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LUK HING ENTERTAINMENT GROUP

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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2021

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

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

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

This announcement, for which the directors (the "Directors") of Luk Hing Entertainment Group Holdings Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement 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 announcement misleading.

INTERIM RESULTS

The board of Directors (the "Board") is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the three-month and six-month periods ended 30 June 2021, together with the unaudited comparative figures for the respective corresponding period in 2020, as follows:

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

	Notes	Three-month period ended 30 June		Six-month period ended 30 June	
		2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Revenue	3	47,496	29,774	89,792	54,838
Other income and gain	4	3,689	5,933	5,506	7,366
Cost of inventories sold		(10,062)	(9,145)	(21,939)	(16,392)
Staff costs		(23,478)	(10,536)	(48,198)	(24,940)
Property rentals and related expenses		(2,315)	(2,138)	(4,408)	(5,088)
Advertising and marketing expenses		(422)	(374)	(1,020)	(1,937)
Other operating expenses		(8,820)	(12,463)	(16,356)	(25,180)
Gain on disposal of subsidiary		-	-	-	9,714
Share of losses of associate company		-	(167)	-	(167)
Depreciation and amortisation		(8,726)	(9,367)	(17,350)	(20,709)
Impairment losses under expected credit loss model, net of reversal		2	-	2	-
Finance costs	7	(2,025)	(2,257)	(4,236)	(4,858)
Loss before taxation		(4,661)	(10,740)	(18,207)	(27,353)
Taxation	5	(6)	-	(6)	-
Loss for the period		(4,667)	(10,740)	(18,213)	(27,353)
Other comprehensive (loss)/income:					
Exchange difference on translating of financial statements of overseas subsidiaries		(86)	26	(22)	(15)
Total comprehensive loss for the period		(4,753)	(10,714)	(18,235)	(27,368)

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

(Continued)

	Notes	Three-month period ended 30 June		Six-month period ended 30 June	
		2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Loss for the period attributable to:					
Owners of the Company		(4,488)	(9,426)	(15,854)	(22,136)
Non-controlling interests		(179)	(1,314)	(2,359)	(5,217)
		(4,667)	(10,740)	(18,213)	(27,353)
Other comprehensive (loss)/income for the period attributable to:					
Owners of the Company		(32)	26	(95)	(15)
Non-controlling interests		(54)	–	73	–
		(86)	26	(22)	(15)
Total comprehensive loss for the period attributable to:					
Owners of the Company		(4,520)	(9,400)	(15,949)	(22,151)
Non-controlling interests		(233)	(1,314)	(2,286)	(5,217)
		(4,753)	(10,714)	(18,235)	(27,368)
Loss per share (HK cents)					
— Basic	6	(0.21)	(0.52)	(0.80)	(1.23)
— Diluted	6	(0.19)	(0.52)	(0.75)	(1.23)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 30 June 2021 HK\$'000 (Unaudited)	As at 31 December 2020 HK\$'000 (Audited)
	Notes		
Assets			
Non-current assets			
Plant and equipment	9	65,003	70,601
Intangible assets		550	608
Financial assets at fair value through profit or loss	10	5,816	5,816
Right of use assets	12	57,952	65,766
Goodwill		9,152	9,152
Interests in an associate		3,494	3,494
Deposits	13	4,700	4,771
		146,667	160,208
Current assets			
Financial assets at FVTOCI	11	1,995	1,972
Inventories		6,565	8,154
Account and other receivables	13	30,797	36,977
Loan receivables	14	4,356	4,356
Amount due from an associate company		2,825	1,383
Amount due from non-controlling interests		2,522	2,493
Cash and cash equivalents		10,636	9,875
		59,696	65,210
Liabilities			
Current liabilities			
Account and other payables	15	36,890	43,838
Lease liabilities	12	15,583	15,540
Bank overdrafts		2,994	2,992
Derivative financial liabilities		309	309
Income tax payables		11	11
Bank loans		23,444	22,927
		79,231	85,617

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

	Notes	As at 30 June 2021 HK\$'000 (Unaudited)	As at 31 December 2020 HK\$'000 (Audited)
Net current liabilities		(19,535)	(20,407)
Total assets less current liabilities		127,132	139,801
Non-current liabilities			
Other payables	15	28,142	29,647
Lease liabilities	12	59,417	66,965
Convertible loans		8,875	8,877
Convertible promissory notes		17,911	17,709
Amounts due to non-controlling interests		10,747	10,648
Provision for reinstatement costs		1,565	1,565
Derivative financial liabilities		177	177
		126,834	135,588
Net assets		298	4,213
Equity			
Share capital		21,600	18,000
Reserves		(6,769)	(1,540)
Equity attributable to owners of the Company		14,831	16,460
Non-controlling interests		(14,533)	(12,247)
Total equity		298	4,213

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six-month period ended 30 June 2021

	Attributable to owners of the Company							Attributable to non-controlling interests	Total	
	Share capital	Share premium	Share-based compensation losses	Legal reserve	Exchange reserve	Accumulated losses	Other reserve			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	
As at 1 January 2020	18,000	66,235	756	12	(25)	(36,604)	92	48,466	(7,990)	40,476
Profit/(loss) for the period	-	-	-	-	-	(22,136)	-	(22,136)	(5,217)	(27,353)
Other comprehensive income/(loss) for the period	-	-	-	-	(15)	-	-	(15)	-	(15)
Equity-settled share option arrangement	-	-	87	-	-	-	-	87	-	87
As at 30 June 2020	18,000	66,235	843	12	(40)	(58,740)	92	26,402	(13,207)	13,195
As at 1 January 2021	18,000	66,235	896	12	543	(68,363)	(863)	16,460	(12,247)	4,213
Profit/(loss) for the period	-	-	-	-	-	(15,854)	-	(15,854)	(2,359)	(18,213)
Other comprehensive income/(loss) for the Period	-	-	-	-	(95)	-	-	(95)	73	(22)
Ordinary shares issued (Note 16)	3,600	8,280	-	-	-	-	-	11,880	-	11,880
Transaction costs attributable to issue of new shares	-	(129)	-	-	-	-	-	(129)	-	(129)
Equity-settled share option arrangement	-	-	2,569	-	-	-	-	2,569	-	2,569
As at 30 June 2021	21,600	74,386	3,465	12	448	(84,217)	(863)	14,831	(14,533)	298

Note: In accordance with the provisions of the Macau Commercial Code, the subsidiary of the Company in Macau are required to transfer a minimum of 25% of its profit for the year to a legal reserve before appropriation of dividends until the legal reserve equals half of the capital of the subsidiary. This reserve is not distributable to its shareholders.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six-month period ended 30 June 2021 HK\$'000 (Unaudited)	Six-month period ended 30 June 2020 HK\$'000 (Unaudited)
Net cash (used in)/generated from operating activities	(7,343)	(16,594)
Net cash (used in)/generated from investing activities	7,944	(148)
Net cash generated from financing activity	51	10,476
Net increase/(decrease) in cash and cash equivalents	652	(6,266)
Cash and cash equivalents at the beginning of the period	9,875	23,311
Effect of foreign exchange rate	109	13
Cash and cash equivalents at the end of the period	10,636	17,058
Analysis of cash and cash equivalents at the end of the period		
Cash and bank balances	10,636	17,058

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES

Basis of preparation

The condensed consolidated interim financial information of the Group has not been audited. The unaudited condensed consolidated interim financial statements of the Group for the six-month period ended 30 June 2021 have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the applicable disclosure requirements of the GEM Listing Rules.

The unaudited condensed consolidated interim financial information should be read in conjunction with the audited annual financial statements included in the annual report of the Company dated 23 March 2021. The accounting policies adopted are consistent with those applied in the Group's audited annual financial statements for the year ended 31 December 2020, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), except the new and revised HKFRSs, which are effective for the financial year beginning from 1 January 2021. The adoption of these new and revised HKFRSs has not had material impact on the unaudited condensed consolidated interim financial information. The Group has not early applied the new and revised HKFRSs that have been issued by the HKICPA but not yet effective.

1. BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES *(Continued)*

Going concern assessment

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

The Group incurred a net loss of approximately HK\$18,213,000 for the six-month period ended 30 June 2021 and, as of that date, the Group's current liabilities exceeded its current assets by approximately HK\$19,535,000. Notwithstanding the above results, the consolidated financial statements have been prepared on a going concern basis, the validity of the going concern basis is dependent upon the success of the Group's future operations, its ability to generate adequate cash flow in order to meet its obligations as and when fall due and its ability to refinance or restructure its borrowings such that the Group can meet its future working capital and financial requirement.

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

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

- (i) the directors of the Company will continue to implement measures aiming at improving the working capital and cash flows of the Group including closely monitoring other operating expenses.
- (ii) the substantial shareholders of the Company have given their consent to provide continuous financial support to the Group to enable the Group to meet its obligations when due.

1. BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES *(Continued)*

Going concern assessment *(Continued)*

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

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

The directors of the Company have carried out a detailed review of the cash flow forecast of the Group for the next twelve months from the end of the reporting date taking into account the impact of the above measures, and believe that the Group will have sufficient cash resources to satisfy its future working capital and other financing requirements. Accordingly, the consolidated financial statements for the six-month period ended 30 June 2021 have been prepared on a going concern basis.

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

The consolidated financial statements have been prepared on the historical cost basis except for financial assets at FVTPL, financial assets at FVTOCI and derivative financial liabilities which are measured at fair values. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

2. OPERATING SEGMENT

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

Information about geographical areas

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

	For the six-month period ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Macau	15,252	10,471
Hong Kong	28,207	29,047
The PRC	46,333	15,320
	89,792	54,838

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

	As at 30 June 2021	As at 31 December 2020
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Macau	38,808	40,234
Hong Kong	39,914	42,778
The PRC	67,945	77,196
	146,667	160,208

Information about major customers

During the period, no revenue from transactions with a single external customer amounted to 10% or more of the Group's total revenue (2020: Nil).

3. REVENUE

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

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

	For the three-month period ended 30 June		For the six-month period ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Revenue from contracts with customers:				
<i>Recognised at a point in time</i>				
Sales of food, and other products	15,744	12,435	27,207	25,776
Sales of beverage	31,148	17,070	61,506	28,095
Sponsorship income	219	–	452	299
Entrance fees income	77	–	141	233
Others (Note)	197	156	265	186
	47,385	29,661	89,571	54,589
Revenue from other sources:				
Loan interest income	111	113	221	249
	47,496	29,774	89,792	54,838

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

4. OTHER INCOME AND GAIN

	For the three-month period ended 30 June		For the six-month period ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Net foreign exchange gain	750	6	767	26
Reversal of allowance for credit losses of account receivables	-	144	-	144
Reversal of allowance for credit losses of deposits	-	11	-	11
Reversal of allowance for credit losses of loan receivables	-	9	-	9
Consultancy and management fee income	240	830	516	1,498
Covid-19 related rental concession	910	1,720	1,365	1,720
Government grants (note (a))	-	2,921	820	3,521
Gain on termination of lease agreement of subsidiary	-	46	-	46
Bad Debt Recovery	857	-	857	-
Others (note (b))	932	246	1,181	391
	3,689	5,933	5,506	7,366

Notes:

- (a) For the six-month period ended 30 June 2021, government grants of HK\$820,000 (2020: HK\$3,521,000) in respect of Covid-19-related subsidies, of which of HK\$800,000 (2020: Nil) relates to Catering Business Subsidy Scheme, Employment Support Scheme of approximately HK\$ Nil (2020: HK\$2,841,000) and other subsidies of approximately HK\$20,000 (2020: HK\$680,000) under the Anti-epidemic Fund provided by the Hong Kong government.
- (b) Others mainly included the tips income.

5. INCOME TAX EXPENSES

	For the three-month period ended 30 June		For the six-month period ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Income tax expenses				
— Macau Complementary Tax	-	-	-	-
— PRC Enterprise Income Tax	6	-	6	-

- (i) Macau Complementary Tax is calculated at 12% of the assessable profit for the six-month period ended 30 June 2021 after deducting the exempted amount of MOP600,000. Under the Macau Complementary Tax, for the years of assessment 2021 and 2020, the taxable profits up to MOP600,000 were exempted.

No provision for Hong Kong profits tax is made since the Hong Kong subsidiary has no estimated assessable profit for the three-month and six-month periods ended 30 June 2021 and 2020, respectively.

6. (LOSS)/EARNINGS PER SHARE

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

	For the three-month period ended 30 June		For the six-month period ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Loss for the purpose of basic and diluted loss per share	(4,488)	(9,426)	(15,854)	(22,136)
	'000	'000	'000	'000
Weighted average number of ordinary shares for the purpose of basic loss per share	2,160,000	1,800,000	1,980,994	1,800,000
Effect of dilutive potential ordinary shares:				
— Share option (Note)	144,000	—	144,000	—
Weighted average number of ordinary shares for the purpose of diluted loss per share	2,304,000	1,800,000	2,124,994	1,800,000

Note: The diluted loss per share for the three-month and six-month periods ended 30 June 2021 was calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. For the three-month and six-month periods ended 30 June 2020, diluted loss per share is the same as basic loss per share as there were no potential dilutive ordinary shares in issue.

7. FINANCE COSTS

	For the three-month period ended 30 June		For the six-month period ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Interest on convertible promissory notes	510	498	1,014	996
Interest on convertible loans	203	202	404	405
Interest on bank loans	193	99	363	194
Interest on bank overdrafts	38	76	73	149
Interest on lease liabilities	1,067	1,335	2,349	3,058
Others	14	47	33	56
	2,025	2,257	4,236	4,858

8. DIVIDEND

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

9. PLANT AND EQUIPMENTS

The Group acquired items of plant and equipment with cost amounting to HK\$3,940,000 and HK\$148,000 during the six-month period ended 30 June 2021 and 2020, respectively. No items of plant and equipment were disposed during the six-month period ended 30 June 2021 and 2020, respectively.

10. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 30 June 2021 HK\$'000 (Unaudited)	As at 31 December 2020 HK\$'000 (Audited)
Life insurance policy	5,816	5,816

During the year ended 31 December 2019, the Group entered into life insurance policies with an insurance company to insure against the death and permanent disability of Mr. Choi Siu Kit, the executive director of the Company. Under the policies, the beneficiary and policy holder is the Company, and the total insured sum is approximately HK\$6,000,000. The contracts will be terminated on the occurrence of the earliest of the death of the executive director insured or other terms pursuant to the contracts. The Company has paid out the total insurance premium with an aggregate amount of approximately HK\$6,000,000 at the inception of the policies. The Group may request a surrender of the contracts at any time and receive cash back based on the cash value at the date of withdrawal, which is determined by the gross premium paid at inception plus accumulated guaranteed interest earned and minus insurance premium charged (the "Cash Value").

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	As at 30 June 2021 HK\$'000 (Unaudited)	As at 31 December 2020 HK\$'000 (Audited)
Unlisted equity investment	1,995	1,972

As at 30 June 2021 and 31 December 2020, the balance mainly represented equity investment on 9.05% equity interest of a company in the PRC, which is principally engaged in the operation and management of clubbing venue in Guangzhou.

During the year ended 31 December 2020, the Group entered into a sale and purchase agreement with an independent third party to dispose of the 9.05% equity interest in the company in the PRC at a total consideration of RMB1,660,000. The completion of the disposal was extended to 30 September 2021 due to the COVID-19 pandemic situation.

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

12. RIGHT-OF-USE ASSETS/LEASE LIABILITIES

Right-of-use assets

	As at 30 June 2021 HK\$'000 (Unaudited)	As at 31 December 2020 HK\$'000 (Audited)
As at 1 January	65,766	110,906
Deemed disposal of a subsidiary	–	(25,828)
Depreciation provided during the period/year	(7,753)	(19,126)
Lease modification	(260)	(1,262)
Exchange alignment	199	1,076
	57,952	65,766

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

During the period ended 30 June 2021, the Group leases 4 properties (As at 31 December 2020: 6 properties) for the operation of restaurant and clubbing business. Lease contracts are entered into for fixed term of 2 to 6.5 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

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

Lease liabilities

	As at 30 June 2021 HK\$'000 (Unaudited)	As at 31 December 2020 HK\$'000 (Audited)
Analysed as		
— Current	15,583	15,540
— Non-current	59,417	66,965
	75,000	82,505
Minimum lease payments due		
Within one year	19,848	20,207
More than one year but not later than two years	13,732	16,579
More than two year but not later than five years	41,472	41,012
Over five years	14,968	21,984
	90,020	99,782
Less: Future finance charges	(15,020)	(17,277)
	75,000	82,505
Maturity analysis:		
Within one year	15,583	15,540
More than one year but not later than two years	10,260	12,809
More than two year but not later than five years	34,871	33,472
Over five years	14,286	20,684
	75,000	82,505

The weighted average incremental borrowing rates applied to lease liabilities range from 4.04% to 8.15% (As at 31 December 2020: 4.04% to 8.15%).

13. ACCOUNT AND OTHER RECEIVABLES

	As at 30 June 2021 HK\$'000 (Unaudited)	As at 31 December 2020 HK\$'000 (Audited)
Account receivables	6,210	7,634
Less: allowance for credit losses	(306)	(308)
	5,904	7,326
Sponsorship receivables	80	485
Less: allowance for credit losses	(10)	(10)
	70	475
Other receivables	9,725	9,455
Less: allowance for credit losses	(202)	(202)
	9,523	9,253
Prepayments	7,065	9,555
Deposits	13,177	15,381
Less: allowance for credit losses	(242)	(242)
	12,935	15,139
	35,497	41,748
Portion classified as non-current		
— Deposits	(4,700)	(4,771)
	30,797	36,977

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

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

13. ACCOUNT AND OTHER RECEIVABLES *(Continued)*

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

	As at 30 June 2021 HK\$'000 (Unaudited)	As at 31 December 2020 HK\$'000 (Audited)
0 to 30 days	1,571	4,937
31 to 60 days	1,155	379
61 to 90 days	583	330
91 to 120 days	723	452
Over 120 days	1,872	1,228
	5,904	7,326

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

Movement in the accumulated allowance for credit losses of account receivables

	As at 30 June 2021 HK\$'000 (Unaudited)	As at 31 December 2020 HK\$'000 (Audited)
As at 1 January	308	928
Reversal of ECL recognised during the period/year	(2)	(620)
	306	308

13. ACCOUNT AND OTHER RECEIVABLES *(Continued)*

Movement in the accumulated allowance for credit losses of sponsorship receivables

	As at 30 June 2021 HK\$'000 (Unaudited)	As at 31 December 2020 HK\$'000 (Audited)
As at 1 January	10	34
Reversal of ECL recognised during the period/year	–	(24)
	10	10

Movement in the accumulated allowance for credit losses of other receivables

	As at 30 June 2021 HK\$'000 (Unaudited)	As at 31 December 2020 HK\$'000 (Audited)
As at 1 January	202	169
Allowance for ECL recognised during the period/year	–	33
	202	202

13. ACCOUNT AND OTHER RECEIVABLES *(Continued)*

Movement in the accumulated allowance for credit losses of deposits

	As at 30 June 2021 HK\$'000 (Unaudited)	As at 31 December 2020 HK\$'000 (Audited)
As at 1 January	242	337
Reversal of ECL recognised during the period/year	–	(95)
	242	242

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

As at 30 June 2021, the Group's prepayments mainly represents prepayments for legal and professional fees of approximately HK\$1,554,000 (As at 31 December 2020: HK\$1,605,000) and prepayments for renovation of approximately HK\$4,828,000 (As at 31 December 2020: HK\$4,828,000). As at 30 June 2021, the Group's deposits mainly represents deposits for acquisition of plant and equipment and decoration of approximately HK\$1,094,000 (As at 31 December 2020: HK\$1,276,000), rental deposits of approximately HK\$5,210,000 (As at 31 December 2020: HK\$5,149,000) and deposits for featured events of approximately HK\$5,647,000 (As at 31 December 2020: HK\$5,647,000). As at 30 June 2021, the amounts of the Group's other receivables mainly represents value added tax recoverable from CUBIC SPACE+ of approximately HK\$5,659,000 (As at 31 December 2020: HK\$3,375,000).

14. LOAN RECEIVABLES

Loan receivables arise from the Group's Money Lending Business which grants loans to entities in the food and beverage and entertainment industry. The gross loan receivables of approximately HK\$4,450,000 were carrying interest at 10% per annum. The loan receivables were recoverable according to repayment schedules, normally with contractual maturity within one year as at 30 June 2021 and 31 December 2020.

	As at 30 June 2021 HK\$'000 (Unaudited)	As at 31 December 2020 HK\$'000 (Audited)
Loan receivables, gross	4,450	4,450
Less: allowance for credit losses	(94)	(94)
Loan receivables, net	4,356	4,356

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

	As at 30 June 2021 HK\$'000 (Unaudited)	As at 31 December 2020 HK\$'000 (Audited)
Within one year	4,356	4,356

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

14. LOAN RECEIVABLES *(Continued)*

Movement in the accumulated allowance for credit losses of loan receivables

	As at 30 June 2021 HK\$'000 (Unaudited)	As at 31 December 2020 HK\$'000 (Audited)
As at 1 January	94	50
Allowance for ECL recognised during the period/year	–	44
	94	94

15. ACCOUNT AND OTHER PAYABLES

	As at 30 June 2021 HK\$'000 (Unaudited)	As at 31 December 2020 HK\$'000 (Audited)
Account payables	7,036	10,304
Rental payables (note (i))	13,440	12,199
Other payables	37,012	41,146
Accruals	7,544	9,836
	65,032	73,485
Portion classified as non-current — Other payables (note (ii))	(28,142)	(29,647)
Current portion	36,890	43,838

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

Notes:

- (i) As at 30 June 2021, the rental payables represent the short-term leases expense and contingent rental expense of approximately HK\$6,098,000 (As at 31 December 2020: HK\$4,991,000) and HK\$7,342,000 (As at 31 December 2020: HK\$7,208,000) respectively.
- (ii) The other payables classified as non-current liabilities mainly represent the DJs fee, design and renovation fee of CUBIC SPACE+ which were unsecured, interest-free and not repayable within 12 months.

15. ACCOUNT AND OTHER PAYABLES *(Continued)*

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

	As at 30 June 2021 HK\$'000 (Unaudited)	As at 31 December 2020 HK\$'000 (Audited)
0 to 30 days	2,493	5,779
31 to 60 days	1,478	1,522
61 to 90 days	2,077	1,429
91 to 120 days	988	1,574
	7,036	10,304

16. SHARE CAPITAL

The share capital of the Group as at 30 June 2021 and 31 December 2020 represented the share capital of the Company. Movements of the share capital of the Company are as follows:

	As at 30 June 2021		As at 31 December 2020	
	Number shares '000 (Unaudited)	Nominal value HK\$'000 (Unaudited)	Number shares '000 (Audited)	Nominal value HK\$'000 (Audited)
Authorised				
Ordinary share of HK\$0.01 each				
As at 1 January	10,000,000	100,000	10,000,000	100,000
Issued and fully paid				
At 1 January	1,800,000	18,000	1,800,000	18,000
Ordinary shares issued (Note)	360,000	3,600	–	–
	2,160,000	21,600	1,800,000	18,000

16. SHARE CAPITAL *(Continued)*

Note: On 23 March 2021, the Company entered into the subscription agreement with independent third parties (the "Subscribers"), pursuant to which the Subscribers has conditionally agreed to subscribe, and the Company has conditionally agreed to allot and issue, a total of 360,000,000 shares of HK\$0.033 each for a cash consideration of approximately HK\$11,880,000 ("the Subscriptions"). Further details were set out in the Company's announcement dated 23 March 2021. Completion of the Placing took place on 09 April 2021 pursuant to the terms and conditions of the Placing Agreement. The 360,000,000 Placing Shares represent approximately 20.00% and 16.67% of the issued share capital of the Company immediately before and after the completion of the Placing. The shares issued rank pari passu in all respects with the then existing shares. The net proceeds of the Placing are approximately HK\$11,751,000. Proceeds of HK\$3,600,000, representing the par value of the shares issued, were credited to the share capital of the Company and the remaining proceeds of HK\$8,151,000 net of share issue expense were credited to the share premium account.

17. CAPITAL COMMITMENTS

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

	As at 30 June 2021 HK\$'000 (Unaudited)	As at 31 December 2020 HK\$'000 (Audited)
Unpaid balance of capital contribution to a subsidiaries in the PRC	54,928	42,473

18. MATERIAL RELATED PARTY TRANSACTIONS

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

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

	For the six-month period ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Salaries and other short term employee benefits	1,175	1,284
Retirement scheme contributions	13	25
	1,188	1,309

18. MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(b) Other related party transactions:

Related parties	Nature of transactions	For the six-month period ended 30 June	
		2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Zone One (CS) Limited (Note i)	Rental expenses	510	720
Xin Limited (Note ii)	Loan interest income	–	24
Choi Siu Kit (Note iii)	Loan interest expenses	29	24

Notes:

- i. Zone One (CS) Limited is held by Mr. Choi Kuen Kwan and Ms. Lo Mong Yee, who are the father and the mother of Mr. Choi Yiu Ying and Mr. Choi Siu Kit, who are the executive Directors.
- ii. Xin Limited is the subsidiary of Star Century Investments Limited. The executive Director, Mr. Choi Siu Kit, is also the director of Xin Limited.
- iii. Mr. Choi Siu Kit is the executive Director.

19. CONTINGENT LIABILITIES

Saved as disclosed elsewhere in the unaudited condensed consolidated interim financial statements, the Group did not have any other significant contingent liabilities as at 30 June 2021 and 31 December 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

During the first half of 2021, the Group continued to engage in the operation of clubbing business including “Club Cubic Macau” and “CUBIC SPACE+” and the operation of restaurants namely “HEXA” , “SIXA” and “GaGiNang” which are all through subsidiaries and associate of the Group.

BUSINESS REVIEW

During the first half of 2021, the Group achieved an overall result upturn, benefited from an uptick in result from its restaurant and clubbing business, along with the effective cost saving strategies and government subsidies from the COVID-19 relief measures.

Operation of Clubbing Business

Our clubbing business includes the operation of Club Cubic Macau in Macau which is wholly-owned by the Group and the operation of CUBIC SPACE+ in Zhuhai City of the PRC which the Group holds effective equity interests of 62.22%.

Club Cubic Macau’s operation continued to be impacted by travel bans, restrictions and quarantine requirements imposed by the governments in Macau, Hong Kong and China. Despite the issuance of Individual Visit Scheme visas by China to Macau was progressively resumed through the third quarter of 2020, but majority of the Mainland Chinese visitors were not eligible to apply for travel to Macau until late September 2020. Between then and April 2021, provisional visitor arrivals have recorded month-on-month increments. The recent five-day Labour Day holidays brought forth outstanding arrival numbers. According to the figures revealed by the Macau Government Tourism Office, Macau welcomed 167,000 visitors, of which 156,000 came from the mainland with average daily visitor arrivals hit 33,000 during this peak period. Mainland China is the only place to have a largely quarantine-free travel bubble with Macau among existing travel restrictions as countermeasures against COVID-19, and Guangdong province has been the single-largest feeder market for Macau’s visitor arrivals. Unfortunately, the fresh cases of COVID-19 infection in Guangdong province reported since late May has had a negative effect on Macau’s visitor arrivals for June. Macau’s average daily visitor arrival as in June was approximately 17,600 while in May, the daily average had been 27,938 according to official data.

Affecting by the strict disinfection and quarantine measures adopted after Guangdong reported Delta variant of COVID-19 in May, CUBIC SPACE+ performed a soften sales turnover in June. Nonetheless, it still maintained positive result performance in the first half of 2021. Located by the landmark Zhuhai Grand Theater and with its diversified leisure and entertainment experiences offered to customers, CUBIC SPACE+ is gaining popularity in Zhuhai and it underpins the success in diversifying strategy of the Group through integrating our business model with local characteristics.

Operation of Restaurant Business

Our restaurant business operation was severely impacted by the pandemic in the first quarter of 2021 with government-imposed restrictions banning the dine-in service from 6 pm and 4:59 am of the subsequent day from 10 December 2020. We observed an obvious sales rebound in our restaurants when the social distancing restrictions were changed to limit the number of diners to four people per table until 10pm from 18 February 2021 onwards. The uplift of sales coupled with various measures to cut general expenses resulted in the overall performance upturn in the second quarter of 2021.

Though the challenging market conditions will persist and the social distancing requirements may continue to be modified by the Government from time to time as COVID-19 developments unfold, the rollout of COVID-19 vaccines does offer a glimmer of hope that business conditions will gradually improve. To position us in the best of financial and operational health to counter the challenges posed by COVID-19, the Group has shifted its strategy and operations to ensure effective business continuity and evolution in this new rhythm of business. We have taken measures to the greatest extent in protecting the health of our staff and the community at large. We have streamlined to improve the existing operations. We have taken cost reduction programs to minimize cashflows and rationalization efforts to control capital expenditures. Furthermore, we have explored funding sources to enhance financial position of the Company. During the first half of 2021, the Group received a total of HK\$2.6 million under the Special 100% Loan Guarantee Scheme. The Group also completed the private placements with net proceeds of approximately HK\$11.8 million to reinforce our balance sheet and enhance our ability to fund business development in Mainland China that are integral to our long-term growth.

FINANCIAL REVIEW

Revenue

Total revenue of the Group increased by 63.7% from HK\$54.8 million in the first half of 2020 to HK\$89.8 million in the same period of 2021 mainly contributed by CUBIC SPACE+ and Club Cubic Macau as both were temporarily suspended operations during the first half of 2020 following local governments' prompt actions in containing the outbreak of COVID-19.

Expenses

Cost of inventories sold mainly represented the costs of beverage, food and tobacco products sold. It increased by 33.8% from HK\$16.4 million in the first half of 2020 to HK\$21.9 million in the same period of 2021. This was mainly attributable to the increase of cost of inventories of CUBIC SPACE+ and Club Cubic Macau in 2021 as both were temporarily suspended operations during the first half of 2020, partially offset by discontinued consolidation of GaGiNang after the deemed disposal transaction on 30 March 2020.

Staff costs represented one of the major components of the Group's operating expenses, which mainly consisted of Directors' emoluments, salaries, retirement benefit scheme contribution and other benefits. Staff cost increased by 93.3% from HK\$24.9 million in the first half of 2020 to HK\$48.2 million in the same period of 2021. This was mainly due to (i) CUBIC SPACE+ salary cost resumed to normal in the first half of 2021 while it had been temporarily suspended operation during the first half of 2020 following Zhuhai government's actions in containing the outbreak of COVID-19, and (ii) the share-based compensation of HK\$2.6 million for the share options granted on 4 January 2021.

Property rentals and related expenses decreased by 13.3% from HK\$5.1 million in the first half of 2020 to HK\$4.4 million in the same period of 2021. This was mainly due to the rental concessions offered by our landlords of our operating venues under the COVID-19 pandemic situation.

Advertising and marketing expenses decreased by 47.4% from HK\$1.9 million in the first half of 2020 to HK\$1.0 million in the same period of 2021 due to the adoption of stringent cost control measures on marketing expense to cope with the impact of COVID-19.

Other operating expenses decreased by 35.0% from HK\$25.2 million in the first half of 2020 to HK\$16.4 million in the same period of 2021. This was explained by the discontinued consolidation of GaGiNang after the deemed disposal transaction on 30 March 2020 and the stringent cost control measures adopted in CUBIC SPACE+.

Depreciation and Amortization decreased by 16.2% from HK\$20.7 million in the first half of 2020 to HK\$17.4 million in the same period of 2021. This was mainly due to the discontinued consolidation of GaGiNang after the deemed disposal transaction on 30 March 2020.

Loss Attributable to Owners of the Company

Loss attributable to owners of the Company was HK\$15.9 million in the first half of 2021 compared to that of HK\$22.2 million in the first half of 2020. The improved performance was mainly explained by: (i) the increase of revenue from CUBIC SPACE+ and Club Cubic Macau after resumed normal operations; (ii) reduced operating expenses due to the adoption of stringent cost control measures to cope with the impact of COVID-19 and (iii) partially offset by the share-based compensation of HK\$2.6 million for the share options granted on 4 January 2021 and the absence of net gain from the disposal of subsidiary during the period under review.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Below is a summary of the key financial ratio:

	Notes	As at 30 June 2021	As at 31 December 2020
Current ratio	1	0.8	0.8
Quick ratio	2	0.7	0.7
Debt ratio	3	99.9%	98.1%

Notes:

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

The Group had cash and cash equivalents of HK\$10.6 million as at 30 June 2021 (31 December 2020: HK\$9.9 million).

During the six-month period ended 30 June 2021, the Group received pandemic subsidies from the Hong Kong Government of total HK\$0.8 million which included subsidies of HK\$800,000 under the Catering Business Subsidy Scheme and other subsidies of HK\$20,000 under the Anti-epidemic Fund provided by the Hong Kong Government. The Group also received a total of HK\$2.6 million under the Special 100% Loan Guarantee Scheme.

As at 30 June 2021, the Group had external borrowing of HK\$53.2 million (31 December 2020: HK\$52.5 million), including an outstanding amount of HK\$3.0 million (31 December 2020: HK\$3.0 million) from the bank overdraft facility for which the Company provided its corporate guarantee.

Share Placement

On 23 March 2021, the Company entered into the subscription agreement with independent third parties (the "Subscribers"), pursuant to which the Subscribers has conditionally agreed to subscribe, and the Company has conditionally agreed to allot and issue, a total 360,000,000 shares of HK\$0.033 each for a cash consideration of approximately HK\$11,880,000 ("the Subscriptions").

All the conditions precedent to the Subscriptions had been fulfilled and the Completion took place on 09 April 2021. An aggregate of 360,000,000 Subscription Shares, representing (i) 20.00% of the existing issued share capital of the Company immediately before the Completion of the Subscriptions; and (ii) approximately 16.67% of the total issued Shares of the Company immediately after the Completion were allotted and issued to the Subscribers at the Subscription Price of HK\$0.033 per Subscription Share in accordance with the terms of the Subscription Agreements.

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

As at 30 June 2021, the net proceeds raised from the Subscription were applied in accordance with the planned use of proceeds as set out in the announcement of the Company dated 23 March 2021, among which approximately HK\$1.2 million was used to settle payables and loans and approximately HK\$7.5 million was used in general working capital such as salary payment. Unutilized net proceeds was approximately HK\$3 million. The Directors are not aware of any material change or delay in the use of proceeds. For details of the Subscription, please refer to the announcements of the Company dated 23 March 2021 and 09 April 2021.

CHARGES ON ASSETS

As at 30 June 2021, the Group did not have any charges on its assets except the pledge of the life insurance policy to China Citic Bank International Limited for the revolving loan facility of HK\$5.1 million for the life insurance policy premium financing.

FOREIGN EXCHANGE EXPOSURE

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

CONTINGENT LIABILITIES AND CAPITAL COMMITMENT

Save for those disclosed in this announcement, the Group did not have any other contingent liabilities and capital commitment as at 30 June 2021.

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

Save for those disclosed in this announcement, there were no other significant investments held by the Group as at 30 June 2021, nor were there other material acquisitions and of subsidiaries and affiliated companies by the Group during the period.

EMPLOYEES AND REMUNERATION POLICY

The Group had a total of 198 employees as at 30 June 2021 (2020: 435 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.

OUTLOOK

The first half of 2021 has continued to be a difficult period for the Company. Even though our clubbing business has suffered due to travel restrictions, our decision of opening CUBIC SPACE+ in Zhuhai, Mainland China back in August 2019 has continued to serve the Company well as it helps us to diversify our portfolio risks while promoting our brand in the clubbing business in Mainland China.

Although business environments have been challenging, we believe it is a perfect time for us to build an even stronger reputation by enhancing our customer services in the restaurant business. We will continue to analyse our customer data in order to improve the table turnover rate. While social media promotions will remain to be one of our key marketing strategies, we will try to broaden the promotion offer to lead in corporate customers. Managing cash flows and reducing any unnecessary costs will continue to be one of management's key focus areas.

We expect our restaurant business in Hong Kong to improve in the second half of 2021, due to Consumption Voucher Scheme announced by the Hong Kong government where each qualified Hong Kong permanent resident and new arrival aged 18 or above, will receive HK5,000 through AlipayHK, Tap & Go, WeChat Pay HK or Octopus respectively.

We will continue to focus on expanding our businesses and exploring new opportunities in Mainland China while closely observing the latest trends in pandemic, customers' behaviour, competitors' approach and travel arrangements by respective countries and authorities.

Management strongly believes that its current plans and strategies will help the Company to cope with the challenging operating environment while we will continue to leverage our reputation and network in order to improve our financial positions for our shareholders and stakeholders.

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

Choi Yiu Ying

Chairman and Chief Executive Officer

Hong Kong, 13 August 2021

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

As at 30 June 2021, the interests and short position of the Directors and the Company's chief executives in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), which were required to be notified to the Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including any interests or short positions which they are taken or deemed to have under such provisions of the SFO), or as recorded in the register maintained by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of listed issuers as referred to in Rule 5.46 to 5.67 of the GEM Listing Rules were as follows:

Name of Director/Chief Executive	Name of Group member/associated corporation	Nature of interest	Number and class of securities ⁽¹⁾	Approximate percentage of shareholding interest
Mr. Choi Yiu Ying (Notes 2 and 3)	The Company	Interest of a controlled corporation, interest held jointly with another person	1,093,500,000 ordinary shares of the Company (L)	50.63%
	Welmen Investment Co. Ltd ("Welmen")	Interest of a controlled corporation	3,031.11 ordinary shares of Welmen (L)	30.3111%
		Beneficial owner	1,262.225 ordinary shares of Welmen (L)	12.62225%
Mr. Choi Siu Kit (Notes 2 and 3)	The Company	Interest of a controlled corporation, interest held jointly with another person	1,093,500,000 ordinary shares of the Company (L)	50.63%
	Welmen	Interest of a controlled corporation	3,031.11 ordinary shares of Welmen (L)	30.3111%
		Beneficial owner	1,262.225 ordinary shares of Welmen (L)	12.62225%

Name of Director/Chief Executive	Name of Group member/associated corporation	Nature of interest	Number and class of securities ⁽¹⁾	Approximate percentage of shareholding interest
Mr. Yeung Chi Shing (Note 2)	The Company	Interest held jointly with another person	1,093,500,000 ordinary shares of the Company (L)	50.63%
	Welmen	Beneficial owner	1,234.44 ordinary shares of Welmen (L)	12.3444%
Mr. Au Wai Pong Eric (Note 2)	The Company	Interest held jointly with another person	1,093,500,000 ordinary shares of the Company (L)	50.63%
	Welmen	Beneficial owner	1,605.56 ordinary shares of Welmen (L)	16.0556%
Mr. Au Ka Wai (Note 2)	The Company	Interest held jointly with another person	1,093,500,000 ordinary shares of the Company (L)	50.63%
	Welmen	Beneficial owner	1,604.44 ordinary shares of Welmen (L)	16.0444%

Notes:

- (1) The letter "L" denotes the person's long position in the shares of the Company or the relevant associated corporation.
- (2) On 2 March 2016, Mr. Choi Yiu Ying, Mr. Choi Siu Kit, Mr. Au Wai Pong Eric, Mr. Au Ka Wai, Mr. Yeung Bernard Sie Hong and Mr. Yeung Chi Shing entered into an acting in concert confirmation whereby each of them confirmed that since 31 January 2011, they acted in concert with each other when dealing with matters concerning operation management, accounts, finance and treasury and human resources management of the Group, details of which are set out in the Prospectus. On 20 August 2019, Mr. Yeung Bernard Sie Hong sold all his shares in Welmen to Mr. Choi Kuen Kwan (father of Mr. Choi Yiu Ying and Mr. Choi Siu Kit). On 4 June 2020, Mr. Choi Kuen Kwan sold 50% and 50% of his shares in Welmen to Mr. Choi Yiu Ying and Mr. Choi Siu Kit respectively. As such, pursuant to the acting in concert arrangement, each of Mr. Choi Yiu Ying, Mr. Choi Siu Kit, Mr. Au Wai Pong Eric, Mr. Au Ka Wai and Mr. Yeung Chi Shing is deemed to be interested in 50.63% of the issued share capital of the Company held by Welmen.
- (3) Welmen is owned as to 30.3111% by Yui Tak Investment Limited ("Yui Tak") and Yui Tak is wholly owned by Ocean Concept Holdings Limited ("Ocean Concept"). Ocean Concept is owned as to 88.29% by Toprich Investment (Group) Limited ("Toprich") and Toprich is wholly owned by Perfect Succeed Limited ("Perfect Succeed"), which is in turn owned as to 50% by Mr. Choi Yiu Ying and as to 50% by Mr. Choi Siu Kit. By virtue of the SFO, each of Mr. Choi Yiu Ying and Mr. Choi Siu Kit is deemed to be interested in 30.3111% of the issued share capital of Welmen held by Yui Tak and 50.63% of the issued share capital of the Company held by Welmen.

Save as disclosed above and so far as is known to the Directors, as at 30 June 2021, none of the Directors and the Company's chief executive had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including any interests or short positions which they are taken or deemed to have under such provisions of the SFO), or as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of listed issuers as referred to in Rule 5.46 to 5.67 of the GEM Listing Rules.

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

As at 30 June 2021, the person (other than the Directors or the Company's chief executives) or company who or which had an interest and short position in the shares and underlying shares of the Company which were required to be notified to the Company under Divisions 2 and 3 of Part XV of the SFO or as recorded in the register of the Company required to be kept under Section 336 of the SFO were as follows:

Name of shareholder	Nature of interest	Number and class of securities⁽¹⁾	Approximate percentage of shareholding interest
Welmen	Beneficial owner	1,093,500,000 ordinary shares (L)	50.63%
Yui Tak (Note 2)	Interest of a controlled corporation	1,093,500,000 ordinary shares (L)	50.63%
Ocean Concept (Note 2)	Interest of a controlled corporation	1,093,500,000 ordinary shares (L)	50.63%
Toprich (Note 3)	Interest of a controlled corporation	1,093,500,000 ordinary shares (L)	50.63%
Perfect Succeed (Note 3)	Interest of a controlled corporation	1,093,500,000 ordinary shares (L)	50.63%
Kenbridge Limited ("Kenbridge")	Beneficial owner	121,500,000 ordinary shares (L)	5.62%

Name of shareholder	Nature of interest	Number and class of securities ⁽¹⁾	Approximate percentage of shareholding interest
Mr. Poon Ching Tong Tommy (Note 4)	Interest of a controlled corporation	121,500,000 ordinary shares (L)	5.62%
Trendy Pleasure Limited ("Trendy") (Note 5)	Beneficial owner	300,000,000 ordinary shares (L)	13.89%
Saint Lotus Cultural Development Group Co., Limited ("Saint Lotus") (Note 5)	Interest of a controlled corporation	300,000,000 ordinary shares (L)	13.89%
Mr. Zhang Jianguang (Note 5)	Interest of a controlled corporation	300,000,000 ordinary shares (L)	13.89%
Ms. Chan Ting Fai (Note 6)	Interest of spouse	1,093,500,000 ordinary shares (L)	50.63%
Ms. Lee Wan (Note 7)	Interest of spouse	1,093,500,000 ordinary shares (L)	50.63%
Ms. Lau Sze Mun Charmaine (Note 8)	Interest of spouse	121,500,000 ordinary shares (L)	5.62%

Notes:

- (1) The letter "L" denotes the person's long position in the shares of the Company.
- (2) Welmen is owned as to 30.3111% by Yui Tak and Yui Tak is wholly owned by Ocean Concept. By virtue of the SFO, each of Yui Tak and Ocean Concept is deemed to be interested in 50.63% of the issued share capital of the Company held by Welmen.
- (3) Ocean Concept is owned as to 88.29% by Toprich and Toprich is wholly owned by Perfect Succeed, which is in turn owned as to 50% by Mr. Choi Yiu Ying and as to 50% by Mr. Choi Siu Kit. By virtue of the SFO, each of Toprich, Perfect Succeed, Mr. Choi Yiu Ying and Mr. Choi Siu Kit is deemed to be interested in 50.63% of the issued share capital of the Company held by Welmen.
- (4) Kenbridge is wholly owned by Mr. Poon Ching Tong Tommy. By virtue of the SFO, Mr. Poon Ching Tong Tommy is deemed to be interested in 5.62% of the issued share capital of the Company held by Kenbridge.

- (5) Trendy is wholly owned by Saint Lotus and Saint Lotus is wholly owned by Mr. Zhang Jianguang. By virtue of the SFO, each of Saint Lotus and Mr. Zhang Jianguang is deemed to be interested in 13.89% of the issued share capital of the Company held by Trendy.
- (6) 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 50.63% of the issued share capital of the Company in which Mr. Choi Siu Kit is interested.
- (7) 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 50.63% of the issued share capital of the Company in which Mr. Au Wai Pong Eric is interested.
- (8) Ms. Lau Sze Mun Charmaine is the spouse of Mr. Poon Ching Tong Tommy. By virtue of the SFO, Ms. Lau Sze Mun Charmaine is deemed to be interested in 5.62% of the issued share capital of the Company in which Mr. Poon Ching Tong Tommy is interested.

Save as disclosed above and so far as is known to the Directors, as at 30 June 2021, no other interests or short positions in the shares or underlying shares of the Company which were required to be notified to the Company under Divisions 2 and 3 of Part XV of the SFO or were recorded in the register required to be kept by the Company under Section 336 of the SFO.

PURCHASES, SALES OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six-month period ended 30 June 2021.

INTEREST IN A COMPETING BUSINESS

The controlling shareholders of the Company (the “Controlling Shareholders”) are interested in certain restaurant businesses in Macau (the “Retained Macau Restaurant Business”). Compared to the Group’s current clubbing business in Macau, the Retained Macau Restaurant Business has different industry nature, opening business hours and target customers. Accordingly, our Directors are of the view that the Retained Macau Restaurant Business are clearly delineated from the Group’s businesses and will not compete (either directly or indirectly) or are not likely to compete with the Group’s businesses.

Mr. Choi Siu Kit, our executive Director and also controlling shareholder of the Company, is engaged in certain restaurant and bar business in Hong Kong before the Listing (the “Retained HK Restaurant and Bar Business”). Below are the details of his interests in companies involved in such business during the six-month period ended 30 June 2021:

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

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

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

Our independent non-executive Director, Mr. Tse Kar Ho Simon ("Mr. Tse"), is engaged in the business of musical events and performances organization and other promotional and/or marketing events in Hong Kong, the PRC and other countries. Mr. Tse also engages in the business of food and beverage since 17 May 2019. Below are the details of his interests in companies involved in such business during the six-month period ended 30 June 2021:

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

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

Saved as disclosed, during the six-month period ended 30 June 2021, none of the Directors or the controlling shareholders of the Company, neither themselves nor their respective close associates (as defined in the GEM Listing Rules) engaged in any business that competes or may compete, directly or indirectly, with the business of the Group or had any other conflicts of interest with the Group nor are they aware of any other conflicts of interest which any such person has or may have with the Group.

SHARE OPTION SCHEME

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

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

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

SHARE OPTIONS

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

On 4 January 2021, six Directors, a director and minority shareholder of a subsidiary of the Company, a consultant and an employee of the Group were granted share options to subscribe for 144,000,000 shares at an exercise price of HK\$0.029 per share. The closing price of the share on 4 January 2021 is HK\$0.029.

The total number of share options that may be further granted under the Share Option Scheme as at the date of this announcement is 5,857,692 Shares, representing 0.27% of the issued share capital of the Company.

As at the date of this announcement, the total number of share options granted and outstanding under the Share Option Scheme is 174,142,308 Shares, representing 8.06% of the issued share capital of the Company.

Pursuant to Rules 23.07 of the GEM Listing Rules, particulars and movements of shares options under the Share Option Scheme during the six-month period ended 30 June 2021 are set out as follows:

Category/ Name of Grantee	Date of Grant	Exercise Date/ Period	Exercise Price Per Share	Number of share options				Outstanding as at 30 June 2021
				Outstanding as at 1 January 2021	Granted during the period	Exercised during the period	Lapsed during the period	
(1) Employees and Consultants	2 October 2018	(Note 1)	HK\$0.061	9,042,692	-	-	-	9,042,692
	2 October 2018	(Note 2)	HK\$0.061	9,042,692	-	-	-	9,042,692
	2 October 2018	(Note 3)	HK\$0.061	9,042,692	-	-	-	9,042,692
	2 October 2018	(Note 4)	HK\$0.061	3,014,232	-	-	-	3,014,232
Sub-total				30,142,308	-	-	-	30,142,308
(2) Directors:								
Choi Yiu Ying	4 January 2021	(Note 5)	HK\$0.029	-	18,000,000	-	-	18,000,000
Choi Siu Kit	4 January 2021	(Note 5)	HK\$0.029	-	18,000,000	-	-	18,000,000
Yeung Chi Shing	4 January 2021	(Note 5)	HK\$0.029	-	18,000,000	-	-	18,000,000
Au Wai Pong Eric	4 January 2021	(Note 5)	HK\$0.029	-	18,000,000	-	-	18,000,000
Au Ka Wai	4 January 2021	(Note 5)	HK\$0.029	-	18,000,000	-	-	18,000,000
Tse Kar Ho Simon	4 January 2021	(Note 5)	HK\$0.029	-	13,600,000	-	-	13,600,000
Subsidiary's directors:								
Chan Kwan Pak Gilbert	4 January 2021	(Note 5)	HK\$0.029	-	15,600,000	-	-	15,600,000
Employee and Consultant	4 January 2021	(Note 5)	HK\$0.029	-	24,800,000	-	-	24,800,000
Sub-total				-	144,000,000	-	-	144,000,000
Total				30,142,308	144,000,000	-	-	174,142,308

Notes:

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

3. Subject to fulfillment of the pre-determined vesting conditions, the share options shall be vested and exercisable from 2 October 2020 to 1 October 2028.
4. Subject to fulfillment of the pre-determined vesting conditions, the share options shall be vested and exercisable from 2 October 2021 to 1 October 2028.
5. The share options shall be vested and exercisable from 4 January 2021 to 3 January 2031.

CORPORATE GOVERNANCE PRACTICES

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

The Company adopted and complied with the principles and code provisions in the Corporate Governance Code and Corporate Governance Report (the "CG Code") as set out in Appendix 15 to the GEM Listing Rules since its Listing, except for paragraph A.2.1 and A.6.7 of the CG Code which state that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual, and generally independent non-executive Directors and other non-executive directors should attend general meetings to gain and develop a balanced understanding of the views of shareholders. The roles of the chairman and chief executive officer are both performed by Mr. Choi Yiu Ying ("Mr. Simon Choi"). The Company considers that having Mr. Simon Choi acting as both the chairman and chief executive officer can provide a strong and consistent leadership to the Group and promote more effective strategic planning and management of the Group. Further in view of Mr. Simon Choi's experience in the industry, personal profile and role in the Group and historical development of the Group, the Company considers that it is to the benefit of the Group in the business prospects that Mr. Simon Choi continues to act as both the chairman and chief executive officer and the Company currently has no intention to separate the functions of chairman and chief executive officer. Two executive Directors, three independent non-executive Directors and three non-executive Directors were absent from the last annual general meeting of the Company held on 18 June 2021 as they were away due to other pre-arranged important engagements or were overseas at the time of this meeting. The Company has reminded them to attend general meetings in order to develop a balance understanding of views of the shareholders.

Other information on the corporate governance practices of the Company has been disclosed in the corporate governance report contained in the 2020 Annual Report.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by the directors of the Company on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules (the "Model Code"). Having made specific enquiries in writing to the Directors, each of the Directors confirmed that he/she had complied with the Model Code in connection with the Company's securities during the six months ended 30 June 2021.

DIVIDEND

The Board has resolved not to declare the payment of a dividend for the six months ended 30 June 2021 (30 June 2020: Nil).

AUDIT COMMITTEE

The Company established an audit committee with written terms of reference in compliance with Rules 5.28 and 5.29 of the GEM Listing Rules and paragraph C.3.3 and C.3.7 of the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules. The audit committee consists of two independent non-executive Directors being Mr. Chan Ka Yin and Mr. Tang Tsz Tung and one non-executive Director, Mr. Au Wai Pong Eric. Mr. Chan Ka Yin serves as the chairman of the audit committee. The primary responsibilities of the audit committee include but without limitation the following: (i) assisting the Board in providing an independent view of the effectiveness of our Group's financial reporting process, internal control and risk management systems; (ii) overseeing the audit process; and (iii) performing other duties and responsibilities as assigned by the Board.

The audit committee has reviewed the unaudited condensed consolidated financial statements of the Group for the six-month period ended 30 June 2021.

EVENTS AFTER THE REPORTING PERIOD

Save as disclosed above, the Company does not have any material subsequent events after 30 June 2021 and up to the date of this announcement.

MATERIAL LITIGATION

The Company was not involved in any material litigation or arbitration for the six months ended 30 June 2021. The Directors are also not aware of any material litigation or claims that are pending or threatened against the Group for the six months ended 30 June 2021.

BOARD OF DIRECTORS

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

Executive Directors:

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

Mr. Choi Siu Kit

Mr. Yeung Chi Shing

Non-executive Directors:

Mr. Au Wai Pong Eric

Mr. Au Ka Wai

Ms. Poon Kam Yee Odilia

Independent non-executive Directors:

Mr. Chan Ka Yin

Mr. Tang Tsz Tung

Mr. Tse Kar Ho Simon

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

Hong Kong, 13 August 2021

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