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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)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2022

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.

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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 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.

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

Dear Shareholders,

On behalf of the board of directors, I am pleased to present the performance of Luk Hing Entertainment Group Holdings Limited for the year ended 31 December 2022.

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

BUSINESS ENVIRONMENT AND DEVELOPMENT

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

The non-stopped public gathering restriction policy during the year has affected our restaurant businesses significantly. In addition, as the global supply chain is affected by factors such as city lockdowns and suspension of work in some regions which has increased the costs of ingredients and shipping containers, the restaurant business is under enormous operating pressure.

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

OUTLOOK

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

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

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

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

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

APPRECIATION

On behalf of the board of directors, I would like to express our sincere gratitude for the hard work of our staff during this challenging time, and the continuous support of the Group from all of our shareholders, business partners and customers.

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

ANNUAL RESULTS

The board (the "Board") of Directors of Luk Hing Entertainment Group Holdings Limited (the "Company") is pleased to announce the following audited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2022, together with the comparative figures for the preceding year ended 31 December 2021:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

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

	Notes	Year ended 31 December 2022 HK$'000	Year ended 31 December 2021 HK$'000
Loss for the year		**(48,935)**	(81,529)
Other comprehensive income/(loss):			
Items that may be reclassified to profit or loss:			
Exchange difference on translating of financial statements of overseas subsidiaries		**2,134**	(415)
Other comprehensive income/(loss) for the year		**2,134**	(415)
Total comprehensive loss for the year		**(46,801)**	(81,944)
Loss for the year attributable to:			
Owners of the Company		**(32,093)**	(71,997)
Non-controlling interests		**(16,842)**	(9,532)
		(48,935)	(81,529)
Total comprehensive loss for the year attributable to:			
Owners of the Company		**(31,083)**	(72,289)
Non-controlling interests		**(15,718)**	(9,655)
		(46,801)	(81,944)
Loss per share ***(in HK cents)***			
– Basic	*10*	**(1.41)**	(3.46)
– Diluted	*10*	**(1.41)**	(3.46)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	Notes	**As at 31 December 2022 HK$'000**	As at 31 December 2021 HK$'000
Assets			
Non-current assets			
Plant and equipment		**6,815**	44,611
Intangible assets		**130**	130
Financial assets at fair value through profit or loss ("Financial assets at FVTPL")		**6,209**	5,894
Right-of-use assets		**13,521**	21,455
Investment in joint ventures		**3**	562
Loan to an associate		**–**	1,240
Deposits	*11*	**3,903**	2,287
		30,581	76,179
Current assets			
Inventories		**560**	2,996
Account and other receivables	*11*	**8,027**	22,850
Loan receivables		**–**	3,371
Amount due from an associate		**–**	1,485
Amounts due from non-controlling interests		**1,808**	2,563
Cash and cash equivalents		**626**	2,034
		11,021	35,299

	Notes	As at 31 December 2022 HK$'000	As at 31 December 2021 HK$'000
Liabilities			
Current liabilities			
Account and other payables	*12*	**101,352**	55,683
Lease liabilities		**10,105**	8,243
Convertible loans		–	8,873
Convertible promissory notes		–	18,117
Income tax payables		–	11
Bank loans		**21,605**	19,975
Provision for reinstatement costs		–	715
		133,062	111,617
Net current liabilities		**(122,041)**	(76,318)
Total assets less current liabilities		**(91,460)**	(139)
Non-current liabilities			
Other payables	*12*	–	18,627
Lease liabilities		**4,652**	30,148
Amounts due to non-controlling interests		**10,041**	10,906
Provision for reinstatement costs		**1,565**	850
		16,258	60,531
Net liabilities		**(107,718)**	(60,670)
Equity			
Share capital		**22,904**	22,544
Reserves		**(94,505)**	(61,312)
Equity attributable to owners of the Company		**(71,601)**	(38,768)
Non-controlling interests		**(36,117)**	(21,902)
Total equity		**(107,718)**	(60,670)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

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

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

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

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

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

2.1 Application of amendments to HKFRSs

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2022 for the preparation of the consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021*
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020

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

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback[3]
Amendments to HKAS 1	Classification of Liabilities as Current or Non–current and related amendments to Hong Kong Interpretation 5 (2020)[1]
Amendments to HKAS1	Non-current liabilities with Covenants[4]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendments to HKAS 8	Definition of Accounting Estimates[1]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1]

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

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

2.2 Basis of preparation of consolidated financial statements

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

Going concern

These consolidated financial statements have been prepared in conformity with the principles applicable to a going concern basis. The applicability of these principles is dependent upon the Group being a going concern and will be able to continue its operations for the foreseeable future. The ability of the Group to continue as a going concern is dependent on the continued availability of adequate finance to the Group and the Group's ability to attain profitable operations in the foreseeable future, all of which depend on the eventual successful outcome of the below mentioned plans and measures in view of the fact that the Group incurred a net loss of approximately HK$48,935,000 for the year ended 31 December 2022 and, as of that date, the Group's current liabilities exceeded its current assets and its total liabilities exceeded its total assets by approximately HK$122,041,000 and HK$107,718,000 respectively. As at that date, the Group's aggregate bank loans and lease liabilities amounted to approximately HK$21,605,000 and HK$14,757,000 respectively and the Group owned HK$9,080,000 and HK$18,109,000 respectively, in respect of convertible loans and convertible promissory notes which were defaulted during the year and remained unsettled as of 31 December 2022. On the other hand, the Group's cash and cash equivalents amounted to only approximately HK$626,000.

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

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

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

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

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

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

Having considered the above and after reviewing the cash flow forecast of the Group, the Directors are of the opinion that it is appropriate to prepare the consolidated financial statements of the Group for the year ended 31 December 2022 on a going concern basis.

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

The consolidated financial statements have been prepared on the historical cost basis except for financial assets at FVTPL, financial assets at FVTOCI and derivative financial liabilities which are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 Share-based Payment, leasing transactions that are accounted for in accordance with HKFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 Inventories or value in use in HKAS 36 Impairment of Assets.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

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 industry. A single management team reports to the chief operating decision makers who comprehensively manages such entire business segment. Accordingly, the Group does not have separately reportable segments.

Information about geographical areas

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

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

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

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

Information about major customers

During the year, no revenue from transactions with a single external customer amounted to 10% or more of the Group's total revenue (2021: HK$nil).

4. REVENUE

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

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

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

Note: Others mainly represent cloakroom income.

5. OTHER INCOME AND GAIN

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

Note:

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

(b) Others mainly included the tips income.

6. FINANCE COSTS

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

7. TAXATION

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

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

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

The two-tiered profits tax rates regime is applicable to the Company for the years ended 31 December 2022 and 2021.

Pursuant to the rules and regulations of the Cayman Islands and the BVI, the Group is not subject to any income tax in the Cayman Islands and the BVI during the years ended 31 December 2022 and 2021.

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

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

8. LOSS BEFORE TAXATION

	Year ended 31 December 2022 *HK$'000*	Year ended 31 December 2021 *HK$'000*
Loss before taxation has been arrived at after charging/(crediting):		
Staff costs:		
Directors' emoluments (included retirement scheme contributions)	**1,811**	4,210
Salaries and other benefits	**29,133**	79,819
Equity-settled share option expense	**–**	696
Retirement benefits scheme contributions	**1,245**	1,824
	32,189	86,549
Auditors' remuneration:		
Audit services:		
– HLB Hodgson Impey Cheng Limited	**600**	700
– Other auditor	**36**	393
	636	1,093
Cost of inventories sold	**18,313**	41,640
Impairment losses under expected credit loss ("ECL") model, net of reversal:		
– account and other receivables	**4,342**	697
– loan receivables	**3,371**	(16)
– amounts due from non-controlling interests	**(16)**	3
– loan to an associate and amount due from an associate	**3,957**	5,013
Impairment loss on non-financial assets		
– goodwill	**–**	9,152
– plant and equipment	**–**	4,635
– right-of-use assets	**–**	1,881
Loss on cessation of business *(note (i))*	**11,341**	16,903
Fair value change of financial assets at FVTPL	**(315)**	(78)
Fair value change of derivative financial liabilities	**–**	(486)
Bad debt written off*	**–**	421
Utilities*	**1,752**	2,842
Legal and professional fee*	**4,563**	4,599
Entertainment and travelling*	**752**	5,378
Repair and maintenance*	**284**	1,260
Uniform and cleaning*	**1,112**	2,358
Bank charges*	**1,341**	1,825
Short term leases	**1,391**	1,396
Profit sharing for lease payment *(note (ii))*	**245**	3,383
Depreciation of plant and equipment	**12,785**	18,574
Depreciation of right-of-use assets	**10,184**	14,015
Amortisation of intangible assets	**–**	86
	22,969	32,675

* *These items were grouped under other operating expense.*

Notes:

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

During the year ended 31 December 2021, due to disputes between COD and the Group in relation to the operation of Club Cubic Macau at the Boulevard, City of Dreams, Macau, the Group would be unable to continue to operate Club Cubic Macau from 8 October 2022. For further details, please refer to note 14(a). The loss on cessation of business represents for written off on plant and equipment, written off on intangible assets, written off on prepayment and deposits and gain on lease termination which amounted for approximately HK$7,824,000, HK$392,000, HK$10,800,000 and HK$2,113,000 respectively.

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

9. DIVIDENDS

No dividend has been paid or proposed by the Company since its date of incorporation. The Board does not recommend the payment of a final dividend for the year ended 31 December 2022 (2021: nil).

10. LOSS PER SHARE

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

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

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

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

11. ACCOUNT AND OTHER RECEIVABLES

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

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

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

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

12. ACCOUNT AND OTHER PAYABLES

	As at 31 December 2022	As at 31 December 2021
	HK$'000	*HK$'000*
Account payables	**6,567**	8,339
Rental payables	**5,112**	1,898
Other payables	**68,573**	51,069
Loan from directors	**4,904**	309
Loan from shareholders	**1,059**	324
Loan from third parties	**382**	996
Accruals	**14,755**	11,375
	101,352	74,310
Less: Portion classified as non-current		
– Other payables	**–**	(18,627)
Current portion	**101,352**	55,683

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

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

	As at 31 December 2022 *HK$'000*	As at 31 December 2021 *HK$'000*
0–30 days	**219**	4,910
31–60 days	**103**	1,578
61–90 days	**15**	308
9 1 to 120 days	**6,230**	1,543
	6,567	8,339

13. CAPITAL COMMITMENTS

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

	As at 31 December 2022 *HK$'000*	As at 31 December 2021 *HK$'000*
Unpaid balance of capital contribution to a subsidiary in the PRC	**40,044**	55,821

14. LITIGATION AND CONTINGENT LIABILITIES

(a) On 19 October 2021, the Company's subsidiary, Luk Hing Investment received a summons issued by COD Resorts Limited ("COD") (as plaintiff) against Luk Hing Investment (as defendant) and filed with Court of the Macau to such civil proceeding. COD alleged that Luk Hing Investment breached the contractual obligations of the Operating Agreement and Supplemental Agreement (the "Agreements") due to default of payment of the rental expenses and contingent rental expense during the year ended 31 December 2021. COD further understands that Luk Hing Investment, by failing to comply with its contractual obligations on a timely manner, the termination of the Agreements shall be deemed valid and effective and requested Luk Hing Investment to pay all the amounts claimed under the Agreements of approximately HK$85,982,000 (equivalent to approximately MOP88,562,000) including the outstanding rental expenses, the rental expenses for the remaining contract terms, interest regards to the outstanding rental expenses, etc..

On 12 January 2022, an objection was filed by Luk Hing Investment to the Court to deny the amounts requested by COD as their request were onerous, excessive, disproportional and unreasonable. In addition, due to the termination of the Agreements, Luk Hing Investment filed a counterclaim in relation to the equipment held by Luk Hing Investment, that remained unrecovered in the former premises of Club Cubic Macau, Luk Hing Investment objected via credit offset and a counterclaim of the total amounts approximately HK$5,805,000 (equivalent to approximately MOP5,979,000).

On 7 March 2022, COD filed the reply to objection of Luk Hing Investment to the Court. COD objected to the claim of credit offset and counterclaim of Luk Hing Investment in respect of the equipment, which remains unrecovered in the former Club Cubic Macau, claiming that such equipment was accounted as a cost of Luk Hing Investment, but immediately incorporated into the Club Cubic Macau, becoming COD the owner and proprietor of the said. COD objects to the arguments made by Luk Hing Investment and maintaining the amount as requested.

As of the reporting date of 2021, the liability of Luk Hing Investment in respect of the summons cannot be reliably measured as the lawsuit is still in its initial stages.

On 23 December 2022, Luk Hing Development Limited and Luk Hing International Limited, both being direct wholly-owned subsidiaries of the Company, had entered into share purchase agreement with San Thai Food Investment Limited to dispose of the entire issued share capital in Luk Hing Investment at the consideration of approximately HK$100,000. The disposal was completed on 23 December 2022 and subsequent to which, Luk Hing Investment Limited ceased to be subsidiary of the Company. For further details, please refer to the announcement of the Company dated 23 December 2022.

(b) On 11 October 2021, Zhuhai Ruiye, the Company's subsidiary, received an arbitration request issued by 珠海城市建設集團有限公司 ("城建集團"), the landlords of CUBIC SPACE+ and 珠海城建海韵資產經營管理有限公司("城建海韵"), the property management company of CUBIC SPACE+, alleged that Zhuhai Ruiye has breached the tenancy agreement of CUBIC SPACE+ in Zhuhai, the PRC. 城建集團 and 城建海韵 alleged that Zhuhai Ruiye had failed to pay the rental expense and building management fee for the period of October 2018 to August 2019 and February 2020 to April 2020, together with costs of the legal proceedings for approximately HK$8,346,000 (equivalent to approximately RMB6,924,000). Zhuhai Ruiye submitted that the condition of the property was substandard quality at the delivery date and suffered substantial losses due to the leakage of the property. Zhuhai Ruiye applied for a counterclaim to the landlords and the property management company and requested waiver for the rental fee and building management fee for the above period and compensation for the losses due to the water leakage of the property, repairs and maintenances, labor costs together with costs of legal proceedings for approximately HK$15,947,000 (equivalent to approximately RMB13,230,000). The arbitration committee requested Zhuhai Ruiye to provide the evidences of the substandard quality of the property and breakdown for the labor cost for further judgement.

On 7 September 2022, Zhuhai Arbitration Commission issued an Arbitration Award against the case between Zhuhai Ruiye, 城建集團 and 城建海韵. According to the Arbitration Award, Zhuhai Ruiye had to pay rental expenses to 城建集團 for the period of 24 January 2019 to 31 August 2019 which amounted for approximately HK$1,932,000 (equivalent to approximately RMB1,726,000) and 50% of rental expenses of April 2020 which amounted for approximately HK$140,000 (equivalent to approximately RMB125,000). Zhuhai Ruiye also had to pay the liquidated damages and penalties to 城建集團 which amounted for HK$1,130,000 (equivalent to approximately RMB1,010,000) together with the costs of legal proceedings of approximately HK$248,000 (equivalent to approximately RMB222,000). The amounts are included in other payables.

On 21 October 2022, the Company further announced that due to disputes between 城建集團 and 城建海韵 in relation to the operation CUBIC SPACE+ at landmark Zhuhai Grand Theatre, the Group would be unable to continue to operate CUBIC SPACE+ from 20 October 2022 and the Company is seeking legal advice in relation to its rights over the aforesaid matter.

EXTRACT OF INDEPENDENT AUDITORS' REPORT

The following is an extract of the independent auditors' report on the Group's consolidated financial statements for the year ended 31 December 2022 which included a disclaimer of opinion:

DISCLAIMER OF OPINION

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

BASIS FOR DISCLAIMER OF OPINION

Material uncertainties relating to going concern basis

We draw attention to Note 2.2 in the consolidated financial statements, which describes that the Group incurred a net loss of approximately HK$48,935,000 for the year ended 31 December 2022 and, as of that date, the Group's current liabilities exceeded its current assets and total liabilities exceeded its total assets by approximately HK$122,041,000 and HK$107,718,000 respectively. As at that date, the Group's aggregate bank loans and lease liabilities amounted to approximately HK$21,605,000 and HK$14,757,000 respectively and the Group owed HK$9,080,000 and HK$18,109,000 respectively in respect of convertible loans and convertible promissory notes which were defaulted during the year and remained unsettled as of 31 December 2022. On the other hand, the Group's cash and cash equivalents amounted to only approximately HK$626,000. These events and conditions, along with other matters as set forth in note 2.2 to the consolidated financial statements, indicate the existence of material uncertainties which may cast significant doubt on the Group's ability to continue as a going concern.

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

During the year ended 31 December 2022, the Group was primarily engaged in the operation of clubbing business and the operation of restaurants namely "HEXA", "SIXA" and "GaGiNang" in Hong Kong which are all through subsidiaries and associate of the Group.

BUSINESS REVIEW

Operation of Restaurant Business

The onslaught of the fifth wave of the epidemic has dealt a heavy blow to our restaurant business. Dine-in services banned from 6:00 p.m. to 4:59 a.m. the next day from 7 January 2022 to 20 April 2022. Compounding matters, limited seating limit to two people per table and new rules requiring visitors to display their vaccination record when entering venues such as shopping malls and restaurants has dealt another blow to our restaurant business. The situation is highly undesirable, our restaurants have dropped 60% to 90% of the sales before the banning of the dine-in services. As the pandemic situation is severe and the business environment for catering industry remains difficult, our associate company, Luk Hing Mandarin Limited has ceased operation of the restaurant namely "GaGiNang" on 22 February 2022. Following the first stage relaxation in social distancing measures since 21 April 2022 and further relaxing from 5 May 2022 allowing catering premises to accommodate eight persons per table, our restaurants restore to the sale revenue level before the banning of dine-in services leading to the uplift of sales revenue in the second half of 2022. During the period under review, the restaurant business has generated revenue of approximately HK$57.7 million (2021: HK$65.9 million), accounts for approximately 98.5% of the Group's total income and is the principal source income of the Group. With the resumption of cross-border travel with Mainland China from 8 January 2023, the local economy and retail market have started on the path of recovery and have improved recently. As at the date of this announcement, our restaurants have resumed to 90% of the pre-pandemic level of revenue performance. The restaurant business continues to contribute a stable source of income to the Group.

Operation of Clubbing Business

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

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

On 13 June 2022 and 14 June 2022, the Company and the Vendor, Infinity Entertainment Group Limited entered into an agreement and supplementary agreement through which the Company has conditionally agreed to acquire 100% sale share of C45 Holdings Limited which is principally engaged in the operation of nightlife and clubbing business in Hong Kong. The acquisition transaction was terminated on 10 October 2022 since the Vendor has not performed all of its obligations at Completion. Please refer to the announcement of the Company dated 10 October 2022 for details.

Winding up Petition

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

Disposal of entire issued share capital in a subsidiary

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

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

FINANCIAL REVIEW

Revenue

Total revenue of the Group decreased by 63.5% from approximately HK$160.4 million in 2021 to approximately HK$58.6 million in 2022 mainly due to the cessation of operation of Club Cubic Macau and CUBIC SPACE+ and the banning of dine-in services in restaurants from 6:00 p.m. to 4:59 a.m. the next day from 7 January 2022 to 20 April 2022.

Expenses

Cost of inventories sold mainly represents for the costs of beverage, food and tobacco products sold. It decreased by 56.0% from approximately HK$41.6 million in 2021 to approximately HK$18.3 million in 2022 in line with the decrease of revenue.

Staff costs is one of the major components of the Group's operating expenses, which mainly consists of Directors' emoluments, salaries, retirement benefit scheme contribution and other benefits. Staff costs decreased by 62.8% from approximately HK$86.5 million in 2021 to approximately HK$32.2 million in 2022. This was explained by the material decrease of salary costs resulted from the cessation of operation of Club Cubic Macau and CUBIC SPACE+.

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

Advertising and marketing expenses decreased by 88.9% from approximately HK$1.8 million in 2021 to approximately HK$0.2 million in 2022 due to the adoption of stringent cost control measures on marketing expense to cope with the impact of COVID-19.

Other operating expenses represent expenses incurred for the operations. These include mainly cleaning and laundry, utilities, credit card commission, repair and maintenance and insurance expense. Other operating expenses decreased by 42.7% from approximately HK$27.9 million in 2021 to approximately HK$16.0 million in 2022. Decrease of other operating expenses resulted from the cessation of operation of Club Cubic Macau and CUBIC SPACE+.

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

Loss on Cessation of Business

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

Loss Attributable to Owners of the Company

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

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Below is a summary of the key financial ratio:

	Notes	**As at 31 December 2022**	As at 31 December 2021
Current ratio	*1*	**0.1**	0.3
Quick ratio	*2*	**0.1**	0.3
Debt ratio	*3*	**358.9%**	154.4%
Gearing ratio	*4*	**N/A**	N/A

Notes:

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

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

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

4. Gearing ratio is calculated by dividing total borrowings by total equity attributable to owners of the Group as at the respective period end.

The Group had cash and cash equivalents of HK$0.6 million as at 31 December 2022 (31 December 2021: HK$2.0 million).

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

As at 31 December 2022, The Group had external borrowing of HK$48.8 million (31 December 2021: HK$47.0 million). A series of plans and measures have been taken to mitigate liquidity pressure and to improve the financial position of the Group, for details please refer to Note 2.2.

CHARGES ON ASSETS

As at 31 December 2022, the Group did not have any charges on its assets except the pledge of the life insurance policy to China Citic Bank International Limited for the revolving loan facility of HK$5.1 million for the life insurance policy premium financing.

FOREIGN EXCHANGE EXPOSURE

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

CONTINGENT LIABILITIES

Save as disclosed in note 14 to the consolidated financial statements of the Group, the Group did not have any contingent liabilities.

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

Save for those disclosed in this announcement, there were no other significant investments held by the Group as at 31 December 2022, nor were there other material acquisitions and disposal of subsidiaries and affiliated companies by the Group during the year.

DIVIDEND

The Board does not recommend the payment of dividend by the Company for the year ended 31 December 2022.

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

The Board wishes to draw the attention of the shareholders of the Company (the "Shareholders") to the section headed "Basis for Disclaimer of Opinion" as contained in the Independent Auditor's Report dated 30 March 2022 issued by the Company's auditors, HLB Hodgson Impey Cheng Limited (the "Auditor"), contained in pages 22 and 23 of this announcement.

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

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

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

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

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

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

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

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

AUDIT COMMITTEE'S VIEW ON THE DISCLAIMER OF OPINION

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2022.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

The Company has adopted and complied with the principles and code provisions in the Corporate Governance Code and Corporate Governance Report (the "CG Code") as previously set out in Appendix 15 to the GEM Listing Rules for the year ended 31 December 2022, except for the below deviations.

C.2.1

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

F.2

Two executive Directors, one non-executive Director and two independent non-executive Directors were absent from the last annual general meeting of the Company held on 17 June 2022 as they were away from Hong Kong due to other important engagements at the time of this meeting. The Board considered that sufficient measures had been taken for the absent Directors to understand the views of shareholders, including having circulated the minutes of the annual general meeting to each of the absent Directors after the conclusion of the annual general meeting.

AUDIT COMMITTEE

The Company established an audit committee with written terms of reference in compliance with Rules 5.28 and 5.29 of the GEM Listing Rules and paragraph D.3.3 and D.3.7 of the CG Code. As of the date of this announcement, the audit committee is chaired by our independent non-executive Director, Ms. Tse Mei Ling, who holds the appropriate professional qualifications as required under Rules 5.05(2) and 5.28 of the GEM Listing Rules and consists of another independent non-executive Director Mr. Wong Chung Wai and a non-executive Director, Mr. Au Kai Wai. The primary functions of the audit committee include but not limited to: (i) assisting the Board in providing an independent view of the effectiveness of the Group's financial reporting process, internal control and risk management systems; (ii) overseeing the audit process; and (iii) performing other duties and responsibilities as assigned by the Board.

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

ANNUAL GENERAL MEETING

It is proposed that the forthcoming annual general meeting of the Company (the "AGM") will be held on Friday, 16 June 2023. A notice convening the AGM will be published and despatched to the shareholders of the Company in the manner required by the GEM Listing Rules and the articles of association of the Company in due course.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the Annual General Meeting, the Register of Members of the Company will be closed from Tuesday, 13 June 2023 to Friday, 16 June 2023, both dates inclusive, during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the AGM, unregistered holders of Shares shall ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Monday, 12 June 2023.

SCOPE OF WORK OF AUDITORS

The figures in respect of the preliminary announcement of the Group's result for the year ended 31 December 2022 have been agreed by the Group's auditors, HLB Hodgson Impey Cheng Limited.

DEFINITIONS AND GLOSSARY

"Board"	the board of Directors
"City of Dreams"	an integrated resort located on two adjacent pieces of land in Cotai, Macau, which was opened in June 2009 and owned by Melco Crown (COD) Developments Limited (now known as COD Resorts Limited)
"Club Cubic Macau"	a clubbing venue operated by the Group under the name of Cubic which was opened in April 2011 and located at 2nd and 3rd floor, The Boulevard, City of Dreams, Cotai, Macau
"Club Cubic Zhuhai"	a clubbing venue in Zhuhai to be operated by a joint venture company in which the Group shall hold less than 20% interest, details of which are disclosed in the Company's announcement dated 12 December 2016, 10 February 2017, 11 April 2017, 11 May 2017 and 2 June 2017
"COD"	COD Resorts Limited, which merged with Melco Resorts (COD) Retail Services Limited (formerly known as Melco Crown (COD) Retail Services Limited), owner of the club premises of Club Cubic Macau
"Company"	Luk Hing Entertainment Group Holdings Limited (stock code: 8052), a company incorporated in the Cayman Islands with limited liability, and the issued Shares of which are listed on the GEM

"Controlling Shareholders"	has the meaning ascribed thereto in the GEM Listing Rules and in the case of our Company, means Welmen Investment Co. Ltd ("Welmen"), Yui Tak Investment Limited, Ocean Concept Holdings Limited, Toprich Investment (Group) Limited, Perfect Succeed Limited, Mr. Choi Yat Hon (formerly known as Choi Yiu Ying), Mr. Choi Siu Kit, Mr. Au Wai Pong Eric, Mr. Au Ka Wai and Mr. Yeung Chi Shing. Mr. Choi Yiu Ying, Mr. Choi Siu Kit, Mr. Au Wai Pong Eric, Mr. Au Ka Wai and Mr. Yeung Chi Shing are regarded as parties acting in concert and a group of concerted shareholders by virtue of an acting in concert confirmation dated 2 March 2016
"Directors"	the directors of the Company
"GEM"	GEM operated by the Stock Exchange
"GEM Listing Rules"	The Rules Governing the Listing of Securities on GEM
"Group"	the Company and/or any of its subsidiaries
"HEXA"	a modern Chinese restaurant operated by the Group under the name of HEXA which was opened in October 2017 and located at shop OTE 101, ground floor, Ocean Terminal, Harbour City, Tsim Sha Tsui, Hong Kong
"HK$" or "HKD"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	The Hong Kong Special Administrative Region of the PRC
"Macau"	The Macau Special Administrative Region of the PRC
"MOP"	Macau Pataca(s), the lawful currency of Macau
"M&A"	memorandum of association and articles of association

"Operating Agreement"	an operating agreement dated 28 April 2010 entered into between COD (as the owner) and Star Century Investments Limited (as the operator), novated by a novation agreement dated 14 January 2011 entered into between COD (as the owner), Star Century Investments Limited (as the old operator) and Luk Hing Investment Limited (as the new operator), and supplemented by a supplemental agreement dated 28 November 2012 and further supplemented by a second supplemental agreement dated 5 August 2016, concerning the operation of Club Cubic Macau. The operating agreement was renewed to a term until March 2017. On 26 September 2019, the Company renewed the Operating Agreement with COD for a term until March 2027
"PRC"	the People's Republic of China (for the purpose of this annual result announcement, exclude Hong Kong, Macau and Taiwan)
"RMB"	Renminbi, the lawful currency of the PRC
"Shares"	the ordinary shares of HK$0.01 each in the issued share capital of the Company
"Shareholders"	the holders of the Shares
"SIXA"	a modern Chinese restaurant wholly-owned by HEXA which was opened in August 2019 and located at Shop 601, 6/F, Citygate, 1820 Tat Tung Road, Tung Chung, Lantau, Hong Kong
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"United States" or "US"	the United States of America
"US$" or "USD"	United States dollar, the lawful currency of the United States

BOARD OF DIRECTORS

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

Executive Directors:
Mr. Choi Yat Hon (formerly known as Choi Yiu Ying) *(Chairman and Chief Executive Officer)*
Mr. Choi Siu Kit
Mr. Yeung Chi Shing

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, 30 March 2023

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