HK$0.061	7,485,000	–	–	–	7,485,000
	2 October 2018	(Note 3)	HK$0.061	7,485,000	–	–	–	7,485,000
	2 October 2018	(Note 4)	HK$0.061	2,495,000	–	–	–	2,495,000
	4 January 2021	(Note 5)	HK$0.029	49,600,000	–	(36,000,000)	(13,600,000)	–
Total				74,550,000	–	(36,000,000)	(13,600,000)	24,950,000

Notes:

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

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

(3) Subject to fulfillment of the pre-determined vesting conditions, the shares options shall be vested and exercisable from 2 October 2020 to 1 October 2028.

(4) Subject to fulfillment of the pre-determined vesting conditions, the shares options shall be vested and exercisable from 2 October 2021 to 1 October 2028.

(5) Subject to fulfillment of the pre-determined vesting conditions, the shares options shall be vested and exercisable from 4 January 2021 to 3 January 2031.

As at 31 December 2023, the options outstanding have a weighted average remaining contractual life of 4.8 years (2022: 6.9 years).

35. SHARE OPTION SCHEME *(Continued)*

The estimated fair values of the options as at 4 January 2021 was approximately HK$2,552,000.

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

	Scheme 2021 HK$'000	Scheme 2018 HK$'000
Weighted average share price	**HK$0.029**	HK$0.061
Weighted average exercise price	**HK$0.029**	HK$0.061
Expected volatility	**92.22%**	49%
Life of option	**10 years**	10 years
Risk free rate	**0.54%**	2.42%
Expected dividend yield	**0%**	0%

Expected volatility was determined by calculating the historical volatility of similar Company's share price over the previous 10 years. The life of the options was the contractual life of the options. Expected dividends yield are based on historical dividends.

For the year ended 31 December 2023, no expense was recognised related to equity-settled share-based payment transactions.

36. CAPITAL COMMITMENTS

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

	As at 31 December 2023 HK$'000	As at 31 December 2022 HK$'000
Unpaid balance of capital contribution to a subsidiary in the PRC	**29,714**	40,044

37. 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 2023 and 2022, the Group had the following transactions with related parties:

Name of related parties	Nature of transactions	**Year ended 31 December 2023 HK$'000**	Year ended 31 December 2022 HK$'000
Zone One (CS) Limited (Note (i))	Rental expenses	**1,018**	1,069
Mr. Choi Siu Kit	Loan interest	**225**	181
Mr. Choi Yat Hon	Loan interest	**8**	16

(c) As at 31 December 2023 and 2022, the Group had the following balances with related parties:

Name of related parties	Nature of balance	**As at 31 December 2023 HK$'000**	As at 31 December 2022 HK$'000
Zone One (CS) Limited (Note (i))	Rental payables	**255**	1,311

Note:

(i) Zone One (CS) Limited is held by Mr. Choi Kuen Kwan and Ms. Lo Mong Yee, who are the father and the mother of Mr. Choi Yat Hon and Mr. Choi Siu Kit, who are the executive directors of the Company. Mr. Choi Yat Hon was resigned as an executive director on 3 October 2023.

38. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Lease liabilities HK$'000 (Note 18)	Amounts due to non-controlling interests HK$'000 (Note 27)	Convertible loans HK$'000 (Note 30)	Convertible promissory notes HK$'000 (Note 31)	Bank loans HK$'000 (Note 32)	Other loans HK$'000 (Note 26)	Total HK$'000
As at 1 January 2022	**38,391**	**10,906**	**8,873**	**18,117**	**19,975**	**1,629**	**97,891**
Changes from financing cash flows:							
Repayment of amounts due to non-controlling interests	–	(106)	–	–	–	–	(106)
Proceeds from bank loans	–	–	–	–	8,000	–	8,000
Proceeds from other loans	–	–	–	–	–	7,000	7,000
Repayment of other loans	–	–	–	–	–	(2,370)	(2,370)
Repayment to bank loans	–	–	–	–	(5,843)	–	(5,843)
Repayment of lease liabilities	(3,365)	–	–	–	–	–	(3,365)
Repayment of convertible promissory note	–	–	–	(92)	–	–	(92)
Interest element of lease rentals paid	(2,499)	–	–	–	–	–	(2,499)
Interest paid	–	–	–	–	(592)	–	(592)
Total changes from financing cash flows	(5,864)	(106)	–	(92)	1,565	4,630	133
Other changes:							
Interest expenses (Note 8)	2,499	–	522	1,341	592	1,569	6,523
Derecognition of lease liabilities	(25,044)	–	–	–	–	–	(25,044)
Disposal of a subsidiary (Note 39)	–	–	–	–	(527)	–	(527)
New lease entered	13,736	–	–	–	–	–	13,736
COVID-19 related rent concession	(881)	–	–	–	–	–	(881)
Others	(8,080)	(759)	(315)	(1,257)	–	(174)	(10,585)
Transfer to other payables	–	–	(9,080)	(18,109)	–	27,189	–
As at 31 December 2022	**14,757**	**10,041**	**–**	**–**	**21,605**	**34,843**	**81,246**
Changes from financing cash flows:							
Repayment of amounts due to non-controlling interests	–	(60)	–	–	–	–	(60)
Proceeds from other loans	–	–	–	–	–	166	166
Repayment of other loans	–	–	–	–	–	(27,993)	(27,993)
Repayment to bank loans	–	–	–	–	(4,170)	–	(4,170)
Repayment of lease liabilities	(10,105)	–	–	–	–	–	(10,105)
Interest element of lease rentals paid	(760)	–	–	–	–	–	(760)
Interest paid	–	–	–	–	(748)	–	(748)
Total changes from financing cash flows	(10,865)	(60)	–	–	(4,918)	(27,827)	(43,670)
Other changes:							
Interest expenses (Note 8)	760	–	–	–	748	2,226	3,734
Waive of other payables (Note 7)	–	–	–	–	–	(821)	(821)
Waive of interest expenses (Note 7)	–	–	–	–	–	(4,751)	(4,751)
Disposal of a subsidiary (Note 39)	–	(8,025)	–	–	–	–	(8,025)
Exchange alignment	–	(116)	–	–	–	70	(46)
As at 31 December 2023	**4,652**	**1,840**	**–**	**–**	**17,435**	**3,740**	**27,667**

39. DISPOSAL OF A SUBSIDIARY

Year 2023

On 29 December 2023, the Company entered into a sale and purchase agreement (the "S&P Agreement") with an independent third party (the "Buyer"). Pursuant to the S&P agreement, the Buyer agreed to acquire 100% issued share capital in Luk Hing Group Development Limited at the transfer consideration of approximately HK$8. After completion of the above disposal on 29 December 2023, Luk Hing Group Development ceased to be subsidiary of the Company.

Consideration received

	As at 31 December 2023 HK$'000
Cash received*	–
Total consideration received	–

* The consideration is below HK$1,000

Analysis of assets and liabilities over which control was lost:

	As at 29 December 2023 HK$'000
Intangible assets	130
Account and other receivables	647
Amounts due from non-controlling interests	1,782
Cash and cash equivalents	93
Account and other payables	(39,463)
Amounts due to non-controlling interests	(8,025)
Net liabilities disposed of	(44,836)

39. DISPOSAL OF A SUBSIDIARY *(Continued)*

Gain on disposal of a subsidiary:

	As at 29 December 2023 HK$'000
Consideration received*	–
Net liabilities disposed of	44,836
Non-controlling interests	(20,249)
Exchange reserve	3,229
Other reserve	(2,663)
Gain on disposal	25,153

Net cash outflow arising on disposal:

Analysis of net cash flow in respect of the disposal of a subsidiary is as follows:

	HK$000
Consideration received*	–
Bank balances and cash disposed of	(93)
	(93)

* The consideration is below HK$1,000

Year 2022

On 23 December 2022, Luk Hing Development Limited, a direct wholly-owned subsidiary of the Company, and Luk Hing International Limited, a direct wholly-owned subsidiary of the Company, entered into share purchase agreement with San Thai Food Investment Limited which is wholly owned by Mr. Liu Liangfeng. Pursuant to the share purchase agreement, San Thai Food Investment Limited agreed to acquire 100% issued share capital in Luk Hing Investment Limited held by Luk Hing Development Limited and Luk Hing International Limited at the transfer consideration of approximately HK$100,000. After completion of the above disposal on 23 December 2022, Luk Hing Investment Limited ceased to be subsidiary of the Company.

Consideration received

	As at 31 December 2022 HK$'000
Cash received	100
Total consideration received	100

39. DISPOSAL OF A SUBSIDIARY *(Continued)*

Analysis of assets and liabilities over which control was lost:

	As at 23 December 2022 HK$'000
Account and other receivables	1,748
Inventories	994
Cash and cash equivalents	284
Account and other payables	(18,755)
Tax payables	(11)
Bank loan	(584)
Net liabilities disposed of	(16,324)

Gain on disposal of a subsidiary:

	As at 23 December 2022 HK$'000
Consideration received	100
Net liabilities disposed of	16,324
Gain on disposal	16,424

Net cash outflow arising on disposal:

Analysis of net cash flow in respect of the disposal of a subsidiary is as follows:

	HK$000
Consideration received	100
Bank balances and cash disposed of	(227)
	(127)

40. LITIGATION AND CONTINGENT LIABILITIES

(a) On 19 October 2021, the Company's subsidiary, Luk Hing Investment received a summons issued by COD Resorts Limited ("COD") (as plaintiff) against Luk Hing Investment (as defendant) and filed with Court of the Macau to such civil proceeding. COD alleged that Luk Hing Investment breached the contractual obligations of the Operating Agreement and Supplemental Agreement (the "Agreements") due to default of payment of the rental expenses and contingent rental expense during the year ended 31 December 2021. COD further understands that Luk Hing Investment, by failing to comply with its contractual obligations on a timely manner, the termination of the Agreements shall be deemed valid and effective and requested Luk Hing Investment to pay all the amounts claimed under the Agreements of approximately HK$85,982,000 (equivalent to approximately MOP88,562,000) including the outstanding rental expenses, the rental expenses for the remaining contract terms, interest regards to the outstanding rental expenses, etc..

On 12 January 2022, an objection was filed by Luk Hing Investment to the Court to deny the amounts requested by COD as their request were onerous, excessive, disproportional and unreasonable. In addition, due to the termination of the Agreements, Luk Hing Investment filed a counterclaim in relation to the equipment held by Luk Hing Investment, that remained unrecovered in the former premises of Club Cubic Macau, Luk Hing Investment objected via credit offset and a counterclaim of the total amounts approximately HK$5,805,000 (equivalent to approximately MOP5,979,000).

On 7 March 2022, COD filed the reply to objection of Luk Hing Investment to the Court. COD objected to the claim of credit offset and counterclaim of Luk Hing Investment in respect of the equipment, which remains unrecovered in the former Club Cubic Macau, claiming that such equipment was accounted as a cost of Luk Hing Investment, but immediately incorporated into the Club Cubic Macau, becoming COD the owner and proprietor of the said. COD objects to the arguments made by Luk Hing Investment and maintaining the amount as requested.

On 23 December 2022, Luk Hing Development Limited and Luk Hing International Limited, both being direct wholly-owned subsidiaries of the Company, had entered into share purchase agreement with San Thai Food Investment Limited to dispose of the entire issued share capital in Luk Hing Investment at the consideration of approximately HK$100,000. The disposal was completed on 23 December 2022 and subsequent to which, Luk Hing Investment Limited ceased to be subsidiary of the Company. For further details, please refer to the announcement of the Company dated 23 December 2022.

40. LITIGATION AND CONTINGENT LIABILITIES *(Continued)*

(b) On 11 October 2021, Zhuhai Ruiye, the Company's subsidiary, received an arbitration request issued by 珠海城市建設集團有限公司 ("城建集團"), the landlords of CUBIC SPACE+ and 珠海城建海韵資產經營管理有限公司("城建海韵"), the property management company of CUBIC SPACE+, alleged that Zhuhai Ruiye has breached the tenancy agreement of CUBIC SPACE+ in Zhuhai, the PRC. 城建集團 and 城建海韵 alleged that Zhuhai Ruiye had failed to pay the rental expense and building management fee for the period of October 2018 to August 2019 and February 2020 to April 2020, together with costs of the legal proceedings for approximately HK$8,346,000 (equivalent to approximately RMB6,924,000). Zhuhai Ruiye submitted that the condition of the property was substandard quality at the delivery date and suffered substantial losses due to the leakage of the property. Zhuhai Ruiye applied for a counterclaim to the landlords and the property management company and requested waiver for the rental fee and building management fee for the above period and compensation for the losses due to the water leakage of the property, repairs and maintenances, labor costs together with costs of legal proceedings for approximately HK$15,947,000 (equivalent to approximately RMB13,230,000). The arbitration committee requested Zhuhai Ruiye to provide the evidences of the substandard quality of the property and breakdown for the labor cost for further judgement.

On 7 September 2022, Zhuhai Arbitration Commission issued an Arbitration Award against the case between Zhuhai Ruiye, 城建集團 and 城建海韵. According to the Arbitration Award, Zhuhai Ruiye had to pay rental expenses to 城建集團 for the period of 24 January 2019 to 31 August 2019 which amounted for approximately HK$1,932,000 (equivalent to approximately RMB1,726,000) and 50% of rental expenses of April 2020 which amounted for approximately HK$140,000 (equivalent to approximately RMB125,000). Zhuhai Ruiye also had to pay the liquidated damages and penalties to 城建集團 which amounted for HK$1,130,000 (equivalent to approximately RMB1,010,000) together with the costs of legal proceedings of approximately HK$248,000 (equivalent to approximately RMB222,000). The amounts are included in other payables.

On 21 October 2022, the Company further announced that due to disputes between 城建集團 and 城建海韵 in relation to the operation CUBIC SPACE+ at landmark Zhuhai Grand Theatre, the Group would be unable to continue to operate CUBIC SPACE+ from 20 October 2022 and the Company is seeking legal advice in relation to its rights over the aforesaid matter.

On 29 December 2023, the Company had entered into share purchase agreement with independent third party to dispose of the entire issued share capital in Luk Hing Group Development Limited, intermediate holding company of Zhuhai Ruiye, at the consideration of US$1 (equivalent to HK$8). The disposal was completed on 29 December 2023 and subsequent to which, Zhuhai Ruiye ceased to be subsidiary of the Company.

41. CHANGE IN OWNERSHIP INTEREST IN A SUBSIDIARY

During the year ended 31 December 2023, the Group acquired 7% of its interest in L&B Betula (increasing its continuing interest to 81%), 10% of its interest in both Betula Profit Holdings Limited and Hou Tin Zaak Limited (increasing their continuing interest to 69%).

During the year end 31 December 2022, the Group acquired 4% of its interest in Zhuhai Ruiye, increasing its continuing interest to 66%. The proceeds on acquisition of HK$1,291,000 (equivalent to RMB1,030,000) were payables on demand. An amount of HK$1,503,000 (being the proportionate share of carrying amount of the net assets of Zhuhai Ruiye) has been transferred from non-controlling interest. The difference of HK$2,794,000 between the decrease in the non-controlling interests and the consideration received has been debited to other reserve and exchange reserve.

42. RECLASSIFICATION

Certain comparative figures have been reclassified to conform to the current year presentation.

43. AUTHORISATION FOR ISSUE OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on 28 March 2024.

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				
	2023	2022	2021	2020	2019
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**95,747**	58,590	160,409	158,373	225,403
Profit/(loss) before taxation	**16,090**	(48,935)	(81,506)	(38,628)	(42,144)
Total comprehensive income/(expense) for the year	**18,288**	(46,801)	(81,944)	(38,615)	(42,692)

	As at 31 December				
	2023	2022	2021	2020	2019
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**22,949**	41,602	111,478	225,418	320,635
Total liabilities	**44,991**	149,320	172,148	221,205	280,159
Net current (liabilities)/assets	**(34,743)**	(122,041)	(76,318)	(20,407)	8,235
Net (liabilities)/assets	**(22,042)**	(107,718)	(60,970)	4,213	40,476