

2023 INTERIM 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 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 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.

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 2023, together with the unaudited comparative figures for the respective corresponding period in 2022, 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	
		2023	2022	2023	2022
		HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
Revenue	4	23,479	14,624	47,285	21,195
Other income and gain	5	513	1,046	717	1,715
Cost of inventories sold		(6,463)	(4,965)	(12,758)	(6,846)
Staff costs		(9,061)	(7,768)	(17,828)	(15,069)
Property rentals and related expenses		(1,832)	(1,662)	(3,729)	(3,806)
Advertising and marketing expenses		(113)	(8)	(144)	(117)
Other operating expenses		(3,287)	(6,944)	(6,501)	(9,555)
Depreciation and amortisation		(3,316)	(6,342)	(6,619)	(13,060)
Impairment losses under expected credit loss model, net of reversal		(662)	41	(662)	41
Impairment loss on investment in associate		(397)	–	(397)	–
Loss on financial guarantee		(917)	–	(917)	–
Fair value change of financial guarantee at fair value through profit or loss		(799)	–	(799)	–
Share of losses of joint ventures		–	(669)	–	(669)
Finance costs	8	(366)	(1,384)	(747)	(3,073)
Loss before taxation		(3,221)	(14,031)	(3,099)	(29,244)
Taxation	6	–	5	–	5

	Notes	Three-month period ended 30 June		Six-month period ended 30 June	
		2023	2022	2023	2022
		HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
Loss for the period		(3,221)	(14,026)	(3,099)	(29,239)
Other comprehensive income/(loss):					
Exchange difference on translating of financial statements of overseas subsidiaries		2,462	65	1,569	(152)
Total comprehensive loss for the period		(759)	(13,961)	(1,530)	(29,391)
(Loss)/profit for the period attributable to:					
Owners of the Company		(3,377)	(11,114)	(3,807)	(21,032)
Non-controlling interests		156	(2,912)	708	(8,207)
		(3,221)	(14,026)	(3,099)	(29,239)
Other comprehensive income/(loss) for the period attributable to:					
Owners of the Company		1,539	744	940	262
Non-controlling interests		923	(679)	629	(414)
		2,462	65	1,569	(152)
Total comprehensive (loss)/income for the period attributable to:					
Owners of the Company		(1,838)	(10,370)	(2,867)	(20,770)
Non-controlling interests		1,079	(3,591)	1,337	(8,621)
		(759)	(13,961)	(1,530)	(29,391)
Loss per share (HK cents)					
– Basic	7	(0.12)	(0.49)	(0.15)	(0.93)
– Diluted	7	(0.12)	(0.49)	(0.15)	(0.93)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 30 June 2023 HK\$'000 (Unaudited)	As at 31 December 2022 HK\$'000 (Audited)
Assets			
Non-current assets			
Plant and equipment	10	5,203	6,815
Intangible assets		130	130
Financial assets at fair value through profit or loss	11	6,209	6,209
Right-of-use assets	12	8,804	13,521
Investment in joint ventures		3	3
Deposits	13	–	3,903
		20,349	30,581
Current assets			
Inventories		469	560
Account and other receivables	13	12,088	8,027
Amount due from non-controlling interests		1,753	1,808
Cash and cash equivalents		598	626
		14,908	11,021

	Notes	As at 30 June 2023 HK\$'000 (Unaudited)	As at 31 December 2022 HK\$'000 (Audited)
Liabilities			
Current liabilities			
Account and other payables	15	96,886	101,352
Lease liabilities	12	9,865	10,105
Bank loans		19,585	21,605
Provision for reinstatement costs		1,565	–
		127,901	133,062
Net current liabilities		(112,993)	(122,041)
Total assets less current liabilities		(92,644)	(91,460)
Non-current liabilities			
Lease liabilities	12	–	4,652
Amounts due to non-controlling interests		9,728	10,041
Provision for reinstatement costs		–	1,565
		9,728	16,258
Net liabilities		(102,372)	(107,718)
Equity			
Share capital	16	27,413	22,904
Reserves		(95,005)	(94,505)
Equity attributable to owners of the Company		(67,592)	(71,601)
Non-controlling interests		(34,780)	(36,117)
Total equity		(102,372)	(107,718)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six-month period ended 30 June 2023

	Attributable to owners of the Company							Attributable to non-controlling interests		Total HK\$'000 (Unaudited)
	Share capital HK\$'000 (Unaudited)	Share premium HK\$'000 (Unaudited)	Share-based compensation losses HK\$'000 (Unaudited)	Legal reserve HK\$'000 (Unaudited) (Note)	Exchange reserve HK\$'000 (Unaudited)	Accumulated losses HK\$'000 (Unaudited)	Other reserve HK\$'000 (Unaudited)	Sub-total HK\$'000 (Unaudited)	Interests HK\$'000 (Unaudited)	
As at 1 January 2022	22,544	77,839	1,648	12	251	(140,377)	(685)	(38,768)	(21,902)	(60,670)
Profit/(loss) for the period	-	-	-	-	-	(21,032)	-	(21,032)	(8,207)	(29,239)
Other comprehensive income/(loss) for the Period	-	-	-	-	262	-	-	262	(414)	(152)
Lapsed of share options	-	-	(246)	-	-	246	-	-	-	-
Exercise of share options	360	1,330	(646)	-	-	-	-	1,044	-	1,044
As at 30 June 2022	22,904	79,169	756	12	513	(161,163)	(685)	(58,494)	(30,523)	(89,017)
As at 1 January 2023	22,904	79,169	756	-	1,193	(172,183)	(3,440)	(71,601)	(36,117)	(107,718)
Profit/(loss) for the period	-	-	-	-	-	(3,807)	-	(3,807)	708	(3,099)
Other comprehensive income/(loss) for the Period	-	-	-	-	940	-	-	940	629	1,569
Ordinary shares issued (Note 16)	4,509	2,705	-	-	-	-	-	7,214	-	7,214
Transaction costs attributable to issue of new shares	-	(338)	-	-	-	-	-	(338)	-	(338)
Lapsed of share options	-	-	(92)	-	-	92	-	-	-	-
As at 30 June 2023	27,413	81,536	664	-	2,133	(175,898)	(3,440)	(67,592)	(34,780)	(102,372)

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	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Net cash generated from/(used in) operating activities	4,422	(2,100)
Net cash used in investing activities	(291)	(805)
Net cash (used in)/generated from financing activity	(5,411)	1,878
Net decrease in cash and cash equivalents	(1,280)	(1,027)
Cash and cash equivalents at the beginning of the period	626	2,034
Effect of foreign exchange rate	1,252	862
Cash and cash equivalents at the end of the period	598	1,869
Represented by:		
Cash and bank balances	598	1,869

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Luk Hing Entertainment Group Holdings Limited (“the Company”) was incorporated in Cayman Islands on 30 November 2015 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. On 11 November 2016, the Company’s shares were listed on the GEM of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The registered office of the Company is PO Box 1350, Clifton House, 75 Fort Street, Grand Cayman, KY1-1180, Cayman Islands and the principal place of business in Hong Kong is located at Room 1505, 15/F., Shun Tak Centre West Tower, 168-200 Connaught Road Central, Sheung Wan, Hong Kong. The Company is an investment holding company.

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

The Company and its subsidiaries (collectively referred as the “Group”) are principally engaged in the food and beverage and entertainment industry. The Group’s principal activities are operation of clubs and restaurants, organising music-related featured events as well as granting loans to entities in the food and beverage and entertainment industries (“Money Lending Business”).

The functional currency of the subsidiaries established in Macau is Macau Pataca (“MOP”), the functional currency of the subsidiaries established in the People’s Republic of China (the “PRC”) is Renminbi (“RMB”) and the functional currency of the Company and Hong Kong operating subsidiaries is Hong Kong dollars (HK\$).

The consolidated financial statements are presented in 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. BASIS OF PREPARATION

(a) Statement of compliance

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 2023 have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and in accordance with the applicable disclosure requirements of the GEM Listing Rules.

(b) Basis of measurement and going concern assumption

The unaudited condensed consolidated interim financial statements of the Group for the six-month period ended 30 June 2023 do not include all the information and disclosure required in the annual financial statements and should be read in conjunction with the audited annual financial statements included in the annual report of the Company dated 30 March 2023. The accounting policies adopted are consistent with those applied in the Group’s audited annual financial statements for the year ended 31 December 2022, 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 2023. The adoption of these new and revised HKFRSs has not had material impact on the unaudited condensed consolidated interim financial statements of the Group for the six-month period ended 30 June 2023. The Group has not early applied the new and revised HKFRSs that have been issued by the HKICPA but are not yet effective.

As at 30 June 2023, the Group had net current liabilities and net liabilities of approximately HK\$112,993,000 and HK\$102,372,000 respectively. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group’s ability to continue as a going concern and consequently, the Group may not be able to realise its assets and discharge its liabilities in the normal course of its business.

The directors of the Company have been taking steps to improve the liquidity position of the Group. These steps include:

- (i) the Company has proactively explored fund raising activities including:
 - (1) On 24 February 2023, the Company has entered into a placing agreement with Sanston Financial Group Limited, the placing agent, on the placing of 450,880,000 placing shares by issuance of new shares under the general mandate. The placing was completed on 17 March 2023 and the net proceeds of approximately HK\$6.9 million was raised. Among which, approximately HK\$6.5 million was used for partial settlement of outstanding principal of convertible promissory notes and convertible loans. The net proceeds have been fully utilised.
 - (2) On 6 April 2023, the Company had entered into, among others, an underwriting agreement and a placing agreement with Sanston Financial Group Limited. Pursuant to the agreements, upon the share consolidation of the then every ten (10) issued and unissued shares of par value HK\$0.01 each into one (1) consolidated share of par value HK\$0.1 becoming effective, the Company had conducted a rights issue on the basis of one (1) rights shares of every one (1) consolidated share held, in order to raise gross proceeds of approximately HK\$43.9 million. The net proceeds from the rights issue are estimated to be not more than approximately HK\$40.9 million. Among which, (i) approximately HK\$20.4 million will be used for full and final settlement of the Group's remaining outstanding liabilities arising from convertible promissory notes and convertible loans that were issued by the Group in June 2019 and July 2019, respectively, (ii) approximately HK\$3.7 million for repayment of unsecured loans to the executive director, Mr. Choi Siu Kit, (iii) approximately HK\$3.5 million will be used for settlement of directors' fees and salaries payable up to 31 December 2022; (iv) approximately HK\$0.8 million for repayment of principal of bank loan to The Bank of East Asia Limited and (v) approximately HK\$5.7 million for repayment of overdue head office and rental expenses and professional fees. A total of approximately HK\$6.8 million from the net proceeds of the above share issues will be used as the working capital of the Company.

- (ii) negotiate with banks for renewing banking facilities. Based on the latest communications with the banks, the directors of the Company are not aware of any intention of the banks to withdraw their bank facilities or require early repayment of the loans, and the directors believe that the existing bank facilities will be renewed when their current terms expire given the good track records and relationships the Group has with the banks;
- (iii) implement stronger measures aiming at improving the working capital and cash flows of the Group, including closely monitoring incurrence of other operating expenses;

Provided that the above-mentioned plans and measures can be successfully achieved and improve the liquidity position of the Group, the Directors of the Company are satisfied that the Group will be able to meet its financial obligations as and when they fall due for the foreseeable future. Accordingly, the interim financial statements have been prepared on a going concern basis. Should the Group be unable to operate as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities. The effect of these adjustments have not been reflected in the interim financial statements.

3. OPERATING SEGMENT

Information reported internally to the chief operating decision makers for the purpose of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. The Group is principally engaged in food and beverage and entertainment. 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:

	For the six-month period ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Hong Kong	47,285	20,510
The PRC	–	685
	47,285	21,195

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

	As at 30 June	As at 31 December
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Hong Kong	20,349	30,581
	20,349	30,581

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 (2022: Nil).

4. 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 period is as follows:

	For the three-month period ended 30 June		For the six-month period ended 30 June	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Revenue from contracts with customers:				
<i>Recognised at a point in time</i>				
Sales of food, and other products	21,525	13,100	43,097	18,279
Sales of beverage	1,954	1,437	4,188	2,744
	23,479	14,537	47,285	21,023
Revenue from other sources:				
Loan interest income	-	87	-	172
	23,479	14,624	47,285	21,195

5. OTHER INCOME AND GAIN

	For the three-month period ended 30 June		For the six-month period ended 30 June	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Net foreign exchange loss	(498)	(502)	(294)	(420)
Consultancy and management fee income	300	–	300	146
COVID-19 related rental concession	226	–	226	–
Government grants (note (a))	–	1,472	–	1,872
Gain on disposal of plant and equipments (note (b))	–	61	–	61
Financial guarantee income	397	–	397	–
Others	88	15	88	56
	513	1,046	717	1,715

Notes:

- (a) For the six-month period ended 30 June 2022, government grants of HK\$1,872,000 in respect of COVID-19-related subsidies, of which of HK\$1,200,000 relates to Catering Business Subsidy Scheme, and Employment Support Scheme of approximately HK\$672,000 under the Anti-epidemic Fund have provided by the Hong Kong government.
- (b) For the six-month period ended 30 June 2022, the Group disposed a motor vehicle at value HK\$220,000 to a related party, for more details, please refer to note 18.

6. TAXATION

	For the three-month period ended 30 June		For the six-month period ended 30 June	
	2023	2022	2023	2022
	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)

Income tax expenses				
– PRC Enterprise Income Tax	-	(5)	-	(5)

No provision for Hong Kong profits tax and Macau complementary tax is made since the Hong Kong and Macau subsidiary has no estimated assessable profit for the three-month and six-month periods ended 30 June 2023 and 2022, respectively.

7. LOSS PER SHARE

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

	For the three-month period ended 30 June		For the six-month period ended 30 June	
	2023	2022	2023	2022
	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)

Loss for the purpose of basic and diluted loss per share	(3,377)	(11,114)	(3,807)	(21,032)
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Weighted average number of ordinary shares for the purpose of basic loss per share	2,741,280	2,255,191	2,554,451	2,254,798
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Note: For the three-month and six-month periods ended 30 June 2023 and 2022, diluted loss per share is the same as basic loss per share as there were no potential dilutive ordinary shares in issue.

8. FINANCE COSTS

	For the three-month period ended 30 June		For the six-month period ended 30 June	
	2023	2022	2023	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Interest on convertible promissory notes	-	521	-	1,037
Interest on convertible loans	-	203	-	404
Interest on bank loans	181	144	349	292
Interest on lease liabilities	190	493	380	1,307
Others	(5)	23	18	33
	366	1,384	747	3,073

9. DIVIDEND

The Board does not recommend the payment of an interim dividend by the Company for the six-month period ended 30 June 2023 (2022: Nil).

10. PLANT AND EQUIPMENT

The Group acquired items of plant and equipment with cost amounting to HK\$291,000 and HK\$136,000 during the six-month period ended 30 June 2023 and 2022, respectively.

No items of plant and equipment were disposed during the six-month period ended 30 June 2023.

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 30 June 2023 HK\$'000 (Unaudited)	As at 31 December 2022 HK\$'000 (Audited)
Life insurance policy	6,209	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.

12. RIGHT-OF-USE ASSETS/LEASE LIABILITIES

Right-of-use assets

	As at 30 June 2023 HK\$'000 (Unaudited)	As at 31 December 2022 HK\$'000 (Audited)
As at 1 January	13,521	21,455
Addition	–	13,736
Depreciation provided during the period/year	(4,717)	(10,184)
Termination of leases	–	(10,839)
Exchange alignment	–	(647)
	8,804	13,521

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 2023, the Group leases 2 properties (as at 31 December 2022: 2 properties) for the operation of restaurant. Lease contracts are entered into for fixed term of 2 to 5 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

Lease liabilities

	As at 30 June 2023 HK\$'000 (Unaudited)	As at 31 December 2022 HK\$'000 (Audited)
Analysed as		
– Current	9,865	10,105
– Non-current	–	4,652
	9,865	14,757
Minimum lease payments due: Within one year	10,342	10,865
More than one year but not later than two years	–	4,749
	10,342	15,614
Less: Future finance charges	(477)	(857)
Present value of lease liabilities	9,865	14,757

The weighted average incremental borrowing rates applied to lease liabilities range from 5.15% (as at 31 December 2022: 5.15%).

13. ACCOUNT AND OTHER RECEIVABLES

	As at 30 June 2023 HK\$'000 (Unaudited)	As at 31 December 2022 HK\$'000 (Audited)
Account receivables	2,084	1,725
Less: allowance for credit losses	(774)	(656)
	1,310	1,069
Other receivables	9,800	9,075
Less: allowance for credit losses	(4,629)	(3,873)
	5,171	5,202
Prepayments	705	719
Deposits	5,010	5,049
Less: allowance for credit losses	(108)	(109)
	4,902	4,940
	12,088	11,930
Portion classified as non-current		
– Deposits	–	(3,903)
	12,088	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.

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 2023 HK\$'000 (Unaudited)	As at 31 December 2022 HK\$'000 (Audited)
0 to 30 days	659	1,064
31 to 60 days	–	–
61 to 90 days	179	–
91 to 120 days	–	–
Over 120 days	472	5
	1,310	1,069

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 2023 HK\$'000 (Unaudited)	As at 31 December 2022 HK\$'000 (Audited)
As at 1 January	656	554
Disposal of a subsidiary	–	(486)
Allowance for ECL recognised during the period/year	118	588
	774	656

Movement in the accumulated allowance for credit losses of other receivables

	As at 30 June 2023 HK\$'000 (Unaudited)	As at 31 December 2022 HK\$'000 (Audited)
As at 1 January	3,873	91
Disposal of a subsidiary	–	(11)
Allowance for ECL recognised during the period/year	756	3,793
	4,629	3,873

Movement in the accumulated allowance for credit losses of deposits

	As at 30 June 2023 HK\$'000 (Unaudited)	As at 31 December 2022 HK\$'000 (Audited)
As at 1 January	109	817
Disposal of a subsidiary	–	(669)
Reversal of ECL recognised during the period/year	(1)	(39)
	108	109

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 2023, the Group's deposits mainly represents deposits for acquisition of plant and equipment and decoration of approximately HK\$321,000 (as at 31 December 2022: HK\$212,000), and rental deposits of approximately HK\$3,902,000 (as at 31 December 2022: HK\$3,980,000).

As at 30 June 2023, the Group's other receivables mainly represents value added tax recoverable of approximately HK\$4,961,000 (as at 31 December 2022: HK\$5,118,000).

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\$3,450,000 were carrying interest at 10% per annum as at 31 December 2021. The loan receivables were recoverable according to repayment schedules, normally with contractual maturity within one year.

As at 31 December 2022, the Group's loan receivables of approximately HK\$3,450,000 (2021: nil) which are past due 90 days or more. The directors of the Company consider credit risks have increased significantly for those past due more than 90 days and consider that the debtor was in financial difficulties. The Company has taken legal action against the debtor to recover the outstanding receivables and considered the recoverability is remote. As of the date of this report, the Group had appealed against the decision of the Hong Kong court. The notice of appeal against the court's decision in April 2023 will be further heard at the High Court of Hong Kong in November 2023. The loan receivables are considered as credit-impaired with ECL fully provided.

Included in the carrying amount of loan receivables as at 30 June 2023 is accumulated impairment losses of approximately HK\$3,450,000 (as at 31 December 2022: HK\$3,450,000).

	As at 30 June 2023 HK\$'000 (Unaudited)	As at 31 December 2022 HK\$'000 (Audited)
Loan receivables, gross	–	3,450
Less: Allowance for ECL	–	(3,450)
Loan receivables, net	–	–

Movement in the accumulated allowance for credit losses of loan receivables

	As at 30 June 2023 HK\$'000 (Unaudited)	As at 31 December 2022 HK\$'000 (Audited)
As at 1 January	3,450	79
Allowance for ECL recognised during the period/year	–	3,371
	3,450	3,450

15. ACCOUNT AND OTHER PAYABLES

	As at 30 June 2023 HK\$'000 (Unaudited)	As at 31 December 2022 HK\$'000 (Audited)
Account payables	6,272	6,567
Rental payables	3,504	5,112
Other payables (note (i))	64,288	68,573
Loan from directors (note (ii))	7,337	4,904
Loan from shareholders (note (iii))	838	1,059
Loan from third parties (note (iv))	539	382
Accruals	14,108	14,755
	96,886	101,352

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

Notes:

- (i) As at 30 June 2023, the other payables of the Group included the convertible promissory notes of approximately HK\$13,715,000 which were repayable in the third quarter of Year 2023. The convertible loans of approximately HK\$8,405,000, among which approximately HK\$3,865,000 were repayable in the third quarter of Year 2023, the remaining approximately HK\$4,540,000 were defaulted and are repayable on demand and carried a default interest at 0.1% per day.
- (ii) As at 30 June 2023, the amount of approximately HK\$7,252,000 (as at 31 December 2022: HK\$4,720,000) was represented as a loan from director which was unsecured, carried an annual interest at 5.25% and was repayable within 1 year.
- As at 30 June 2023, the amount of approximately HK\$85,000 (as at 31 December 2022: HK\$184,000) was represented as a loan from director and was unsecured, interest free and repayable on demand.
- (iii) As at 30 June 2023, the amount of approximately HK\$360,000 (as at 31 December 2022: HK\$674,000) was represented as a loan from shareholders of a subsidiary of the Group was and unsecured, interest-free, and repayable on demand.
- As at 30 June 2023, the amount of approximately HK\$478,000 (as at 31 December 2022: HK\$385,000) was represented as a loan from shareholders of the Group and was unsecured, interest-free, and repayable on demand.
- (iv) As at 30 June 2023, the amount of approximately HK\$539,000 (as at 31 December 2022: HK\$382,000) was represented as a loan from a third party which was unsecured, carried an annual interest at 5% to 5.25% and repayable within 1 year.

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 2023 HK\$'000 (Unaudited)	As at 31 December 2022 HK\$'000 (Audited)
0 to 30 days	319	219
31 to 60 days	185	103
61 to 90 days	85	15
91 to 120 days	5,683	6,230
	6,272	6,567

16. SHARE CAPITAL

The share capital of the Group as at 30 June 2023 and 31 December 2022 represented the share capital of the Company. Movements of the share capital of the Company are as follows:

	As at 30 June 2023		As at 31 December 2022	
	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	2,290,400	22,904	2,254,400	22,544
Ordinary shares issued (Note)	450,880	4,509	-	-
Exercise of share options	-	-	36,000	360
	2,741,280	27,413	2,290,400	22,904

Note: 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.

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 2023 HK\$'000 (Unaudited)	As at 31 December 2022 HK\$'000 (Audited)
Unpaid balance of capital contribution to subsidiaries in the PRC	38,998	40,044

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	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Salaries and other short term employee benefits	902	851
Retirement scheme contributions	19	14
	921	865

(b) Other related party transactions:

Related parties	Nature of transactions	For the six-month period ended 30 June	
		2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Zone One (CS) Limited (Note i)	Rental expenses	510	510
Goldentime Holdings (HK) Limited (Note ii)	Disposal of motor vehicle	-	220
Choi Siu Kit (Note iii)	Loan interest expenses	86	-

Notes:

- i. Zone One (CS) Limited is held by Mr. Choi Kuen Kwan and Ms. Lo Mong Yee, who are the father and the mother of Mr. Choi Yat Hon and Mr. Choi Siu Kit, who are the executive Directors.
- ii. Goldentime Holdings (HK) Limited is held by Mr. Choi Kuen Kwan, who is the father of Mr. Choi Yat Hon and Mr. Choi Siu Kit, who are the executive Directors.
- iii. Mr. Choi Siu Kit is the executive Director.

19. LITIGATION AND CONTINGENT LIABILITIES

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 珠海城建海韻資產經營管理有限公司 (「城建海韻」), 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 城建海韻 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 of substandard quality at the delivery date and suffered substantial losses due to water leakage of the property. Zhuhai Ruiye applied for a counterclaim against the landlords and the property management company and requested a 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 城建海韻. 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 城建海韻 in relation to the operation of 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.

As at the date of approval of this report, the Company is seeking legal advice in relation to its rights over the aforesaid matter, as well as certain employment disputes relating to the aforesaid matter, which, to the best of the knowledge of the Directors, concerned an amount of approximately RMB2.5 million. Save as disclosed in the above, there was no update on the litigations.

MANAGEMENT DISCUSSION AND ANALYSIS

During the first half of 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 the first half of 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, as well as the circular and the prospectus of the Company dated 9 June 2023 and 14 July 2023 for details.

FINANCIAL REVIEW

Revenue

Total revenue of the Group increased by 123.1% from approximately HK\$21.2 million in the first half of 2022 to approximately HK\$47.3 million in the same period of 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 88.2% from approximately HK\$6.8 million in the first half of 2022 to approximately HK\$12.8 million in the same period of 2023 which was 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 17.9% from approximately HK\$15.1 million in the first half of 2022 to approximately HK\$17.8 million in the same period of 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 2.6% from approximately HK\$3.8 million in the first half of 2022 to approximately HK\$3.7 million in the same period of 2023 resulted from the cessation of operation of CUBIC SPACE+.

Advertising and marketing expenses increased by 23.1% from approximately HK\$117,000 in the first half of 2022 to approximately HK\$144,000 in the same period of 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 decreased by 32.3% from approximately HK\$9.6 million in the first half of 2022 to approximately HK\$6.5 million in the same period of 2023. Other operating expenses resumed to normal with the absence of the write-off expense of HK\$3.4 million on the outstanding receivables from an associate company in the first half of 2022.

Depreciation and amortization decreased by 49.6% from approximately HK\$13.1 million in the first half of 2022 to approximately HK\$6.6 million in the same period of 2023. This was mainly due to the cessation of operation of CUBIC SPACE+ from October 2022.

Loss Attributable to Owners of the Company

Net loss attributable to owners of the Company was approximately HK\$3.8 million in the first half of 2023 compared to that of approximately HK\$21.0 million in the same period of 2022 caused by (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 30 June 2023	As at 31 December 2022
Current ratio	1	0.1	0.1
Quick ratio	2	0.1	0.1
Debt ratio	3	390.4%	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 approximately HK\$0.6 million as at 30 June 2023 (31 December 2022: approximately HK\$0.6 million).

As at 30 June 2023, the Group had external borrowing of approximately HK\$41.7 million (31 December 2022: approximately 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.

CHARGES ON ASSETS

As at 30 June 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\$"), Macau Patacas ("MOP") and 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 Hong Kong dollar.

CONTINGENT LIABILITIES AND CAPITAL COMMITMENT

Save for those disclosed in this interim report, the Group did not have any other contingent liabilities and capital commitment as at 30 June 2023.

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

Save for those disclosed in this interim report, there were no other significant investments held by the Group as at 30 June 2023, 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 85 employees as at 30 June 2023 (2022: 82 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.

OUTLOOK

Reference is made to the prospectus of the Company dated 14 July 2023, the Board of the Company proposed to raise 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 rights share for every one share held by the qualifying shareholders on the record date. The Board believes such fund-raising activities will help the Company to meet its repayment obligations and improve the cash-flow for its business operations since the net liabilities of the Group has continued to be substantial and posed uncertainties relating to going concern basis of the Group.

We expect our restaurant business in Hong Kong will improve in the second half of 2023, due to Consumption Voucher Scheme announced by the Hong Kong government where each qualified person in Hong Kong will receive HK\$2,000 or HK\$1,000 through AlipayHK, BoC Pay, PayMe from HSBC, Tap & Go, WeChat Pay HK or Octopus respectively on 16 July 2023.

Despite the end of COVID-19, there are still many challenges in the business environment, including economic slowdown, weak consumption and higher capital cost in Hong Kong because of the Fed rate increase. These factors will create economic pressure on the Group's business development.

The Group is still relatively optimistic about its business and operations and will continue to monitor its costs closely while trying to maximise its revenue by providing first-class services to its customers. In the long run, we will pay close attention to the changes in the market, formulate business plans and strategies for long-term business development and explore other business opportunities in order to expand revenue streams in an effort to offset the adverse impact of the economic hard times.

Choi Yat Hon

Chairman and Chief Executive Officer

Hong Kong, 7 August 2023

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 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 ⁽¹⁾	Approximate percentage of shareholding interest
Mr. Choi Yat Hon (Notes 2 and 3)	The Company	Interest of a controlled corporation, interest held jointly with another person	1,093,500,000 ordinary shares of the Company (L)	39.89%
	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)	39.89%
	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. Au Ka Wai (Note 2)	The Company	Interest held jointly with another person	1,093,500,000 ordinary shares of the Company (L)	39.89%
		Personal Interest	18,000,000 ordinary shares of the Company (L)	0.66%
	Welmen	Beneficial owner	1,604.44 ordinary shares of Welmen (L)	16.0444%

Notes:

- (1) The letter "L" denotes the person's long position in the shares of the Company or the relevant associated corporation.
- (2) On 2 March 2016, Mr. Choi Yat Hon, Mr. Choi Siu Kit, Mr. Au Wai Pong Eric, Mr. Au Ka Wai, Mr. Yeung Bernard Sie Hong and Mr. Yeung Chi Shing entered into an acting in concert confirmation whereby each of them confirmed that since 31 January 2011, they acted in concert with each other when dealing with matters concerning operation management, accounts, finance and treasury and human resources management of the Group, details of which are set out in the Prospectus. On 20 August 2019, Mr. Yeung Bernard Sie Hong sold all his shares in Welmen to Mr. Choi Kuen Kwan (father of Mr. Choi Yat Hon and Mr. Choi Siu Kit). On 4 June 2020, Mr. Choi Kuen Kwan sold 50% and 50% of his shares in Welmen to Mr. Choi Yat Hon and Mr. Choi Siu Kit respectively. As such, pursuant to the acting in concert arrangement, each of Mr. Choi Yat Hon, Mr. Choi Siu Kit, Mr. Au Wai Pong Eric, Mr. Au Ka Wai and Mr. Yeung Chi Shing is deemed to be interested in 39.89% of the issued share capital of the Company held by Welmen.
- (3) Welmen is owned as to 30.3111% by Yui Tak Investment Limited ("Yui Tak") and Yui Tak is wholly owned by Ocean Concept Holdings Limited ("Ocean Concept"). Ocean Concept is owned as to 88.29% by Toprich Investment (Group) Limited ("Toprich") and Toprich is wholly owned by Perfect Succeed Limited ("Perfect Succeed"), which is in turn owned as to 50% by Mr. Choi Yat Hon and as to 50% by Mr. Choi Siu Kit. By virtue of the SFO, each of Mr. Choi Yat Hon and Mr. Choi Siu Kit is deemed to be interested in 30.3111% of the issued share capital of Welmen held by Yui Tak and 39.89% 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 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 30 June 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⁽¹⁾	Approximate percentage of shareholding interest
Welmen Investment Co. Ltd ("Welmen") (Note 2)	Beneficial owner	1,093,500,000 ordinary shares (L)	39.89%
Yui Tak Investment Limited ("Yui Tak") (Note 2)	Interest of a controlled corporation	1,093,500,000 ordinary shares (L)	39.89%
Ocean Concept Holdings Limited ("Ocean Concept") (Note 2)	Interest of a controlled corporation	1,093,500,000 ordinary shares (L)	39.89%
Toprich Investment (Group) Limited ("Toprich") (Note 3)	Interest of a controlled corporation	1,093,500,000 ordinary shares (L)	39.89%

Name of shareholder	Nature of interest	Number and class of securities ⁽¹⁾	Approximate percentage of shareholding interest
Perfect Succeed Limited ("Perfect Succeed") (Note 3)	Interest of a controlled corporation	1,093,500,000 ordinary shares (L)	39.89%
Kenbridge Limited ("Kenbridge") (Note 4)	Beneficial owner	121,500,000 ordinary shares (L)	4.43%
Mr. Poon Ching Tong Tommy (Note 4)	Interest of a controlled corporation	121,500,000 ordinary shares (L)	4.43%
Trendy Pleasure Limited ("Trendy") (Note 5)	Beneficial owner	300,000,000 ordinary shares (L)	10.94%
Saint Lotus Cultural Development Group Co., Limited ("Saint Lotus") (Note 5)	Interest of a controlled corporation	300,000,000 ordinary shares (L)	10.94%
Mr. Zhang Jianguang (Note 5)	Interest of a controlled corporation	300,000,000 ordinary shares (L)	10.94%
Ms. Chan Ting Fai (Note 6)	Interest of spouse	1,093,500,000 ordinary shares (L)	39.89%
Ms. Lee Wan (Note 7)	Interest of spouse	1,093,500,000 ordinary shares (L)	39.89%
Ms. Lau Sze Mun Charmaine (Note 8)	Interest of spouse	121,500,000 ordinary shares (L)	4.43%
Restoran Oversea (CST) Sdn Bhd ("Restoran Oversea") (Note 9)	Interest of a controlled corporation	400,880,000 ordinary shares (L)	14.62%

Notes:

- (1) The letter "L" denotes the person's long position in the shares of the Company.
- (2) Welmen is owned as to 30.31% 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 39.89% of the issued share capital of the Company held by Welmen.
- (3) Ocean Concept is owned as to 88.29% by Toprich and Toprich is wholly owned by Perfect Succeed, which is in turn owned as to 50% by Mr. Choi Yat Hon and as to 50% by Mr. Choi Siu Kit. By virtue of the SFO, each of Toprich, Perfect Succeed, Mr. Choi Yat Hon and Mr. Choi Siu Kit is deemed to be interested in 39.89% 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 4.43% of the issued share capital of the Company held by Kenbridge.
- (5) 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 10.94% 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 39.89% 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 39.89% 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 4.43% of the issued share capital of the Company in which Mr. Poon Ching Tong Tommy is interested.
- (9) 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 30 June 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.

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 2023.

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 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 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.

Saved as disclosed, during the six-month period ended 30 June 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.

SHARE OPTION SCHEME

The Company adopted a share option scheme on 18 October 2016 (the “1st 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 and such other persons who has or will contribute to our Company as approved by our Board from time to time, 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 maximum number of shares which may be issued upon exercise of all options granted and to be granted under the 1st Share Option Scheme represents 10% of the shares of the Company in issue as at the date of adoption of the 1st 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 1st 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 1st 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 1st 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.

The Company adopted a 2nd Share Option Scheme on 7 October 2022 (the "2nd Share Option Scheme") in which the terms and conditions are similar to the 1st Share Option Scheme adopted on 18 October 2016. No share options have been granted under the 2nd Share Option Scheme as of the date of this Report.

SHARE OPTIONS

Pursuant to Rules 23.07 of the GEM Listing Rules, particulars and movements of shares options under the 1st Share Option Scheme during the six-month period ended 30 June 2023 are set out as follow:

Details of share options held by the eligible participants and movements in such holdings during the six months ended 30 June 2023 are as follow:

Category/Name of Grantee	Date of Grant of share options	Exercise Date/ Period	Exercise price of per share as at the date of grant of share options	Number of share options					Outstanding as at 30 June 2023
				Outstanding as at 1 January 2023	Granted during the period	Exercised during the period	Cancelled during the period	Lapsed during the period	
(1) Employees and Consultants	2 October 2018	(Note 1)	HK\$0.061	7,485,000	-	-	-	-	7,485,000
	2 October 2018	(Note 2)	HK\$0.061	7,485,000	-	-	-	-	7,485,000
	2 October 2018	(Note 3)	HK\$0.061	7,485,000	-	-	3,103,846	-	4,381,154
	2 October 2018	(Note 4)	HK\$0.061	2,495,000	-	-	-	-	2,495,000
Total				24,950,000	-	-	3,103,846	-	21,846,154

The total number of share options that may be further granted under the abovementioned 1st Share Option Scheme as at the date of this interim report is 585,769 Shares (after share consolidation on 4 July 2023), representing 0.21% of the issued share capital of the Company.

The total number of share options that may be further granted under the 2nd Share Option Scheme as at the date of this interim report is 22,544,000 Shares (after share consolidation on 4 July 2023), representing 8.22% of the issued share capital of the Company.

As at the date of this interim report, the total number of share options granted and outstanding under the 1st Share Option Scheme is 2,184,615 Shares (after share consolidation on 4 July 2023), representing 0.80% 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.

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 C.2.1 and C.1.6 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 Yat Hon (“Mr. Simon Choi”). The Company considers that having Mr. Simon Choi acting as both the chairman and chief executive officer can provide a strong and consistent leadership to the Group and promote more effective strategic planning and management of the Group. Further in view of Mr. Simon Choi’s experience in the industry, personal profile and role in the Group and historical development of the Group, the Company considers that it is to the benefit of the Group in the business prospects that Mr. Simon Choi continues to act as both the chairman and chief executive officer and the Company currently has no intention to separate the functions of chairman and chief executive officer. 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 and the last extraordinary general meeting of the Company held on 30 June 2023 as they were away due to other pre-arranged important engagements or were overseas at the time of these meetings. 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 2022 Annual Report.

CHANGES IN DIRECTORS' INFORMATION

The change in Director's information as required to be disclosed pursuant to Rule 17.50A(1) of the GEM Listing Rules since the publication of the 2022 Annual Report of the Company, is set out below:

Mr. Patrick Ting was appointed as an executive Director of the Company with effect from 21 April 2023; and

Mr. Yeung Chi Shing tendered his resignation as an executive Director of the Company with effect from 21 April 2023.

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 2023.

DIVIDEND

The Board has resolved not to declare the payment of a dividend for the six months ended 30 June 2023 (30 June 2022: 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 D.3.3 and D.3.7 of the Corporate Governance Code. As of the date of this report, the audit committee is chaired by our independent non-executive Director, Ms. Tse Mei Ling, who holds the appropriate professional qualifications as required under Rules 5.05(2) and 5.28 of the GEM Listing Rules and consists of another independent non-executive Director, Mr. Wong Chung Wai and a non-executive Director, Mr. Au Ka Wai. 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 2023.

EVENTS AFTER THE REPORTING PERIOD

Saved as disclosed above, the Company does not have any material subsequent events after 30 June 2023 and up to the date of this interim report which would materially affect the Group's operating and financial performance, except for the following: (a) 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"); (b) immediately following the Share Consolidation on 4 July 2023, the authorised share capital of the Company was changed from HK\$100,000,000 divided into 10,000,000,000 shares of par value HK\$0.01 each in the share capital of the Company to HK\$100,000,000 divided into 1,000,000,000 consolidated shares of par value HK\$0.1 each; (c) the proposal to raise 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 rights share for every one share held by the qualifying shareholders on the record date. Please refer to the prospectus of the Company dated 14 July 2023 for further information; and (d) a total of three valid applications had been received for a total of 19,222,525 Rights Shares of the Company, representing approximately 7.0% of the total number of Rights Shares offered under the Rights Issue. Please refer to the announcement dated 4 August 2023 for further information.

MATERIAL LITIGATION

Saved as disclosed in this interim report, the Company was not involved in any other material litigation or arbitration for the six months ended 30 June 2023. The Directors are also not aware of any other material litigation or claims that are pending or threatened against the Group for the six months ended 30 June 2023.

BOARD OF DIRECTORS

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

Executive Directors

Mr. Choi Yat Hon (*Chairman and Chief Executive Officer*)

Mr. Choi Siu Kit

Mr. Patrick Ting

Non-executive Director

Mr. Au Ka Wai

Independent non-executive Directors

Mr. Ip Hoi Fan

Mr. Wong Chung Wai

Ms. Tse Mei Ling

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

Hong Kong, 7 August 2023