Annual Report 2019

利·寶·閣
Star of Canton Restaurant

Li Bao Ge Group Limited
利寶閣集團有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock code: 1869

Contents

Corporate Information

Directors

Executive Directors:

Mr. Chan Chun Kit *(Chairman of the Board and Chief Executive Officer)*
Mr. Lam Kwok Leung Peter
Mr. Wong Ka Wai
Ms. Chan Josephine Wai Sze *(appointed on 7 January 2020)*
Ms. Zhu Xueqin *(appointed on 7 January 2020)*

Non-executive Director:

Mr. Chow Yiu Pong David *(re-designated from executive Director on 7 January 2020)*

Independent Non-executive Directors:

Mr. Liu Chi Keung
Prof. Wong Lung Tak Patrick
Mr. Tam Tak Kei Raymond *(resigned on 14 February 2020)*
Mr. Yuen Ching Bor Stephen *(appointed on 7 January 2020)*

Audit Committee

Prof. Wong Lung Tak Patrick *(Chairman)*
Mr. Liu Chi Keung
Mr. Tam Tak Kei Raymond *(resigned on 14 February 2020)*
Mr. Yuen Ching Bor Stephen *(appointed on 7 January 2020)*

Remuneration Committee

Mr. Yuen Ching Bor Stephen *(appointed as a member on 7 January 2020, and as the Chairman on 14 February 2020)*
Mr. Tam Tak Kei Raymond *(Chairman) (resigned on 14 February 2020)*
Mr. Chan Chun Kit
Mr. Liu Chi Keung

Nomination Committee

Mr. Chan Chun Kit *(Chairman)*
Mr. Liu Chi Keung
Mr. Tam Tak Kei Raymond *(resigned on 14 February 2020)*
Mr. Yuen Ching Bor Stephen *(appointed on 7 January 2020)*

Legal Compliance Committee

Prof. Wong Lung Tak Patrick *(Chairman)*
Mr. Liu Chi Keung
Mr. Tam Tak Kei Raymond *(resigned on 14 February 2020)*
Mr. Yuen Ching Bor Stephen *(appointed on 7 January 2020)*
Mr. Lam Kwok Leung Peter
Ms. Hui Wai Shu Jessica CPA *(resigned on 15 November 2019)*
Mr. Poon Yick Pang, Philip *(appointed on 15 November 2019)*

Company Secretary

Mr. Poon Yick Pang, Philip

Compliance Officer

Mr. Lam Kwok Leung Peter

Authorised Representatives

Mr. Chan Chun Kit
Mr. Poon Yick Pang, Philip

Registered Office

P.O. Box 1350
Clifton House
75 Fort Street
Grand Cayman KY1-1108
Cayman Islands

Head Office And Principal Place Of Business In Hong Kong

Room 2702, Tower 2
Kowloon Commerce Centre
No. 51 Kwai Cheong Road
Kwai Chung, New Territories
Hong Kong

Principal Share Registrar And Transfer Office In The Cayman Islands

Ocorian Trust (Cayman) Limited
P.O. Box 1350
Clifton House
75 Fort Street
Grand Cayman KY1-1108
Cayman Islands

Branch Share Registrar And Transfer Office In Hong Kong

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

Legal Adviser To The Company As To Hong Kong Law

Loong & Yeung

Principal Bankers

Hang Seng Bank
Bank of China (Hong Kong)
China CITIC Bank

Auditor

Ting Ho Kwan & Chan CPA Limited

Stock Code

1869

Company's Website

http://www.starofcanton.com.hk

Chairman's Statement

On behalf of the board (the "Board") of directors (the "Directors") of Li Bao Ge Group Limited (the "Company", together with its subsidiaries, collectively known as the "Group"), I hereby present to the shareholders of the Company (the "Shareholders") the audited consolidated results of the Group for the year ended 31 December 2019 together with the comparative figures for the corresponding period in 2018 as set out below for their consideration. Unless otherwise specified, terms used herein shall have the same meanings as those defined in the Company's prospectus dated 24 June 2016 (the "Prospectus").

Business Review

The operating environment of the catering industry was deteriorating significantly in Hong Kong in 2019 as the ongoing China-US trade talks and the social events in the second half of the year impacted the local economy, which in turn hard hit consumer sentiment, thus escalating business pressure on the Group. During the year under review, the Group's total revenue amounted to approximately HK$352.9 million (2018: approximately HK$360.5 million), a year-on-year decrease of approximately 2.1%. Losses amounted to approximately HK$59.3 million (2018: approximately HK $2.3 million in profits) during the year. For financial review, please refer to the section "Management Discussion and Analysis" in this annual report.

During the year under review, the Group generated revenue primarily from Cantonese restaurants operating in Hong Kong and Shenzhen. In view of the flourishing online catering market in the PRC, the Group was striving to look for diversification and exploring new business opportunities as well while consolidating its own principal business. At the end of last year and the beginning of this year, the Group announced respectively that it successfully entered into cooperation agreements with Shenzhen Freshippo Network Technology Co., Ltd. and Shanghai Freshippo Network Technology Co., Ltd. (collectively, the "Freshippo"), the new retail flagships of Alibaba Group, to work together on developing the enormous online to offline ("O2O") catering market in the PRC by launching a Li Bao Ge store-in-store on Freshippo platform in Shenzhen and Shanghai, which enabled the Group to both benefit from the huge consumer flow attracted by Freshippo itself, and launch the O2O business on Freshippo platform.

On the fast-growing Freshippo physical and online platforms, the Group was able to launch a business diversification plan and complement its own capital-intensive business model featuring large-scale Cantonese restaurants by incorporating a business model that featured asset-light O2O integrated light meal catering. The first Li Bao Ge Freshippo store-in-store (Nankang Store) opened in Longhua New District, Shenzhen in the fourth quarter of 2019, turning a new chapter for Li Bao Ge's business diversification. As the collaboration between the Group and Freshippo began at the end of last year, the effectiveness of the new business model is expected to reveal gradually in the future.

Future Outlook

The economic environment remains very certain this year as all trades and professions are being hit by the outbreak of the novel coronavirus pandemic (the "Pandemic") at the beginning of the year, creating a particularly severe impact on the catering and retail industries. Amid this adversity, the Group braved the difficulties by working out a forward-looking plan for corporate development, while modifying the operation of the Cantonese restaurants in Hong Kong to reduce costs and consolidate strengths.

Chairman's Statement

In an attempt to further expand the market with high spending power and high growth in Mainland China, following the access to the O2O market in Shenzhen and other cities in the Greater Bay Area with the asset-light business model at the end of last year, the Group announced the acquisition of 70% of shares in Yaoliang (Shanghai) Food Co., Ltd., the brand owner and operator of Shanghai Sun Kau Kee, for RMB22.4 million in early 2020. Shanghai Sun Kau Kee operates more than 30 stores-in-stores on Shanghai Freshippo. These stores mainly sell roasted meat. Scheduled for completion in the second quarter of this year, the acquisition will both deepen the Group's collaboration with Freshippo and enable the Group, after moving into Shanghai's catering market, to further expand its business in East China and increase the number of outlets in the first- and second-tier cities in the PRC by using Shanghai as an access point to generate a diverse source of revenue and establish a more stable operating revenue base.

The Group believes the economic outlook remains very challenging in the short term, complicated with a tough business environment for the catering industry. However, by leveraging its ongoing innovation and reform programmes, and with the strong assistance of Freshippo, the Group has worked out a comprehensive strategy for its medium- and long-term development. When external uncertainties are eliminated, the Group's business is expected to recovery quickly and soar again.

Appreciation

I would like to express my heartfelt gratitude to all of our business partners, staff, investors and customers for their support. The Group will continue to work tirelessly to boost the sustainable development of the overall business.

Chan Chun Kit
Chairman and Executive Director

Hong Kong, 14 May 2020

Management Discussion and Analysis

Business and Operational Review

The Group is a Chinese restaurant group recognised for delivering Cantonese cuisine and Chinese banquet and dining services.

For the year ended 31 December 2019, the Group operated five full-service restaurants in Hong Kong and two full-service restaurants in Shenzhen, the PRC to provide Cantonese cuisine under the brand name of “Star of Canton (利寶閣)”. The Group also operated a Jingchuanhu cuisine restaurant in Hong Kong under the brand name of “Beijing House (京香閣)” and a Thai cuisine restaurant in Shenzhen (the “Thai (Shenzhen) Restaurant”). However, due to continued unsatisfactory customer visits of the Thai (Shenzhen) Restaurant since its opening, the Group closed down the restaurant in May 2019 and refurbished the shop into a full-service small-scale Cantonese restaurant under the brand name of “Star of Canton Dim Sum Tea House (利寶閣點心茶居)” which was opened in August 2019. During the year, the Group also opened (i) its first Thai cuisine restaurant in Hong Kong in June 2019 under the brand name of “La Maison D’Elephant (象屋)” (the “Thai (Mongkok) Restaurant”) in a shopping mall in Mongkok district; (ii) another Tea House, namely “Star of Canton Tea House (利寶閣茶居)” in a shopping mall in Luohu, Shenzhen in December 2019, which is youth-style and mass-oriented, to provide specialty Cantonese food such as dim sum, Hong Kong style roasted meats and stew soup; and (iii) a new full-service Cantonese restaurant, namely “Shenzhen One Avenue Restaurant (深圳卓悅中心酒樓)” in a new shopping mall in Futian, Shenzhen in December 2019. All of the Group’s restaurants are strategically situated in landmark shopping arcades or commercial complexes at prime locations. The Group maintains a business philosophy of offering quality food and services at reasonable prices in an elegant and comfortable dining setting. All of the Group’s restaurants target at mid-to-high end spending customers.

As at 31 December 2019, the Group had:

In Hong Kong:

(i) six Chinese restaurants, which were located in Tsim Sha Tsui (i.e. The One Restaurant), Causeway Bay (i.e. the CWB Restaurant), Olympian City (i.e. the Olympian Restaurant), Kwun Tong (i.e. the Kwun Tong Restaurant) and Sheung Wan (i.e. the Sheung Wan Restaurant and the Beijing House Restaurant, which ceased operation in February 2020), respectively;

(ii) one Thai cuisine restaurant (i.e. the Thai (Mongkok) Restaurant) located in Mongkok;

In Shenzhen, the PRC:

(iii) three Chinese restaurants, which were located in Futian District (i.e. the Shenzhen Restaurant and the Shenzhen One Avenue Restaurant) and Baoan District (i.e. the Shenzhen Uniwalk Restaurant), respectively; and

(iv) two small-scale Cantonese dim sum tea houses, which were located in Futian District (i.e. the Star of Canton Dim Sum Tea House) and Luohu District (i.e. the Star of Canton Tea House), respectively.

Management Discussion and Analysis

In December 2019, the Group entered into a cooperation agreement with Shenzhen Freshippo Network Technology Co., Ltd. ("Shenzhen Freshippo"), a member of Alibaba Group, which provides the Group to have access to the PRC's growing food delivery and takeaway market through the implementation of the online and offline innovative retail model that integrates physical stores and e-commerce platforms. Under the cooperation agreement with Shenzhen Freshippo, the Company undertook to set up not less than 10 counters at Shenzhen Freshippo* (盒馬鮮生) stores on or before 15 December 2020. In January 2020, the Group extended its cooperation with Alibaba Group by entering into a cooperation agreement with Shanghai Freshippo Network Technology Co., Ltd. ("Shanghai Freshippo"), pursuant to which the Group undertook to set up not less than 10 counters at Shanghai Freshippo stores on or before 31 December 2020.

The Company will leverage Freshippo brand awareness and high traffic to attract more young people, develop multi-channel sales and penetrate the Chinese takeaway and food delivery market efficiently. The cooperation enables the Company to capture the huge opportunity in China's next generation online and offline retail catering market through commodifying its highly regarded Cantonese dim sum dishes and delicacies under the brand of "Star of Canton". For details, please refer to the Company's announcements dated 16 December 2019 and 9 January 2020.

Financial Review

Revenue

For the year ended 31 December 2019, the Group recorded a total revenue of approximately HK$352.9 million, representing a slight decrease of approximately 2.1% as compared to approximately HK$360.5 million for the year ended 31 December 2018.

The Group's total revenue for the year ended 31 December 2019 comprised:

For Hong Kong market:

(i) the aggregate revenue of the six full-service Chinese restaurants of approximately HK$180.9 million (2018: HK$181.8 million), of which the revenue from the Kwun Tong Restaurant (opened in December 2018 and operated for the full year in 2019) was approximately HK$32.3 million (2018: HK$3.5 million);

(ii) revenue of approximately HK$6.3 million from the Thai (Mongkok) Restaurant which was opened in June 2019; and

(iii) revenue from the sales of food ingredients of approximately HK$0.1 million (2018: HK$1.6 million);

For Shenzhen market:

(iv) the aggregate revenue of the three full-service Chinese restaurants of approximately HK$159.2 million, including revenue of approximately HK$1.6 million from the Shenzhen One Avenue Restaurant which was opened in December 2019 (2018: two restaurants of approximately HK$171.3 million);

(v) revenue of the Thai (Shenzhen) Restaurant (closed in May 2019) of approximately HK$1.6 million (2018: HK$5.8 million); and

(vi) the aggregate revenue of approximately HK$4.8 million from the two tea houses which were opened in August and December 2019 respectively.

Management Discussion and Analysis

Excluding the revenue contributed by the Kwun Tong Restaurant which was opened in December 2018, the aggregate revenue of the Group's five Chinese restaurants in Hong Kong for the year ended 31 December 2019 decreased by approximately 16.7% as compared to the year ended 31 December 2018. On the other hand, the aggregate revenue of the Group's two Chinese restaurants in Shenzhen (excluding the Shenzhen One Avenue Restaurant which was newly opened in December 2019) decreased by approximately 7.9% over the same period. The Directors consider such decrease in revenue for both Hong Kong and Shenzhen regions was mainly due to the accelerated downtrend of the Hong Kong and China economy since the second half of 2018, which has been worsened as a result of the intensifying and increasingly gloominess of the development of the China-US trade war which negatively affected the consumption sentiments of the general public. Furthermore, the social unrest in Hong Kong which occurred in June 2019 and lasted over the second half of 2019 seriously affected the retail and catering sectors in Hong Kong.

Gross profit and gross profit margin

The Group's gross profit (i.e. revenue minus cost of materials consumed) amounted to approximately HK$226.2 million for the year ended 31 December 2019, representing a decrease of approximately 6.0% from approximately HK$240.6 million for the year ended 31 December 2018, which was in line with the decrease in revenue during the year. Nevertheless, the Group's overall gross profit margin decreased from approximately 66.7% for the year ended 31 December 2018 to approximately 64.1% for the year ended 31 December 2019. Such decrease was mainly due to (i) the Group offered more concessions to attract customers in view of the sluggish economy and the negatively affected catering sector as described above, and (ii) the general food cost inflation, in particular, the further increase in price of frozen meats upon the outbreak of African swine fever in China in the second half of 2018, which resulted in an overall decline in the Group's gross profit margin for the year ended 31 December 2019.

Employee benefits expense

Employee benefits expense was approximately HK$95.0 million for the year ended 31 December 2019 (2018: approximately HK$86.2 million), representing an increase of approximately 10.2% as compared to 2018 which was mainly due to the addition of workforce for the Kwun Tong Restaurant, which was opened in December 2018 and operated for the full year in 2019, and other new restaurants and tea houses opened during the year ended 31 December 2019.

Depreciation

Depreciation for the year ended 31 December 2019 included approximately HK$47.0 million (2018: nil) in respect of right-of-use assets in relation to the Group's leased properties, which was recognised upon the adoption of the new accounting standard HKFRS 16 "Leases" with effect from 1 January 2019.

Other expenses

Other expenses mainly include but not limited to expenses incurred for the Group's restaurant operation, consisting of operating lease expenses, building management fee and air conditioning charges, cleaning and laundry expenses, utility expenses, service fees to temporary workers, advertising and promotion. For the year ended 31 December 2019, other expenses amounted to approximately HK$89.4 million (2018: HK$132.1 million), representing a decrease of approximately HK$42.7 million or 32.3% which was mainly due to the combined effects of (i) the decrease in operating lease expenses by approximately HK$48.7 million as a result of the adoption of the new accounting standard HKFRS 16 "Leases" with effect from 1 January 2019, where operating lease expenses were no longer recognised for the majority of the Group's leased properties, and instead, depreciation on right-of-use assets and the relevant interest expense on lease liabilities were recognised; which was partly offset by (ii) the full-year incurring of other operating expenses of approximately HK$8.6 million for the Kwun Tong Restaurant which was opened in December 2018 (2018: HK$1.8 million).

Management Discussion and Analysis

Impairment losses on property, plant and equipment and right-of-use assets

The Sheung Wan Restaurant and the Beijing House Restaurant, which were managed by the same operating subsidiary of the Group, continued to record unsatisfactory financial performance since their commencement of operation in 2015. In particular, the two restaurants recorded aggregate operating losses for each of the years ended 31 December 2015 to 2019. As such, impairment losses on equipment and right-of-use assets of the two restaurants amounting to approximately HK$3.6 million and HK$18.2 million respectively were provided for the year ended 31 December 2019.

Finance costs

Finance costs for the year ended 31 December 2019 included approximately HK$10.9 million (2018: nil) in respect of interest expense on lease liabilities in relation to the Group's leased properties, which was recognised upon the adoption of the new accounting standard HKFRS 16 "Leases" with effect from 1 January 2019.

Loss attributable to owners of the Company

For the year ended 31 December 2019, the Group recorded a loss attributable to owners of the Company of approximately HK$59.3 million, whereas the Group recorded a profit attributable to owners of the Company of approximately HK$2.3 million for the year ended 31 December 2018. Such loss-making position for the year ended 31 December 2019, representing a deterioration of financial performance by approximately HK$61.6 million as compared to the last year, was mainly due to the combined effects (before the effect of adoption of HKFRS 16 "Leases" which does not have cash flow impact) of (i) the increase in aggregate operating losses of the Group's restaurant operations in Hong Kong (which existed throughout both years) by approximately HK$23.9 million; (ii) the decrease in aggregate operating profit of the Group's restaurant operations in Shenzhen, the PRC (which existed throughout both years) by appropriately HK$5.3 million; (iii) the incurring of aggregate operating losses of approximately HK$7.9 million in respect of the Group's restaurants and tea houses newly opened in 2019 during their initial stages of operations; and (iv) the record of impairment losses on equipment and right-of-use assets of approximately HK$3.6 million and HK$18.2 million respectively in respect of the Sheung Wan Restaurant and the Beijing House Restaurant.

Liquidity, financial resources and capital structure

Capital Structure

The Group's objectives in managing capital are to safeguard its ability to continue as a going concern in order to provide returns for its shareholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to its shareholders, return capital to its shareholders, issue new shares or sell assets to reduce debt.

The Group monitors its capital on the basis of the gearing ratio. The Group's strategy, which was unchanged during the year ended 31 December 2019, was to maintain the gearing ratio at an acceptable level.

As at 31 December 2019, the Group's cash and cash equivalents were approximately HK$71.2 million, representing an increase of approximately HK$10.8 million as compared with approximately HK$60.4 million as at 31 December 2018. The increase was mainly due to the net proceeds of approximately HK$45.8 million raised from the Company's rights issue completed in December 2019, which was partially offset by the decrease in cash as a result of operating loss for the year.

Management Discussion and Analysis

As at 31 December 2019, cash and cash equivalents and restricted bank deposits amounted to approximately HK$82.2 million, of which approximately HK$50.6 million and HK$31.6 million were denominated in Hong Kong dollars ("HK$") and Renminbi ("RMB"), respectively.

Indebtedness and Banking Facilities

As at 31 December 2019, the Group had bank borrowings of approximately HK$7.4 million, which were all denominated in HK$, bearing interest rates ranging from Hong Kong Interbank Offer Rate ("HIBOR") plus 2.0% to HIBOR plus 3.0% per annum and were secured by pledged bank deposits of approximately HK$11.0 million.

As at 31 December 2019, the Group's gearing ratio was approximately 8.0%, which is calculated based on the interest-bearing debts (excluding lease liabilities) divided by total equity attributable to owners of the Company as at 31 December 2019 and multiplied by 100%. The Directors, taking into account the nature and scale of operations and capital structure of the Group, considered that the gearing ratio as at 31 December 2019 was reasonable.

Foreign Exchange Exposure

Most of the income and expenditures of the Group are denominated in HK$ and RMB, which are the functional currencies of the respective group entities. Although HK$ is not pegged to RMB, the historical exchange rate fluctuation on RMB was not significant during the year under review. Thus no significant exposure is expected on RMB transactions and balances. Accordingly, the Group does not have any material foreign exchange exposure. During the year ended 31 December 2019, the Group had not used any financial instruments for hedging purposes.

Securities in Issue

On 29 October 2019, the Company entered into an underwriting agreement with the underwriter in relation to the underwriting and respective arrangements in respect of the rights issue (the "Rights Issue") of 200,000,000 rights shares (the "Rights Shares"), on the basis of one Rights Share for every four existing shares, at the subscription price of HK$0.238 per Rights Share. The Rights Issue was completed on 17 December 2019. The gross proceeds and net proceeds raised were approximately HK$47.6 million and HK$45.8 million respectively. Please refer to the Company's announcements dated 29 October 2019, 19 November 2019 and 16 December 2019, and circular dated 25 November 2019 (the "Circular") for details.

As at 31 December 2019, there were 1,000,000,000 ordinary shares in issue. Save for the issue of 200,000,000 Rights Shares pursuant to the Rights Issue, there was no movement in the issued share capital of the Company during the year ended 31 December 2019.

Significant Investment Held, Material Acquisition or Disposal of Subsidiaries and Affiliated Companies and Plans for Material Investment or Capital Assets

There was no significant investment held, material acquisition or disposal of subsidiaries and affiliated companies during the year ended 31 December 2019. Save as disclosed in this annual report, there was no plan for material investment or capital assets as at 31 December 2019.

Management Discussion and Analysis

Charge on Assets

As at 31 December 2019, the Group pledged its bank deposits of approximately HK$11.0 million as securities for the Group's bank borrowings of approximately HK$7.4 million. Save as disclosed above, the Group did not have any charge over its assets.

Employees and Remuneration Policies

The Group had approximately 770 employees as at 31 December 2019. The employee benefits expense, including Directors' emoluments, of the Group were approximately HK$95.0 million for the year ended 31 December 2019 (2018: HK$86.2 million).

The Directors and the senior management of the Company (the "Senior Management") receive compensation in the form of salaries and discretionary bonuses with reference to salaries paid by comparable companies, time commitment and the performance of the Group. The Group regularly reviews and determines the remuneration and compensation package of the Directors and the Senior Management with reference to, among other things, the market level of salaries paid by comparable companies, the respective responsibilities of the Directors and the Senior Management and the performance of the Group.

The remuneration committee of the Board (the "Remuneration Committee") reviews and determines the remuneration and compensation packages of the Directors with reference to their responsibilities, workload, the time devoted to the Group and the performance of the Group. The Directors may also receive options to be granted under the share option scheme adopted by the Company on 16 June 2016. During the year ended 31 December 2019, no share option was granted to the relevant participants pursuant to such scheme.

Dividend

The Directors did not recommend the declaration of any final dividend for the year ended 31 December 2019 (2018: HK0.50 cents per Share).

Management Discussion and Analysis

Prospects

The successful Listing and the Transfer of Listing marked major milestones as well as new chapters of the Company. Nevertheless, due to the uncertainties of the Hong Kong and China economies and the outbreak of the Pandemic in Hong Kong and China since January 2020 which seriously affected the catering industry, the Directors anticipate that the Group's business will face various challenges in the foreseeable future. The Group's key risk exposures and uncertainties are summarised as follows:

(i) the Group's future success relies heavily on its ability to constantly offer menu items, creatively-designed banquet and dining services based on changing market trends and changing tastes, dietary habits, expectations and other preferences of the Group's target customers. As such, significant costs to survey and research customer trends and preferences and to develop and market new menu items, banquet and dining services may be required, this may place substantial burden on the Group's managerial and financial resources;

(ii) the Group may fail to obtain leases of desirable locations for new restaurants or renew existing leases on commercially acceptable terms, and the aforesaid potential failure would have a material adverse effect on the Group's business and future development;

(iii) the operation of the Group may be affected by the price of the food ingredients, including the price of the imported food ingredients which will be affected by the fluctuating exchange rate;

(iv) there may be labour shortage in the future and competition for qualified individuals in the food and beverage industry may be intense;

(v) the Hong Kong and China economies may be further worsened as a result of the unfavourable development of the China-US trade war which would negatively affect the consumption sentiments of the general public and consequently the retail and catering sectors;

(vi) the continuous social unrest in Hong Kong would seriously affect the retail and catering sectors, including certain regions where the Group operates; and

(vii) the outbreak of the Pandemic in Hong Kong and China since January 2020, which may become serious and adversely affect the Group's restaurant operations in the year to come.

For other risks and uncertainties facing the Group, please refer to the section headed "Risk Factors" in the Company's Prospectus dated 24 June 2016 (the "Prospectus").

Nonetheless, the management is optimistic that the Group can succeed and enhance the Shareholders' value in the medium to long run, based on the years of experience of the Senior Management in managing Chinese restaurant business in Hong Kong and China and its business strategies as detailed below.

The operations of the Group's restaurants and tea houses which were newly opened in 2019, are expected to be gradually put on track. Although these new restaurants incurred operating losses during the year ended 31 December 2019, the Directors expect their financial performance would be improved in the near future.

Management Discussion and Analysis

Although the opening of the Shenzhen One Avenue Restaurant was substantially delayed from the original plan, it was finally opened in December 2019. The Directors expect that the opening of the Shenzhen One Avenue Restaurant could strengthen the Group's brand awareness among existing and potential customers and create synergy effect with other Chinese restaurants of the Group in Shenzhen, the PRC.

Besides, in order to capture customers of the young generation, the Group opened two small-scale dim sum tea houses in Futian District and Luohu District, respectively, in Shenzhen, the PRC in 2019. The tea houses are young-style and mass-oriented, and provide specialty Cantonese food such as dim sum, Hong Kong style roasted meats and stew soup.

Going forward, the Group's objective is to become a reputable multi-brand restaurant group with a diverse customer base in Hong Kong and the PRC to provide Chinese cuisines, Chinese banquet and dining services for large-scale events, as well as other non-Chinese cuisines. Although the Group currently does not have specific plan for opening other non-Chinese cuisine restaurants, given that it is the Group's business philosophy to offer quality food and services at reasonable prices under an elegant and comfortable dining environment, the Group would target to capture the mid-to-high end spending customers when considering the opening of any new non-Chinese cuisine restaurants in the future, in order to maintain the Group's positioning in the mid-to-high end catering market. The Group will continue to utilise its available resources to implement its business strategies, namely, expansion in Hong Kong with its multi-brand strategy, progressive expansion in the PRC market, continuing promotion of brand image and recognition through marketing initiatives, enhancement of existing restaurant facilities and strengthening of staff training aiming to attract more new customers.

Apart from traditional restaurant operations, the Group entered into cooperation agreements with Shenzhen Freshippo and Shanghai Freshippo of Alibaba Group in December 2019 and January 2020 respectively, to set up not less than 10 counters at Freshippo stores in the respective regions, which provide the Group to access the PRC's growing food delivery and takeaway market through the implementation of the online and offline innovative retail model that integrates physical stores and e-commerce platforms. Please refer to the subsection headed "Business and operational review" above for further details.

Furthermore, on 9 January 2020, the Group entered into an equity transfer agreement to acquire 70% equity interest in a target company which operates more than 30 food counters selling roasted meat and delicatessen under the brand names of "Sun Kau Kee* (新玖記)" and "Chaojiangjun* (潮將軍)" through online and offline stores at Freshippo in Shanghai, the PRC. The acquisition is expected to be completed in the second quarter of 2020. Please refer to the Company's announcement dated 9 January 2020 for further details.

The acquisition and cooperation with Freshippo together further expand the Group's presence in China. The Group targets to evolve as one of the leading players in offering quality roast meat and Cantonese delicacies in China online and offline food catering market.

The Group will also consider the expansion of its catering business into other types of cuisines and operation modes when opportunities arise, taking into account the Group's available resources, with the aim to maximize the return to its Shareholders.

Management Discussion and Analysis

Effect of the Pandemic

In view of the outbreak of the Pandemic in China and Hong Kong since January 2020, the Group has been paying close attention to the development of the Pandemic and making efforts to prevent and control the spread of the virus. As part of the Group's efforts to facilitate better prevention and control of the virus and ensure the health and safety of its employees and customers, the Group has been shortening the operation hours of its restaurants in Hong Kong. Besides, the recent Hong Kong Government order for restaurants to increase space between tables and limit the number of customers has further hit consumer sentiment and escalated business pressure on the Group. As regard the Group's restaurants and tea houses located in Shenzhen, China, they suspended operation as temporary anti-infection measures since the commencement of Chinese New Year in late January 2020 according to the instructions of the local government, and have resumed operation in late March 2020.

Based on the above, the Group currently expects that its financial performance in the first half of 2020 will be significantly deteriorated as compared to the same period in 2019, which is due to the adverse effect arising from the recent outbreak of the Pandemic which has been restricting the opening hours and seat occupancy rate of the Group's restaurants in Hong Kong and China.

The Group will closely monitor the market situation and the development of the Pandemic, and will adjust its business strategies to cater for the market trend and customer demand in order to improve its financial performance going forward.

Use of proceeds from the Listing

The shares of the Company (the "Shares") were listed on the GEM of the Stock Exchange on 30 June 2016 with net proceeds received by the Company from the placing in the amount of approximately HK$59.1 million after deducting underwriting commissions and all related expenses.

As at 31 December 2019, the net proceeds from the placing were applied as follows:

	Planned use of proceeds as stated in the Prospectus up to 31 December 2018 *HK$'000*	**Actual use of proceeds up to 31 December 2019** ***HK$'000***
Progressive expansion in the PRC market	48,000	**43,500**
Enhancement of existing restaurant facilities	1,500	**1,500**
Enhancement of marketing and promotions	3,000	**3,000**

The business objectives as stated in the Prospectus were based on the best estimation of the future market conditions made by the Group at the time of preparing the Prospectus. The use of proceeds was applied in accordance with the actual development of the market.

Management Discussion and Analysis

As at 31 December 2019, approximately HK$48.0 million out of the net proceeds from the Listing had been used in accordance with the planned usage as detailed above, while approximately HK$5.8 million is used for Group's working capital and general corporate purposes. The unused net proceeds as at 31 December 2019 were related to the fund set aside for the settlement of renovation costs incurred and payable for the Shenzhen One Avenue Restaurant which was opened in December 2019. The portion of net proceeds yet to be used was deposited in licensed banks in Hong Kong and the PRC, and is expected to be progressively utilised in the first half of 2020.

The Company intends to apply the net proceeds in the manner as stated in the Prospectus. However, the Directors will constantly review the Group's business objectives and may change or modify the Group's plans against the changing market condition to attain sustainable business growth of the Group.

Use of proceeds from the Rights Issue

The Company's Rights Issue was completed on 17 December 2019 with net proceeds received by the Company in the amount of approximately HK$45.8 million after deducting underwriting commissions and related expenses.

As at 31 December 2019, the net proceeds from the Rights Issue were applied as follows:

	Planned use of net proceeds as stated in the Circular *HK$'000*	Actual use of net proceeds up to 31 December 2019 *HK$'000*
Repayment of the Group's indebtedness and interest expenses	7,500	5,000
Payment of renovation and refurbishment costs of the Group's restaurants	20,500	6,850
General working capital	17,800	17,800

As at 31 December 2019, approximately HK$29.7 million out of the net proceeds from the Rights Issue had been used in accordance with the planned usage as detailed above. The portion of net proceeds yet to be used was deposited in licensed banks in Hong Kong, and is expected to be progressively utilised in the first half of 2020.

Management Discussion and Analysis

Events after the Reporting Date of 31 December 2019

(a) Since early January 2020, the Pandemic outbreak has spread across mainland China and beyond, causing disruption to business and economic activity. As the situation remains fluid as at the date these consolidated financial statements are authorised for issue, the Directors considered that the financial effects of the Pandemic outbreak on the Group's consolidated financial statements cannot be reasonably estimated. Nevertheless, the Pandemic outbreak is expected to affect the consolidated results of the Group for the first half and full year of 2020.

(b) On 9 January 2020, the Group entered into an equity transfer agreement to acquire 70% equity interest in a target company which operates more than 30 food counters selling roasted meat and delicatessen under the brand names of "Sun Kau Kee* (新玖記)" and "Chaojiangjun* (潮將軍)" through online and offline stores at Freshippo in Shanghai, the PRC. The acquisition is expected to be completed in the second quarter of 2020. Please refer to the Company's announcement dated 9 January 2020 for further details.

(c) In February 2020, the Group ceased the operation of the Sheung Wan Restaurant and the Beijing House Restaurant.

Save as disclosed above and elsewhere in this annual report, the Board is not aware of any important event requiring disclosure that has taken place subsequent to 31 December 2019 and up to the date of this annual report.

Environmental, Social and Governance Report

Introduction, Environmental, Social and Governance Policies

Li Bao Ge Group Limited (the "**Company**", together with its subsidiaries, "**the Group**" or "**we**") is a Chinese restaurant group recognised for delivering Cantonese cuisine, Chinese banquet and dining services. During the financial year ended 31 December 2019 (the "**Reporting Period**" or "**2019**"), the Group operated twelve restaurants, including eleven full-service Chinese restaurants and tea houses in Hong Kong and Shenzhen, the People's Republic of China (the "**PRC**") under the brand names of "Star of Canton", "Beijing House" and "Star of Canton Dim Sum Tea House", and one Thai cuisine restaurant in Hong Kong under the brand name of "La Maison D' Elephant".

This Environmental, Social and Governance Report (the "**ESG Report**") summarises the environmental, social and governance ("**ESG**") initiatives, plans and performances of the Group and demonstrates its commitment towards sustainable development.

The Group attributes the growth and success to its dedication by offering quality food and services to customers. While striving for performance, we also pursue business sustainability by being a responsible corporate citizen. We are committed to maintaining high standards of business practices in relation to environmental protection, social responsibility and corporate governance, as we believe this is the key to our continuous success in the future.

The ESG Governance Structure

The Group has established the ESG taskforce (the "**Taskforce**"). The Taskforce comprises core members from different departments and is responsible for collecting relevant information on our ESG aspects for preparing the ESG Report. The Taskforce reports to the board of directors (the "**Board**"), assists in identifying and evaluating the Group's ESG risks and the effectiveness of the internal control mechanisms. The Taskforce also examines and evaluates our performances in different aspects such as environment, health and safety, labour standards and product responsibilities in the ESG aspects. The Board sets up a general direction for the Group's ESG strategies, ensuring the effectiveness in the control of ESG risks and internal control mechanisms.

Reporting Scope

Unless specified otherwise, the ESG Report covers the Group's ESG performance of the headquarter office, and the twelve restaurant operations in Hong Kong and the PRC. We collect the Group's key performance indicators ("**KPI**") in environmental and social areas through the Group's operation control mechanism. We will continue to expand the scope of disclosure in the future after the Group's data collection system becomes more mature and the sustainable development work is enhanced.

Reporting Framework

The ESG Report has been prepared in accordance with the Environmental, Social and Governance Reporting Guide (the "**ESG Reporting Guide**") as set out in the Appendix 27 of the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange of Hong Kong Limited ("**HKEX**").

Information relating to the Group's corporate governance practices has been set out in the Corporate Governance Report on pages 42 to 54 of this annual report.

Reporting Period

The ESG Report describes the ESG activities, challenges and measures taken by the Group during the financial year ended 31 December 2019.

Environmental, Social and Governance Report

Stakeholder Engagement

The Group values its stakeholders and their views related to its business and ESG issues. In order to understand and address stakeholders' concerns, we communicate with our key stakeholders, including but not limited to investors and shareholders, customers, suppliers, employees, government and regulatory bodies, and the community, non-government organisations ("**NGOs**") and media through different channels.

In formulating operational strategies and ESG measures, we take into account stakeholders' expectation and strive to improve our performance through mutual cooperation to create greater value for society. The Group's major stakeholders' communication channels and their corresponding expectations are as follows:

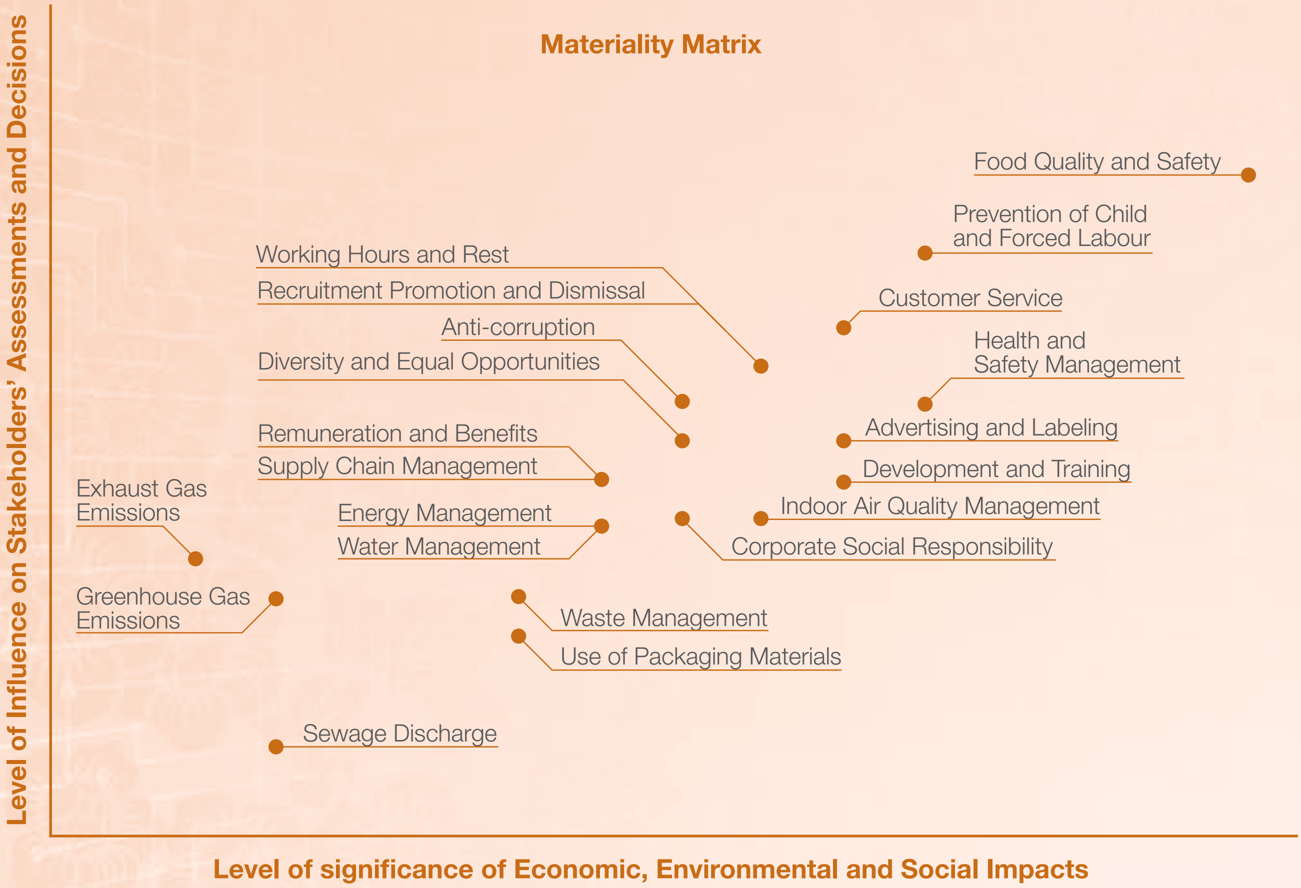
Stakeholders	Communication channels	Expectations
Investors and shareholders	• Annual general meeting and other shareholder meetings • Financial reports • Announcements and circulars • Corporate website	• Complying with relevant laws and regulations • Disclosing latest information of the corporate in due course • Financial results • Corporate sustainability
Customers	• Customer satisfaction surveys and feedback forms • Customer service manager • Direct communication	• Product and service responsibility • Customer information and privacy protection • Food safety
Suppliers	• Supplier management meetings and events • Supplier audit management system • Site visits	• Fair competition • Business ethics and reputation • Cooperation with mutual benefits
Employees	• Employee opinion surveys • Channels for employees' feedback (forms, suggestion box, etc.) • Notice boards	• Health and safety • Equal opportunities • Remuneration and benefits • Career development
Government and regulatory bodies	• Performance reports • Written response to public consultation • Site visits	• Tax payment as required by law • Business ethics • Complying with relevant laws and regulations
Community, NGOs and media	• Community investment programs • ESG reports	• Giving back to society • Environmental protection • Compliant operations

We aim to collaborate with our stakeholders to improve our ESG performance and create greater value for the wider community on a continuous basis.

Environmental, Social and Governance Report

Materiality Assessment

The Group's management and staff in major functions are involved in the preparation of the ESG Report in order to assist the Group in reviewing its operations, identifying relevant ESG issues, and assessing the importance of those relevant matters to our business and stakeholders. We have compiled a survey in accordance with the identified material ESG issues to collect information from relevant departments, business units and stakeholders of the Group. The following matrix is a summary of the Group's material ESG issues.



During the Reporting Period, the Group confirmed that it has established appropriate and effective management policies and internal control systems for ESG issues, and confirmed that the disclosed contents in the ESG Report are in compliance with the requirements of the ESG Reporting Guide.

Contact Us

We welcome stakeholders to provide their opinions and suggestions. You can provide valuable advices in respect of the ESG Report or our performances in sustainable development by email at enquiry@starofcanton.com.hk.

Environmental, Social and Governance Report

A. Environmental

A1. Emissions

The Group recognises that the long-term viability of the Group's business is closely linked with the well-being of society. We are committed to promoting green environment by introducing environmentally friendly business practices, educating our employees to enhance their awareness on environmental protection, and complying with relevant environmental laws and regulations. We strive to minimise the potential impacts of our business on the environment and society in which we operate so to fulfil our commitment on social responsibility.

In order to mitigate the environmental impacts brought by the Group's operations, we have adopted and implemented relevant environmental policies. These policies apply the emission mitigation principles as well as the waste management principles of "Reduce, Reuse, Recycle and Replace", with the objectives of minimising the adverse environmental impacts, and ensuring the emissions or wastes being generated are managed in an environmentally responsible manner.

We have also embraced our responsibility to create an environmentally sustainable business by implementing measures that promote energy conservation, waste reduction and any other green initiatives across the life cycle of our services. We are committed to educating our employees to raise their awareness on environmental protection and compliance with the relevant environmental laws and regulations.

During the Reporting Period, the Group has not identified any material non-compliance of environmental laws and regulations in relation to exhaust gas and greenhouse gas ("**GHG**") emissions, water and land discharge, and the generation of hazardous and non-hazardous wastes that have a significant impact to the Group. Such environmental laws and regulations include but are not limited to the Hong Kong Air Pollution Control Ordinance, the Hong Kong Waste Disposal Ordinance, the Environmental Protection Law of the People's Republic of China, the Water Pollution Prevention and Control Law of the People's Republic of China, and the Law of the People's Republic of China on Prevention and Control of Atmospheric Pollution.

Exhaust Gas Emissions

The major source of exhaust gas generated by the Group's business operations were mainly fuel consumed by vehicles and towngas for cooking.

The Group strictly controls the emissions of oil fumes in accordance with the legislation requirements of Hong Kong and the PRC. To control the emissions of oil fumes and other exhaust gas, all restaurants of the Group have installed exhaust emission systems and air pollution control equipment, including mechanical ventilation systems and oil fume exhaust filters. In addition, the Group has formulated policies and implemented various emission reduction measures to reduce emissions from sources, such measures include but are not limited to:

- Encourage the use of public transportation for business commuting purposes;
- Reduce the number of business trips through utilising electronic communication means such as video conferences;
- Operate vehicles that meet the emission standards of the government; and
- Conduct monthly vehicle maintenance to reduce fuel consumption effectively, thereby reducing carbon and exhaust gas emissions.

Due to the expansion of restaurants by the Group, the overall exhaust gas emissions has increased during the Reporting Period. The Group's exhaust gas emissions performances were as follows:

Types of exhaust gas	Unit	Emissions	
		2019	2018[1]
Nitrogen Oxides (NOx)	kg	**3,792.86**	2,973.55
Sulphur Oxides (SOx)	kg	**18.59**	14.42
Particulate Matter (PM)	kg	**10.87**	10.84

Note:

1. Figures restated

GHG Emissions

The major sources of the Group's GHG emissions are direct emissions from towngas cooking, diesel and petrol consumed by vehicles (Scope 1), and indirect emissions from towngas cooking and purchased electricity (Scope 2). The Group actively adopts electricity conservation and energy saving measures to reduce GHG emissions, such measures include but are not limited to:

- Actively adopt vehicular emission reduction measures. Relevant measures are described in the section headed "Exhaust Gas Emissions" in this aspect; and

- Actively adopt measures for environmental protection, energy conservation, and water-saving. Relevant measures are described in the section headed "Energy Management" in aspect A2.

The Group's total GHG emissions has increased by about 55% from approximately 41,157.97 tCO_2e in 2018 to approximately 63,732.50 tCO_2e in 2019. This was mainly due to the expansion of restaurants by the Group in both Hong Kong and the PRC that results in an increase in the consumption of fuel, electricity and towngas. The Group's GHG emissions performances were as follows:

Indicator[2]	**Unit**	**Emissions**	
		2019	2018
Direct GHG emissions (Scope 1)	tCO_2e	**48,915.43**	37,835.03
Indirect GHG emissions (Scope 2)	tCO_2e	**14,817.07**	3,322.94
Total GHG emissions (Scope 1 and 2)	tCO_2e	**63,732.50**	41,157.97
Total GHG emissions intensity	tCO_2e/thousand revenue	**0.18**[3]	0.11

Note:

2. GHG emissions data is presented in terms of carbon dioxide equivalent and are based on, but not limited to, "The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standards" issued by the World Resources Institute and the World Business Council for Sustainable Development, the latest released emission factors of China's regional power grid basis, "2019 Sustainability Report" published by CLP Power Hong Kong Limited, "Sustainability Report 2019" published by HK Electric Investments, "ESG Report 2019" published by the Hong Kong and China Gas Company Limited, "How to prepare an ESG Report – Appendix II: Reporting Guidance on Environmental KPIs" issued by the HKEX, "Global Warming Potential Values" from the IPCC Fifth Assessment Report, 2014 (AR5).

3. During the Reporting Period, the Group's total revenue was approximately HK$352.9 million. The data will also be used for calculating other intensity data.

Sewage Discharge

During daily operation, the Group generates domestic sewage mainly in the course of food preparation and cleaning. The sewage generated will first be purified in the subsurface sewage treatment system, then discharged to the urban sewage pipe network. The Group has rigorously monitored the usage and disposal of the sewage, and comply with relevant laws and regulations to meet local government sewage discharge standards.

Since the Group's sewage are discharged through the municipal sewage pipe network to the regional water purification plant, our sewage discharged is considered as the water consumed. Hence, the performance of sewage discharged will be disclosed in the section headed "Water Management" in aspect A2.

Wastes Management

The Group adheres to the waste management principles and strives to properly manage and dispose all wastes produced in our business activities. Our waste management practices comply with related environmental protection laws and regulations. The Group maintains a high standard in wastes reduction, educates employees about the importance of sustainable development, and provides relevant supports in order to enhance their skills and knowledge in sustainability.

Hazardous Wastes

Due to the Group's business nature, the Group did not generate significant amount of hazardous wastes during the Reporting Period. Despite the Group did not generate hazardous wastes, the Group has established guidelines in governing the management and disposal of hazardous wastes. In case there are any hazardous wastes produced, the Group is required to engage a qualified chemical wastes collector to handle such wastes, and complied with relevant environmental rules and regulations.

Non-hazardous Wastes

Food Wastes

Being a corporation that is engaged in providing and delivering catering and dining services, food wastes is considered as a major non-hazardous waste type generated during the course of our business operation. The Group has developed stringent policies and procedures in managing food wastes, and has appointed qualified professional third parties in collecting and handling the food waste generated. The Group has also placed a number of designated garbage bins in different areas in kitchens for staff to centralise food wastes. The qualified wastes collector will collect these garbage bins on a daily basis to ensure the environmental hygiene of kitchens and restaurants. In addition, the Group has appointed a waste oil company to collect and recycle the waste oil generated during the cooking process into biodiesel so to ensure proper disposal of the waste cooking oil generated from our restaurant operations. Apart from appointing qualified third parties in handling food wastes, the Group has also implemented various measures in minimising food waste, such as making better use of food ingredients. During the Reporting Period, all food wastes generated by the Group were collected and handled by qualified third party wastes collector.

Other Wastes

Other wastes that are generated by the Group are mainly office papers and dim sum papers. The Group has adopted various initiatives and measures to minimise the generation of such wastes. Such initiatives and measures include but are not limited to:

- Promote double-sided printing to utilise the use of paper efficiently;
- Use recycled paper for printing and copying;
- Utilise electronic communication where applicable; and
- Distribute office memos to remind staff to only print necessary materials to avoid wastage.

With the above waste reduction initiatives, employees' waste reduction awareness has been raised. During the Reporting Period, the Group has expanded its data collection system in gathering the data of non-hazardous wastes, and the Group's non-hazardous wastes disposal performances were as follows:

Non-hazardous wastes type	Unit	Disposal
Office paper	tonnes	0.28
Dim sum paper	tonnes	3.37
Total non-hazardous wastes	tonnes	3.65
Total non-hazardous wastes intensity	tonnes/million revenue	0.01

A2. Use of Resources

The Group upholds and promotes the principle of effective use of resources, and is committed to optimising the use of resources in all of its business operations. We promote green working environment, and continue with initiatives to introduce resource efficiency and eco-friendly measures to the Group's operations.

The Group has established relevant policies and procedures in governing the use of energy, water and packaging material with reference to the objective of achieving higher efficiency and reducing the unnecessary use of materials.

Energy Management

The Group has developed related energy policy to outline the framework on the efficient use of energy. Employees are required to adopt the related measures and initiatives, and assume responsibility for the Group's overall energy efficiency. By establishing an energy management system, we develop and regularly review our energy objectives and targets to continuously enhance the Group's energy performance. Unexpected high consumption of energy will be investigated to find out the root causes, and corresponding preventive measures will be taken where deemed necessary.

The energy consumption of the Group was mainly contributed by electricity consumption for operation, gasoline and diesel consumption for vehicles, and towngas for cooking. The Group has introduced various measures and initiatives to achieve the goal of electricity saving and efficient consumption. Such measures and initiatives include but are not limited to:

- Turn off all unnecessary electronic appliances and devices when they are not in use to avoid wastage of electricity;
- Utilise natural ventilation where possible to minimise the use of electricity in lightings;
- Use LED lightings instead of traditional lamps;
- Enhance the maintenance and overhaul of equipment so as to maintain the best condition of all electronic equipment for effective use of electricity;
- Regulate the use of air conditioners to prevent wastage of electricity; and
- Conduct regular maintenance for cooking facilities to ensure optimal efficiency.

The Group's total energy consumption has increased significantly due to the newly added disclosures on the consumption of diesel, unleaded petrol, and towngas. When only comparing purchased electricity, the electricity consumption has increased by approximately 2% from 5,506.26 MWh in 2018 to 5,642.54 MWh in 2019. The increase in purchased electricity was due to the expansion of restaurants by the Group in both Hong Kong and the PRC during the Reporting Period. The Group's energy consumption performances were as follows:

Energy type	Unit	Consumption	
		2019	2018
Total energy consumption	MWh	**261,065.19**	5,506.26
Total energy consumption intensity	MWh/thousand revenue	**0.74**	0.02
	MWh/m²	**15.41**[4]	0.43
Direct energy consumption			
Diesel	MWh	**28.50**	N/A
Unleaded petrol	MWh	**108.13**	N/A
Indirect energy consumption			
Purchased electricity	MWh	**5,642.54**	5,506.26
Towngas	MWh	**255,286.02**	N/A

Note:

4. As at 31 December 2019, the Group's total floor area was approximately 16,940.10m². The data will also be used for calculating other intensity data.

Water Management

Due to the Group's business nature, the use of water is inevitable to maintain business operation. In order to reduce and minimise water consumption, we encourage our employees and customers to develop the habit of conscious water use in order to reduce water consumption.

The Group has been strengthening its water-saving promotion in various ways, such as posting water-saving slogans near to water outlets in kitchens, washrooms and sink areas, and guiding employees to use water reasonably. Water pipes and water taps are also checked regularly to prevent water leakage. If abnormal conditions are detected, employees are required to report to the departmental managers and related department.

The Group's total water consumption has increased by approximately 5% from approximately 218,951.00m³ in 2018 to 230,267.00m³ in 2019. The increase in water consumed was due to the expansion of restaurants in both Hong Kong and the PRC.

Indicator	Unit	Consumption	
		2019	2018
Water	m³	**230,267.00**	218,951.00
Water consumption intensity	m³/thousand revenue	**0.65**	0.61
Water consumption intensity	m³/m²	**13.60**	17.00

Considering the location of our office and restaurants, we do not have any issue in sourcing water that is fit for purpose.

Use of Packaging Materials

The packaging materials used by the Group are mainly plastic containers and bags for take-away orders. We have utilised every type of packaging material by utilising the space of each in order to avoid excessive packaging. During the Reporting Period, the Group has consumed approximately 978.8kg plastic packaging materials, which approximates to 0.003kg per thousand revenue.

A3. The Environment and Natural Resources

The Group pursues the best practices for environment protection and focuses on the Group's business impacts on the environment and natural resources. In addition to complying with relevant environmental laws and international standards for protecting the natural environment, we have integrated the concepts of environmental protection and natural resource conservation into our internal management and daily operations in order to achieve environmental sustainability.

Indoor Air Quality Management

The Group heavily emphasises on indoor air quality, and the Group has strict control over air quality management. We prohibit anyone from smoking in kitchen and dining areas. Any person who is found to have violated such rule will be subjected to disciplinary action, up to and including termination of employment. Besides, the Group has installed exhaust emission systems and air pollution control equipment, including mechanical ventilation systems and oil fume exhaust filters in all restaurants. This helps to minimise the oil fume emissions and odour nuisance arising from our restaurant operations. Apart from these measures, the Group will also conduct regular cleaning of the air conditioning systems to ensure a high level of indoor air quality is provided for both employees and customers.

B. Social

B1. Employment

Human resources are the foundation in supporting the Group's development, and we regard our employees as the valuable asset of the Group. We believe that success in hiring, training and retaining talents is critical in providing reliable and quality services.

We have established relevant employment policies to fulfil our vision on people-oriented management strategy and realising the full potential of employees. Relevant employment policies are formally documented as the Employee Handbook, covering aspects including recruitment, promotion and dismissal, remuneration and benefits, working hours and rest periods, diversity and equal opportunities, etc. The Group will review these policies and the employment practices periodically to ensure the continuous improvements of our employment standards.

During the Reporting Period, the Group was not aware of any material non-compliance with employment related laws and regulations, including but not limited to the Hong Kong Employment Ordinance, the Hong Kong Minimum Wage Ordinance, the Labour Law of the People's Republic of China, and the Labour Contract Law of the People's Republic of China that would have a significant impact on the Group.

Recruitment, Promotion and Dismissal

We adopt a robust, transparent and fair recruitment processes based on merit selection against the job criteria, and recruit individuals based on their suitability for the position and their potential to fulfil the Group's current and future needs. The Group attracts talents through open recruitment, and candidates are subjected to assessments (both written and technical depending on position's requirement) prior to employment. Employment decision will be made based on results of the assessment, work experience and overall ability of the candidate.

The Group specifies the basis and process for employees' transfer and promotion. We offer transfer and internal promotion opportunities for employees who have outstanding work performance so to optimise the allocation of human resources within the Group. Transfer of job positions can either be recommended by department supervisors or through self-application; while promotions are required to be recommended by department heads.

The Group has formulated standardised procedures for dismissal. Dismissal process will only be proceeded with a reasonable basis, and the Group forbids unreasonable dismissal under any circumstances. The Group will ensure sufficient communication has been conducted on the problems prior to official dismissal. Employees are required to return all company property to the Human Resource Department upon leaving the Company.

Remuneration and Benefits

The Group's basis for remuneration is job-related skills, qualifications, work performances, and market conditions. Remuneration package includes holidays and different leave types such as annual leave, maternity leave, and sick leave. Due to the Group's business nature, the Group will run business as usual on public holidays. Employees who are working on public holidays are therefore granted with compensatory leave. Besides, free meals will also be provided during shift and staff quarter for employees in the PRC. Discretionary bonus may also be awarded based on individual work performance.

In addition, the Group participates in the pension scheme registered under the Mandatory Provident Fund Schemes Ordinance of Hong Kong (the "**MPF Ordinance**") for the employees in Hong Kong. It is funded by contributions from employer and employees pursuant to the provisions of the MPF Ordinance. The Group also pays "five social insurance and one housing fund" for its employees in the PRC, namely, endowment insurance, medical insurance, unemployment insurance, employment injury insurance, maternity insurance and housing provident fund, to ensure employees are covered by social insurance. Moreover, employees of the Group in the PRC are members of respective state-managed defined contribution retirement benefits schemes operated by the local governments. The employers and employees are obliged to make contributions at a certain percentage of the payroll under rules of the schemes.

Working Hours and Rest Periods

The Group has formulated policies in determining the working hours and rest periods for employees in accordance to local employment laws. Each employee should only work for a maximum of 10 hours for a full-day shift, and 5 hours for a half-day shift, excluding meal time and breaks in between. Work schedules are arranged by department heads, and employees can request the change in work schedules by applying to department heads.

Diversity and Equal Opportunities

The Group is committed to creating and maintaining an inclusive and collaborative workplace culture. We are dedicated to providing equal opportunities in all aspects of employment, and maintaining workplace that are free from discrimination, physical or verbal harassment against any individual on the basis of race, religion, colour, gender, physical or mental disability, age, place of origin, marital status and sexual orientation. With the aim of ensuring fair and equal protection for all employees, we have zero tolerance on sexual harassment or abuse in the workplace in any form.

B2. Health and Safety

The Group highly recognises the importance of health and safety of our employees. We are committed to providing employees a safe working environment and strive to eliminate potential health and safety health hazards at workplace.

The Group has implemented relevant policies to ensure the health and safety of working environment. We follow the occupational health and safety guidelines recommended by the Hong Kong's Occupational Safety and Health Council and the Drug Administration of Shenzhen Municipality.

During the Reporting Period, the Group was not aware of any material non-compliance with health and safety related laws and regulations, including but not limited to the Hong Kong Occupational Safety and Health Ordinance, the Hong Kong Employees' Compensation Ordinance, Work Safety Law of the People's Republic of China, Fire Protection Law of the People's Republic of China that would have a significant impact on the Group.

Health and Safety Management

Each of the Group's restaurants in Hong Kong satisfies the requirements of the Hong Kong Public Health and Municipal Services Ordinance in respect of means of ventilation, sanitary fitments, facilities for cleansing equipment and utensils, means of exit and entry, and fire safety.

To maintain a safe working environment and ensure employees' health and safety, the Group has formulated and implemented the Kitchen Safety Manual. The Kitchen Safety Manual sets out clear guidance on different occupational safety matters; instructions on the use of kitchen equipment are also provided in the manual. In addition, the Group provides employees with appropriate safety equipment to protect their bodies from injuries at work.

Fire Safety

The Group strictly follows the fire safety related laws and regulations. Fire equipment such as fire extinguishers and fire blankets are placed in accordance with the law requirement.

Fire safety trainings are also arranged for employees across all departments on a regular basis to raise the awareness of the threat posed by fire to people, property and our business community. Regular fire and emergency drills will also be arranged by the property management office and regional governmental department for employees to ensure employees are aware of the emergency procedures and routes. In addition, the Group will conduct regular safety inspections to minimise the safety risks of employees and ensure safety standards are met.

B3. Development and Training

The Group regards our employees as the most important asset and resource, and we recognise the valuable contribution of our talents to the continued success of the Group. We have developed training strategies that focus on creating value and serving the needs of our customers, employees and society. In light of this, the Group focuses on the establishment of internal management training and development system which provides comprehensive on-the-job training and clear career paths to employees.

Development and Training

The Group offers a variety of training programmes to employees based on their job duties. Such trainings include induction trainings, vocational training on food ingredients, food preparation and preservation, flow of food production, hygiene conditions of the kitchen and quality control in different aspects of the restaurant operation. The Group also provides trainings to all front-line employees on customer services; posters on appropriate customer service manners are also posted in kitchen areas to remind employees the importance of good customer service.

The Group has always encouraged our directors to attend relevant training courses in receiving the latest news and knowledge regarding corporate governance. During the Reporting Period, all directors had attended at least one training course on the updates of the Main Board Listing Rules of HKEX concerning good corporate governance practices.

B4. Labour Standards

Prevention of Child and Forced Labour

The Group strictly complies with national and local employment laws and regulations, and prohibits the employment of child and forced labour in both the PRC and Hong Kong operations. During the Reporting Period, the Group was not aware of any material non-compliance with child and forced labour related laws and regulations, including but not limited to the Hong Kong Employment Ordinance, the Labour Law of the People's Republic of China, and the Regulations on the Prohibition of Using Child Labour in the People's Republic of China that would have a significant impact on the Group.

Our recruitment post stipulates that only employees over the age of 18 will be recruited and we require all new employees to provide true and accurate personal information when they join the Group. Upon employment, recruiters will stringently review employees' personal information including medical certificate, academic certificate, ID card, household registration and other information. The Group has a well-established recruitment process to check the background of candidates and a formal reporting procedure to deal with any exceptions. We also conduct regular reviews and inspections to prevent any child labour or forced labour in its operation.

Furthermore, employees of the Group only work overtime if necessary and on a voluntary basis. We also prohibit any punishments, management methods and behaviours involving verbal abuse, physical punishment, physical abuse, oppression, sexual harassment, etc. against our employees for any reason.

B5. Supply Chain Management

Sourcing capability plays an important role in the management of a restaurant operation, and an effective supplier selection procedure is considered as an essential element for our business operation. The Group sets up a supplier management system to closely evaluate and monitor suppliers regularly, and puts forward requirements for suppliers on environmental and social risk control.

Supply Chain Management

The Group has established a rigorous supplier selection system based on a set of selection criteria including but not limited to price, quality of ingredients, reputation, service quality, past performance, and delivery efficiency. The Group will also consider suppliers' environmental and social risks during the supplier selection process.

To ensure a steady supply of food ingredients and minimise the risks of non-delivery, sub-standard products and suppliers' delinquencies, the Group sources major raw materials from a number of approved suppliers. The Group places great importance to the quality of raw materials and closely monitors if the suppliers have met the aforementioned criteria.

In hopes of maintaining the product quality and safety, our Purchasing Department conducts supplier reviews regularly. All suppliers are required to hold valid licences issued by the government, while all imported goods shall obtain proper clearance from respective authorities. Goods received from suppliers have to be in compliance with the food labelling requirements and relevant hygiene and sanitary regulations. To safeguard the quality and condition of goods, suppliers with past records of material environmental or social accidents will be exempted from the list of suppliers.

Open and Fair Procurement

The Group has formulated respective measures to ensure suppliers could engage in fair competition during the procurement process. Employees or personnel having any interest relationship with suppliers will not be allowed to participate in relevant procurement activities. We have zero tolerance towards bribery and corruption, and the practice of partners or suppliers obtaining partnerships or procurement contracts through any forms of benefits transfer are strictly prohibited.

B6. Product Responsibility

The Group attaches great importance to food and service quality as well as corporate reputation, and actively monitors the food and service quality through internal controls. We also maintain communication with our customers to ensure understanding and meeting customer needs and expectations, and continuously improve our products and services by understanding customer satisfaction level.

During the Reporting Period, the Group was not aware of any material non-compliance with laws and regulations related to the quality of products and services, including but not limited to the Hong Kong Trade Descriptions Ordinance, Food Safety Law of the People's Republic of China, Law of the People's Republic of China on Protection of the Rights and Interests of the Consumers, and the Advertising Law of the People's Republic of China that would have a significant impact on the Group.

Food Quality and Safety

The Group has placed great effort in ensuring and maintaining the quality of food and ingredients for restaurants' daily operations. We have implemented a Quality Control System that emphasises food hygiene and safety as well as the sanitation and cleanliness of restaurant premises. The Quality Control System covers every aspect from food preparation and cooking to the dining environment of restaurants. We have also developed a series of food safety policies to employees according to the standards as required by governmental authorities. Restaurant managers are responsible to monitor the operations and performances of the restaurants so to ensure the restaurant operations are in consistent with the Group's established guidelines and policies. All employees, in particular kitchen staff are required to strictly obey the policies on daily food preservation and preparation, dress code and food processing instructions.

To ensure and maintain food quality from source, raw materials and food ingredients are sourced primarily from the list of suppliers approved by the Group's senior management. Our standards for selecting food ingredients are mainly based on the place of origin, freshness, nutritional value, and consumption safety. Freshness and quality of the raw materials and food ingredients are examined on a regular basis. The Group would cease sourcing from those suppliers who fail to provide quality food ingredients as specified.

We also place great emphasis on the food ingredients preservation process by developing different standards and guidelines on the storage of food ingredients. The Group has developed a Warehouse Management System to specify different instructions and measures to standardise the daily logistics of the warehouse. Such measures include storing food ingredients separately, tagging food with exclusive labels, and marking opening dates for each package of food to prevent consumption after expiry date. It is believed that such measures can better maintain food safety while ensuring food quality. In addition, the hygiene of cutlery and utensils are cleaned and sanitised routinely to ensure food safety. Instructions in cleaning and sanitising utensils are posted on kitchen walls to ensure employees are aware of the procedures in cleaning cutlery and utensils.

There are about ten staff from different restaurants involved in implementing various quality control measures on food production, including, among others, checking the quality upon purchase of raw materials, receipt of food ingredients, cooking and serving of foods.

To improve the Group's reputation and to increase customers' confidence to our restaurants, we had also participated in the Hong Kong Cooking Oil Registration Scheme held by Hong Kong Quality Assurance Agency of the Hong Kong Government as a scheme companion.

Customer Service

The Group is dedicated in providing excellent customer experience through developing standardised service management and delivering quality catering service. We always welcome customers in providing comments and feedback to the Group and our restaurants.

In order to provide high-quality and customer centric service, the Group has set up comprehensive and concrete instructions to guide employees in providing quality customer service manners. Such guidelines include the correct positioning of dishes and the handling method of food trays, etc. All instructions are illustrated with pictures and posted in kitchen areas so to provide employees a clear image of the appropriate and standardised method of delivering when serving customers. We believe these instructions and guidelines can help to improve employees' customer service manner while building the Group's image of a high-quality catering service provider.

The Group also values the feedback from customers. Customers are encouraged to provide feedback by filling in questionnaires on online platforms or raising to staff or managers in the restaurant, customer satisfaction surveys are also conducted annually for collecting customer feedbacks. All reviews and comments received from customers will be submitted to restaurant managers on a daily basis. We also provide regular trainings to employees in handing enquiries and complaints in a decent and professional manner. Restaurant managers are responsible to settle complaints and carry out further actions and follow-ups to improve the quality of catering service provided by the restaurant.

Advertising and Labelling

The Group prohibits the advertisements to disclose descriptions, claims or illustrations that are not true. The Group advertises our restaurants through a variety of platforms, such platforms include restaurant apps, billboards, and floor directories, etc. By complying relevant legislations and code of practices, the Group organises promotion campaigns and creates advertising materials to ensure they are reliable, reasonable, and not containing any deceitful details or elements when generating advertisements in order to protect consumers' interests, rights and benefits.

B7. Anti-corruption

The Group believes that a corporate culture with integrity is the key to the Group's continued success. We value the importance of anti-corruption work and does not tolerate any corruptions, frauds and all other behaviours violating work ethics. During the Reporting Period, the Group was not aware of any material non-compliance with relevant laws and regulations of bribery, extortion, fraud and money laundering, including but not limited to the Hong Kong Prevention of Bribery Ordinance, Company Law of the People's Republic of China, and Bidding Law of the People's Republic of China that would have a significant impact on the Group.

Anti-corruption

The Group does not allow any forms of corruption, punishment measures will be taken once corruption is identified and confirmed. The Group has established the Code of Business Conducts, and has put in place internal control mechanism to prevent the occurrence of fraud, theft, bribery, corruption and other misconducts involving employees, customers and other third parties.

The Group has formulated and documented policies in the Employee Handbook that prohibits employees from performing acts which will result to any forms of corruption, such policies include prohibiting employees from receiving gifts and tips from customers, and prohibiting employees to obtain or provide benefits to customers, contractors, suppliers or those who have business relationships with the Group.

Whistle-blowing Mechanism

The Group has established a whistle-blowing system and implemented the Whistle-blowing Policy. This allows stakeholders to report negligence, corruption, bribery and other misconduct to the Group anonymously. The Group will process the reports and complaints in a prompt, fair and confidential manner.

B8. Community Investment

Corporate Social Responsibility

The Group believes in shouldering the responsibility of contributing society while having economic development. As a responsible corporate citizen, we are committed to embolden and support the public by means of social participation and contribution as part of its strategic development. We hope to foster employees' sense of social responsibility by encouraging them to participate in charitable activities during their work and spare time to make greater contributions to the community.

The ESG Reporting Guide Content Index of HKEX

Subject Areas, Aspects, General Disclosures and KPIs	Description	Section/Declaration
Aspect A1: Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to Exhaust Gas and GHG emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Emissions
KPI A1.1 ("comply or explain")	The types of emissions and respective emissions data.	Emissions – Exhaust Gas Emissions
KPI A1.2 ("comply or explain")	GHG emissions in total (in tonnes) and intensity.	Emissions – GHG Emissions
KPI A1.3 ("comply or explain")	Total hazardous waste produced (in tonnes) and intensity.	Emissions – Wastes Management (Not applicable, Explained)
KPI A1.4 ("comply or explain")	Total non-hazardous waste produced (in tonnes) and intensity.	Emissions – Wastes Management
KPI A1.5 ("comply or explain")	Description of measures to mitigate emissions and results achieved.	Emissions – Exhaust Gas Emissions, GHG Emissions, Sewage Discharge, Wastes Management
KPI A1.6 ("comply or explain")	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Emissions – Wastes Management
Aspect A2: Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Use of Resources
KPI A2.1 ("comply or explain")	Direct and/or indirect energy consumption by type in total and intensity.	Use of Resources – Energy Management
KPI A2.2 ("comply or explain")	Water consumption in total and intensity.	Use of Resources – Water Management
KPI A2.3 ("comply or explain")	Description of energy use efficiency initiatives and results achieved.	Use of Resources – Energy Management
KPI A2.4 ("comply or explain")	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Use of Resources – Water Management
KPI A2.5 ("comply or explain")	Total packaging material used for finished products (in tonnes) and with reference to per unit produced.	Use of Resources – Use of Packaging Materials

Subject Areas, Aspects, General Disclosures and KPIs	Description	Section/Declaration
Aspect A3: The Environment and Natural Resources		
General Disclosure	Policies on minimizing the issuer's significant impact on the environment and natural resources.	The Environment and Natural Resources
KPI A3.1 ("comply or explain")	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	The Environment and Natural Resources – Indoor Air Quality Management
Aspect B1: Employment		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Employment
Aspect B2: Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Health and Safety
Aspect B3: Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Development and Training

Subject Areas, Aspects, General Disclosures and KPIs	Description	Section/Declaration
Aspect B4: Labour Standards		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Labour Standards
Aspect B5: Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Supply Chain Management
Aspect B6: Product Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Product Responsibility
Aspect B7: Anti-corruption		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Anti-corruption
Aspect B8: Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Community Investment

Biographical Details of Directors and Senior Management

Executive Directors

Mr. Chan Chun Kit (陳振傑) ("Mr. Chan"), aged 64, is the chairman of the Board, the chief executive officer of the Company, an executive Director and one of the controlling shareholders of the Company (the "Controlling Shareholders"). He is also the chairman of the nomination committee of the Company (the "Nomination Committee") and a member of the Remuneration Committee. Mr. Chan was appointed as a Director on 1 September 2015 and re-designated as an executive Director on 23 September 2015. Mr. Chan is responsible for the Group's overall management, strategic development, financial management and major decision-making of the Group. He is also a director of various subsidiaries of the Group. He is the father of Ms. Chan Wai Sze Josephine, an executive Director.

From December 2012 to May 2014, Mr. Chan completed 13 courses including construction and operation management of catering corporations of chain-store franchise system* (餐飲企業連鎖體系建設與運營管理) held by the Graduate School in Shenzhen, Tsinghua University in order to enhance the brand management of the Group.

Mr. Chan has over 20 years of experience in the restaurant business. He is currently the vice chairman of the Association of Restaurant Managers. Mr. Chan is also the committee member of the training committee of Chinese Cuisine Training Institute.

Mr. Lam Kwok Leung Peter (林國良) ("Mr. Lam"), aged 60, was appointed as an executive Director and the compliance officer of the Company on 23 September 2015 and 16 June 2016, respectively, and he is one of the Controlling Shareholders. He is also a member of the legal compliance committee of the Company (the "Legal Compliance Committee"). Mr. Lam is mainly responsible for the management of leases and administrative matters of the Group.

Mr. Lam has over 30 years of experience in retail and commercial leasing as well as property development in Hong Kong. He had held various senior roles in renowned property developers including Hang Lung (Real Estate Agencies) Limited from December 1984 to March 1988, Lai Fung Holdings Limited from July 1988 to January 1998 and Henderson Real Estate Agency Limited from February 1998 to October 1998. Mr. Lam joined the Group in 2004.

Mr. Lam obtained a diploma in housing from the University of Hong Kong in August 1998. He further obtained a master's degree of arts in public policy and management from the City University of Hong Kong in November 2007.

Mr. Lam is a fellow member of Hong Kong Institute of Real Estate Administration since March 2002, and a fellow member of Hong Kong Institute of Shopping Centre Management since 2006. He is also a member of Hong Kong Institute of Housing since 1998, a member of Hong Kong Institute of Marketing since April 1999, and a corporate member of Chartered Institute of Housing since December 1998. Mr. Lam was appointed as Justice of Peace in 2014, and is currently the Life Honorable President of Hong Kong General Chamber of Small and Medium Business. Mr. Lam was elected as a member of Royal Institution of Chartered Surveyors (英國皇家測量師學會) in September 2015.

Mr. Wong Ka Wai (王家惠) ("Mr. Wong"), aged 57, was appointed as an executive Director on 23 September 2015. He is mainly responsible for the management of control of food quality and administrative matters of the Group.

From September 2002 to January 2003, Mr. Wong completed the PRC Tsinghua Advanced Research Selected Course for Master of Business Administration (中國清華MBA精選課程高級研修) held by the Research Institute of the Tsinghua University in Shenzhen.

Mr. Wong was the head of the Hopeh and Shantung Natives (Hong Kong) Association in 2012, and is currently a committee member of the Shandong Committee of the Chinese People's Political Consultative Conference.

Biographical Details of Directors and Senior Management

Ms. Chan Josephine Wai Sze (陳瑋詩) ("Ms. Chan"), aged 34, was appointed as an executive Director on 7 January 2020. She joined the Group in December 2019 and is also the business development director of the Company. Ms. Chan is the daughter of Mr. Chan Chun Kit, the Chairman of the Board, an executive Director and a controlling shareholder of the Company.

Ms. Chan holds a degree of Bachelor of Commerce from Ryerson University in Canada and a degree of Master of Business Administration from the Chinese University of Hong Kong. Prior to joining the Group, Ms. Chan worked at Yahoo! Asia Pacific Pte. Ltd from April 2008 to September 2014 and was subsequently promoted to senior operations engineer in 2013. Ms. Chan also worked at Kering Asia Pacific Limited from September 2014 to September 2017 as a IT service manager, and has then been engaged in the food and beverage industry till November 2019.

Ms. Zhu Xueqin (朱雪琴) ("Ms. Zhu"), aged 42 was appointed as an executive Director on 7 January 2020. She is the general manager of a restaurant of the Group located at Kerry Plaza, Futian District, Shenzhen, the PRC (the "Shenzhen Restaurant") and is responsible for the management and administration of the Shenzhen Restaurant. She joined the Group in May 2013.

Prior to joining the Group, Ms. Zhu worked at 深圳市王子廚房餐飲有限公司 (Shenzhen Prince Kitchen Catering Company Limited*) from 2003 to 2009 with her last position as deputy manager. From 2009 to 2012, she worked at 江蘇王子飯店有限公司 (Jiangsu Prince Catering and Management Limited*) with her last position as general manager.

Non-Executive Director

Mr. Chow Yiu Pong David (周耀邦) ("Mr. Chow"), aged 34, was appointed as an executive Director on 23 September 2015 and re-designated as a non-executive Director on 7 January 2020.

Mr. Chow obtained a Higher Diploma in Web-based Technology for Business from Hong Kong Institute of Vocational Education (Sha Tin) in July 2005. He further holds a degree of Bachelor of Science (Information Technology) from the Swinburne University of Technology in Melbourne, Australia by way of distance learning in March 2007.

From July 2005 to March 2012, Mr. Chow worked at Compass Business Solutions Limited as a programmer, and was subsequently promoted to a technical consultant since October 2008. Since July 2012, Mr. Chow has been working at Tectura Hong Kong Limited as a client services consultant.

Independent Non-Executive Directors

Mr. Liu Chi Keung (廖志強) ("Mr. Liu"), aged 68, was appointed as an independent non-executive Director on 16 June 2016, and is mainly responsible for overseeing the management independently and providing independent judgment on the issues of strategy, performance, resources and standard of conduct of the Company. He is also a member of each of the audit committee of the Company (the "Audit Committee"), the Nomination Committee, the Remuneration Committee and the Legal Compliance Committee.

Mr. Liu obtained a certificate in Recreation Management from the University of Hong Kong in December 1980. He further completed a one-year diploma in Training Management Programme from the Chinese University of Hong Kong in November 1989.

Mr. Liu has extensive experience in administration, training and management. Since June 1973, Mr. Liu joined the Civil Aid Service as an Assistant Training Officer, and was subsequently promoted to the Chief Staff Officer since April 2007. Mr. Liu currently serves the Hong Kong St. John Ambulance Association as the chairman of assessment committee.

Biographical Details of Directors and Senior Management

Prof. Wong Lung Tak Patrick (黃龍德) ("Prof. Wong"), aged 72, was appointed as an independent non-executive Director on 16 June 2016. He is mainly responsible for overseeing the management independently and providing independent judgment on the issues of strategy, performance, resources and standard of conduct of the Company. He is also the chairman of each of the Audit Committee and the Legal Compliance Committee.

Prof. Wong is a Practising Certified Public Accountant. He has been the managing practising director of Patrick Wong C.P.A Limited since November 2010 and has over 40 years of experience in the accountancy profession. Prof. Wong was awarded a Badge of Honour in January 1993 by the Queen of England. He has been appointed as a Justice of the Peace since July 1998 and was awarded a Bronze Bauhinia Star (B.B.S.) in July 2010 by the Government of Hong Kong.

Prof. Wong is currently an independent non-executive director of C C Land Holdings Limited (Stock Code: 1224), Galaxy Entertainment Group Limited (Stock Code: 27), Sino Oil and Gas Holdings Limited (Stock Code: 702), Winox Holdings Limited (Stock Code: 6838), Water Oasis Group Limited (Stock Code: 1161) and BAIC Motor Corporation Limited (Stock Code: 1958).

Prof. Wong was an independent non-executive director of Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited (formerly known as Guangzhou Pharmaceutical Company Limited) (Stock Code: 874) from June 2010 to May 2017, and Real Nutriceutical Group Limited (Stock Code: 2010) from March 2008 to October 2017, and National Arts Entertainment and Culture Group Limited (formerly known as National Arts Holdings Limited) (Stock Code: 8228) from February 2010 to December 2018.

Mr. Yuen Ching Bor Stephen (袁靖波) ("Mr. Yuen"), aged 71, was appointed as an independent non-executive Director on 7 January 2020, and is mainly responsible for overseeing the management independently and providing independent judgment on the issues of strategy, performance, resources and standard of conduct of the Company. He is also the chairman of the Remuneration Committee and a member of each of the Audit Committee, the Nomination Committee and the Legal Compliance Committee.

Mr. Yuen graduated with a Master of Science in Interdisciplinary Design and Management from The University of Hong Kong. He is an Eminent Fellow Member of the Royal Institution of Chartered Surveyors, a Fellow Member of the Chartered Institute of Housing, a Fellow Member of the Hong Kong Institute of Housing and a Member of the Chartered Institute of Arbitrators. He has approximately 50 years of real estate experience in both public and private sectors. He is currently a non-executive chairman of InfraredNF Investment Advisers Limited and an independent non-executive director of Autotoll Limited. Mr. Yuen was ex-chairman of the Industry Training Advisory Committee (Property Management) of the Education Bureau, past chairman of the Real Estate Service Training Board, ex-committee member of the Employee Retraining Board, ex-member of the Land and Building Advisory Committee, past chairman of the Chartered Institute of Housing (Hong Kong Branch), past president of the Hong Kong Association of Property Management Companies and past president of the Hong Kong Institute of Real Estate Administrators.

Mr. Yuen is currently an (i) independent non-executive director of Winson Holdings Hong Kong Limited, a company listed on the GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (Stock Code: 8421); and (ii) independent non-executive director of Real Nutriceutical Group Limited, a company listed on the Main Board of the Stock Exchange (Stock Code: 2010).

Biographical Details of Directors and Senior Management

Independent Non-Executive Director (Former)

Mr. Tam Tak Kei Raymond (譚德機) ("Mr. Tam"), aged 56, was appointed as an independent non-executive Director on 16 June 2016, and resigned on 14 February 2020. Prior to his resignation, he was mainly responsible for overseeing the management independently and providing independent judgment on the issues of strategy, performance, resources and standard of conduct of the Company. He was also the chairman of the Remuneration Committee and a member of each of the Audit Committee, the Nomination Committee and the Legal Compliance Committee.

Mr. Tam obtained a bachelor's degree of arts in accounting with computing from the University of Kent at Canterbury in the United Kingdom in July 1985. He is an associate member of the Institute of Chartered Accountants in England and Wales and an associate member of the Hong Kong Institute of Certified Public Accountants. Mr. Tam has over 20 years of professional accounting experience.

Mr. Tam is currently an independent non-executive director of Vision Fame International Holding Limited (Stock Code: 1315), CNQC International Holdings Limited (Stock Code: 1240) and MEIGU Technology Holding Group Limited (Stock Code: 8349).

Mr. Tam was an independent non-executive director of Digital Domain Holdings Limited (Stock Code: 547) during the period from September 2009 to August 2013; Zebra Strategic Holdings Limited (Stock Code: 8260) during the period from June 2012 to September 2014; Tianjin Jinran Public Utilities Company Limited (Stock Code: 1265) during the period from February 2011 to June 2015; Ngai Shun Holdings Limited (Stock Code: 1246) during the period from September 2013 to July 2015; and Beijing Enterprises Clean Energy Group Limited (formerly known as Jin Cai Holdings Company Limited) (Stock Code: 1250) during the period from July 2013 to July 2016. He was also the chief financial officer of King Force Security Holdings Limited (Stock Code: 8315) during the period from May 2014 to December 2014.

He was also the company secretary of Branding China Group Limited from April 2014 to April 2018 (Stock Code: 863).

Senior Management

Mr. Poon Yick Pang, Philip (潘翼鵬) ("Mr. Poon), aged 50, is the chief financial officer and company secretary of the Company (the "Company Secretary") and is responsible for overseeing the Group's financial reporting, financial planning, treasury, financial control and company secretarial matters. He joined the Group in November 2019. He is also a member of the Legal Compliance Committee.

Mr. Poon obtained a Bachelor of Commerce degree from the University of New South Wales in 1993 and is a holder of a Chartered Financial Analyst charter of the CFA Institute, a Certified Practising Accountant (Australia) and a fellow of the Hong Kong Institute of Certified Public Accountants. Mr. Poon has over 20 years of corporate finance and accounting experience. He served senior financial positions in a number of companies listed in Hong Kong.

Senior Management (Former)

Ms. Lai Chi Kong (黎志剛) ("Ms. Lai"), aged 48, was the banquet sales deputy manager of the Group and was responsible for the management of banquet service and food products marketing. Ms. Lai joined the Group as public relations manager in June 2000. Ms. Lai has 16 years of experience in catering service field. Ms. Lai resigned in August 2019.

In December 2013, Ms. Lai obtained a certificate after attending the seminar on liquor licensing on 4 December 2013 from the Liquor Licensing Board. In June 2005, Ms. Lai completed the Hygiene Supervisor Training Courses from the Food and Environmental Hygiene Department.

Ms. Hui Wai Shu Jessica (許蔚舒) ("Ms. Hui"), aged 50, was the financial controller and Company Secretary of the Group and was responsible for overseeing the Group's financial reporting, financial planning, treasury, financial control and company secretarial matters. She joined the Group as the financial controller in July 2015. She was also a member of the Legal Compliance Committee. Ms. Hui resigned in November 2019.

Ms. Hui obtained a certificate for Accounting Technicians at Sha Tin Technical Institute in July 1998. She graduated from the University of Hull in the United Kingdom obtaining a Bachelor's degree in Science (Honours) in accounting in July 2010. She is a member of the Hong Kong Institute of Certified Public Accountants and a fellow member of Association of Chartered Certified Accountants.

Ms. Hui has over 20 years working experience in accounting and audit field. Prior to joining the Group, she worked at Ting Ho Kwan & Chan as an audit senior from July 1990 to March 1993. From April 1993 to September 1993, she worked as an accountant in San Yip Development Limited. From March 1994 to April 1995, Ms. Hui worked at Lawrence S.Y. Chan & Co. as an audit senior. From May 1995 to October 2010, Ms. Hui worked at Qing Yuan Investment Limited with her last position as an accounting supervisor. From October 2010 to June 2014, Ms. Hui worked at Paramount Catering Group Limited as the group's financial controller, and was subsequently promoted as a financial consultant in May 2014.

Corporate Governance Report

The Board is pleased to present herein the corporate governance report of the Company for the year ended 31 December 2019.

The Directors and the management of the Group recognise the importance of sound corporate governance to the long-term success and continuing development of the Group. Therefore, the Board is committed to upholding good corporate standards and procedures, so as to improve the accountability system and transparency of the Group, protect the interests and create value for the Shareholders.

Compliance with the Corporate Governance Code

The Company's corporate governance practices are based on the principles and code provisions as set out in the Corporate Governance Code and Corporate Governance Report (the "Code") in Appendix 14 of the Listing Rules. For the year ended 31 December 2019 (the "Reporting Period"), to the best knowledge of the Board, the Company has complied with all the applicable code provisions set out in the Code, except for certain deviations as specified with considered reasons for such deviations as explained below.

Under Code Provision A.2.1 of the Code, the roles of the chairman and chief executive officer should be separated and should not be performed by the same individual.

During the Reporting Period, the Company has not separated the roles of chairman and chief executive officer of the Company. Mr. Chan was the chairman and also the chief executive officer of the Company and is responsible for overseeing the operations of the Group during such period. In view of the fact that Mr. Chan has been operating and managing the Group since 1998, the Board believes that it is in the best interests of the Group to have Mr. Chan taking up both roles for effective management and business development. The Board also believes that vesting the roles of both chairman and chief executive officer in the same person has the benefit of ensuring the consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. Although Mr. Chan performs both roles of chairman and chief executive officer, the division of responsibilities between the two roles is clearly established. While the chairman is responsible for supervising the functions and performance of the Board, the chief executive officer is responsible for the management of the Group's business. The Board considers that the balance of power and authority for the present arrangement will not be impaired given the appropriate delegation of the power of the Board to the senior management of the Company for the day-to-day management of the Group, and the effective functions of the independent non-executive Directors representing at least one-third of the Board such that no one individual has unfettered power of decisions. This structure will also enable the Company to make and implement decisions promptly and effectively. The Board will continue to review and consider splitting the roles of chairman of the Board and chief executive officer of the Company at a time when it is appropriate and suitable by taking into account the circumstances of the Group as a whole.

Corporate Governance Report

Board of Directors

The key responsibilities of the Board include formulation of the Group's overall strategies, the setting of management targets and supervision of management performance. The management is delegated with the authority and responsibility by the Board for the management and administration of the Group. In addition, the Board has also delegated various responsibilities to the board committees of the Company (the "Board Committees"). Further details of the Board Committees are set out in this annual report. Under the terms of reference, the duties of the Board in respect of corporate governance are as follows:

1. to develop and review the policies and practices on corporate governance of the Group and make recommendations;

2. to review and monitor the training and continuous professional development of Directors and senior management;

3. to review and monitor the Group's policies and practices on compliance with legal and regulatory requirements;

4. to develop, review and monitor the code of conduct and compliance manual (if any) applicable to Directors and employees; and

5. to review the Company's compliance with the Code and disclosure in the corporate governance report of the Company.

Composition of the Board

During the Reporting Period and up to the date of this annual report, there have been changes in the composition of the Board. As at the date of this annual report, the Board comprises nine Directors, including five executive Directors, one non-executive Director and three independent non-executive Directors. The composition of the Board and the aforesaid changes are set out as follow:

Executive Directors

Mr. Chan Chun Kit *(Chairman and Chief Executive Officer)*
Mr. Lam Kwok Leung Peter *(Compliance Officer)*
Mr. Wong Ka Wai
Ms. Chan Wai Sze Josephine *(appointed on 7 January 2020)*
Ms. Zhu Xueqin *(appointed on 7 January 2020)*

Non-executive Director

Mr. Chow Yiu Pong David *(re-designated from executive Director on 7 January 2020)*

Independent Non-executive Directors

Mr. Liu Chi Keung
Prof. Wong Lung Tak Patrick
Mr. Tam Tak Kei Raymond *(resigned on 14 February 2020)*
Mr. Yuen Ching Bor Stephen *(appointed on 7 January 2020)*

Corporate Governance Report

In compliance with Rules 3.10(1) and 3.10A of the Listing Rules, the Board was consisted of three independent non-executive Directors during the Reporting Period. During the Reporting Period and as of the date of this annual report, the number of independent non-executive Directors represents more than one-third of the Board. As such, there is a strong independent element in the Board to provide independent judgement. Amongst the independent non-executive Directors, Prof. Wong Lung Tak Patrick and Mr. Tam Tak Kei Raymond (resigned on 14 February 2020) have the appropriate professional qualifications and accounting and related financial management expertise required under Rule 3.10(2) of the Listing Rules.

The Company has entered into a service agreement with each of the independent non-executive Directors for a term of one year, which may be terminated earlier by no less than three months written notice served by either party on the other.

The Company will use its best efforts to achieve the board diversity policy and ensure that the Board has a balance of skills, experience and diversity which is appropriate to the needs of the Company's business. The selection of candidates will be based on a range of criteria, including but not limited to, gender, age, cultural and educational background, experience (professional or otherwise), skills and knowledge. The appointment of Directors will continue to be made based on merit and potential contribution by the candidate to the Board and the Company. Each of Directors' respective biographical details is set out in the section "Biographical Details of Directors and Senior Management" of this annual report. The Directors have the necessary skills and experience appropriate for discharging their duties as Directors in the best interest of the Company.

Pursuant to Article 112 of the articles of association of the Company (the "Articles"), any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. Accordingly, Ms. Chan Wai Sze Josephine, Ms. Zhu Xueqin and Mr. Yuen Ching Bor Stephen will retire from office as Directors at the forthcoming annual general meeting of the Company (the "AGM"), and being eligible, offer themselves for re-election.

Pursuant to Article 108 of the Articles, one-third of the Directors for the time being (or if their number is not a multiple of three (3), the number nearest to but not less than one-third), not including those Directors who are subject to re-election pursuant to Article 112 as described above, shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. Mr. Lam Kwok Leung Peter, Mr. Wong Ka Wai and Prof. Wong Lung Tak Patrick will retire from office as Directors at the forthcoming AGM. Mr. Wong Ka Wai has given notice in writing to the Company that he will resign as executive Director with effect from the forthcoming AGM and confirms that he has no disagreement with the Board and that there is no matter relating to his resignation that needs to be brought to the attention of the Shareholders or the Stock Exchange.

Specific enquiry has been made by the Company to each of the independent non-executive Directors to confirm their independence pursuant to Rule 3.13 of the Listing Rules. In this connection, the Company has received the positive annual confirmations from all of the three independent non-executive Directors. Based on the confirmations received, the Company considers all independent non-executive Directors to be independent under the Listing Rules.

Board and General Meetings

During the Reporting Period, eight board meetings were held to approve, among others, the annual results for the year ended 31 December 2017, the first quarterly results, the interim results in respect of the year ended 31 December 2018. The AGM which was held on 29 May 2018 was the general meeting of the Company during the Reporting Period.

Corporate Governance Report

The attendance of the respective Directors at the Board meetings are set out below:

	Attendance/Number of meetings during the Reporting Period
Executive Directors	
Mr. Chan Chun Kit (Chairman and Chief Executive Officer)	10/10
Mr. Lam Kwok Leung Peter (Compliance Officer)	10/10
Mr. Wong Ka Wai	10/10
Mr. Chow Yiu Pong David	10/10
Independent Non-executive Directors	
Mr. Liu Chi Keung	10/10
Prof. Wong Lung Tak Patrick	10/10
Mr. Tam Tak Kei Raymond	10/10

The Directors can attend meetings in person or through other means of electronic communication in accordance with the Articles. All minutes of the Board meetings were recorded in sufficient detail the matters considered by the Board and the decisions reached.

To facilitate the decision-making process, the Directors are free to have access to the management for enquiries and to obtain further information when required. The Directors can also seek independent professional advice in appropriate circumstances, at the Company's expense in discharging their duties to the Company. All Directors have unrestricted access to the Company Secretary who is responsible for ensuring that the Board/committee procedures are complied with, and for advising the Board/committee(s) on compliance matters.

The Company has arranged appropriate insurance cover in respect of possible legal action against its Directors and senior officers.

Relationships among Board Members and Senior Management

Saved as disclosed in the section headed "Biographical Details of Directors and Senior Management" of this annual report, there is no financial, business, family or other material or relevant relationship among members of the Board and the Senior Management.

Corporate Governance Report

Code of Conduct for Securities Transactions by Directors

The Company has adopted the required standard of dealings set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by Directors in respect of the Shares (the "Code of Conduct"). The Company has made specific enquiry to all Directors, and all Directors have confirmed that they have fully complied with the required standard of dealings set out in the Code of Conduct for the year ended 31 December 2019.

Directors' Continuing Professional Development Programme

The Group acknowledges the importance of adequate and ample continuing professional development for the Directors for a sound and effective internal control system and corporate governance. In this regard, the Group has always encouraged its Directors to attend relevant training courses to receive the latest news and knowledge regarding corporate governance.

During the Reporting Period, the Company has provided the Directors and Company Secretary at least one training course on the updates of the Listing Rules concerning good corporate governance practices. The Company will, if necessary, provide timely and regular trainings to the Directors to ensure that they keep abreast with the current requirements under the Listing Rules.

Board Committees

The Board has established a number of functional committees in compliance with the relevant Listing Rules and to assist the Board to discharge its duties. Currently, four committees have been established:

1. The Audit Committee was established on 16 June 2016 with its terms of reference in compliance with Rules 3.21 to 3.23 of the Listing Rules, and paragraphs C3.3 and C3.7 of the Code;

2. The Remuneration Committee was established on 16 June 2016 with its terms of reference in compliance with paragraph B1.2 of the Code;

3. The Nomination Committee was established on 16 June 2016 with terms of reference in compliance with paragraph A5.2 of the Code; and

4. The Legal Compliance Committee was established on 16 June 2016.

The functions and responsibilities of these committees have been set out in the relevant terms of reference which are of no less stringent than that stated in the Code. The relevant terms of reference of each of the Audit Committee, Remuneration Committee and Nomination Committee can be found on the Group's website (http://www.starofcanton.com.hk/) and the website of the Stock Exchange in accordance with the Code. All committees have been provided with sufficient resources and support from the Group to discharge their duties.

Corporate Governance Report

Audit Committee

During the Reporting Period, the Audit Committee comprised three members, namely Prof. Wong Lung Tak Patrick (Chairman), Mr. Liu Chi Keung and Mr. Tam Tak Kei Raymond, all of whom are independent non-executive Directors. The members of the Audit Committee shall comprise non-executive Directors and shall be appointed or removed by the Board. If any member of the Audit Committee ceases to be a Director, he/she will cease to be a member of the Audit Committee automatically. Upon the appointment of Mr. Yuen Ching Bor Stephen as an independent non-executive Director on 7 January 2020, he was also appointed as a member of the Audit Committee. Upon the resignation of Mr. Tam Tak Kei Raymond as an independent non-executive Director on 14 February 2020, he ceased to be a member of the Audit Committee.

The Audit Committee must comprise a minimum of three members, at least one of whom is an independent non-executive Director with appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.10(2) of the Listing Rules. In addition, the majority of the Audit Committee shall be independent non-executive Directors.

With reference to the terms of reference, the primary responsibilities of the Audit Committee are, among others (for the complete terms of reference please refer to the Group's website (http://www.starofcanton.com.hk/) or the website of the Stock Exchange):

1. to make recommendations to the Board on the appointment, re-appointment and removal of the Company's external auditors, and approve the remuneration and terms of engagement of the Company's external auditors;

2. to review and monitor the Company's external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;

3. to monitor the integrity of the Company's financial statements and annual report and accounts, half-year report, quarterly report and review significant financial reporting judgments contained in them;

4. to discuss with the Company's external auditors questions and doubts arising in the audit of annual accounts;

5. to review the statement about the Company's internal control system (if any) as included in the Company's annual report prior to submission for the Board's approval;

6. to review the Company's financial reporting, financial controls, internal control and risk management systems;

7. to discuss the internal control system with the Company's management to ensure that management has performed its duty to have an effective internal control system;

8. to consider major investigation findings on internal control matters as delegated by the Board or on its own initiative and management's response to these findings;

9. to review the financial and accounting policies and practices of the Group;

10. to review the external auditor's management letter, any material queries raised by the auditor to the management in respect of accounting records, financial accounts or systems of control and management's response;

11. to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter; and

12. to review the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function.

During the Reporting Period, the Audit Committee had reviewed the Group's annual results and annual report for the year ended 31 December 2019, and interim results for the six months ended 30 June 2019, and discussed internal controls, risk management and financial reporting matters. The Audit Committee had also reviewed audited annual results for the year ended 31 December 2019, this annual report, and confirmed that this annual report complies with the applicable standard, the Listing Rules, and other applicable legal requirements and that adequate disclosures have been made. There is no disagreement between the Directors and the Audit Committee regarding the selection and appointment of the external auditors. The Audit Committee has recommended to the Board that Ting Ho Kwan & Chan CPA Limited ("THKC") be nominated for re-appointment as the Company's auditor at the forthcoming AGM.

The Board is of the view that the Audit Committee has properly discharged its duties and responsibilities during the Reporting Period and up to the date of this annual report.

The Audit Committee meets at least four times a year. During the Reporting Period, the Audit Committee had held four meetings together with the management of the Group and/or the Company's auditors. The attendance records of the members of the Audit Committee are summarised below:

	Attendance/Number of meetings during the Reporting Period
Prof. Wong Lung Tak Patrick *(Chairman)*	4/4
Mr. Liu Chi Keung	4/4
Mr. Tam Tak Kei Raymond	4/4

Remuneration Committee

During the Reporting Period, the Remuneration Committee comprised three members, namely Mr. Tam Tak Kei Raymond (Chairman), Mr. Liu Chi Keung and Mr. Chan Chun Kit. Mr. Liu Chi Keung and Mr. Tam Tak Kei Raymond are independent non-executive Directors. Upon the appointment of Mr. Yuen Ching Bor Stephen as an independent non-executive Director on 7 January 2020, he was also appointed as a member of the Remuneration Committee. Upon the resignation of Mr. Tam Tak Kei Raymond as an independent non-executive Director on 14 February 2020, he ceased to be the chairman of the Remuneration Committee and Mr. Yuen Ching Bor Stephen was appointed as the chairman of the Remuneration Committee.

Corporate Governance Report

With reference to the terms of reference of the Remuneration Committee, the primary responsibilities of the Remuneration Committee include (for the complete terms of reference please refer to the Group's website (http://www.starofcanton.com.hk/) or the website of the Stock Exchange):

1. to consult the chairman of the Board and/or chief executive about their remuneration proposals for other executive Directors;

2. to make recommendations to the Board on the Company's policy and structure for all Directors' and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;

3. to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives;

4. to make recommendations to the Board on the remuneration packages of individual executive Directors and senior management;

5. to make recommendations to the Board on the remuneration of non-executive Directors;

6. to consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Company and its subsidiaries;

7. to review and approve compensation payable to executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;

8. to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate; and

9. to ensure that no Directors or any of his close associates is involved in deciding his own remuneration.

The Remuneration Committee meets at least once a year. During the Reporting Period, the Remuneration Committee had held two meetings. The attendance records of the members of the Remuneration Committee are summarised below:

	Attendance/Number of meetings during the Reporting Period
Mr. Tam Tak Kei Raymond *(Chairman)*	2/2
Mr. Liu Chi Keung	2/2
Mr. Chan Chun Kit	2/2

During the Reporting Period, the Remuneration Committee reviewed and made recommendations on the remuneration package of the Senior Management. The Board is of the view that the Remuneration Committee had properly discharged its duties and responsibilities during the Reporting Period and up to the date of this annual report.

Nomination Committee

During the Reporting Period, the Nomination Committee comprised three members, namely Mr. Chan Chun Kit (Chairman), Mr. Liu Chi Keung and Mr. Tam Tak Kei Raymond. Mr. Liu Chi Keung and Mr. Tam Tak Kei Raymond are independent non-executive Directors. Upon the appointment of Mr. Yuen Ching Bor Stephen as an independent non-executive Director on 7 January 2020, he was also appointed as a member of the Nomination Committee. Upon the resignation of Mr. Tam Tak Kei Raymond as an independent non-executive Director on 14 February 2020, he ceased to be a member of the Nomination Committee.

According to the terms of reference the Nomination Committee, the Nomination Committee shall convene meeting at least once a year and the primary responsibilities of the Nomination Committee include (for the complete terms of reference, please refer to the Group's website (http://www.starofcanton.com.hk/) or the website of the Stock Exchange):

1. to review the structure, size, composition and diversity (including the skills, knowledge and experience) of the Board and make recommendations on proposed changes, if any, to the Board to complement the Company's corporate strategy;

2. to review the Company's board diversity policy and the progress on achieving the objectives set for implementing the said policy;

3. to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;

4. to assess the independence of independent non-executive Directors; and

5. to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the chairman and the chief executive.

During the Reporting Period, the Nomination Committee held one meeting. The attendance of the members of the Nomination Committee at the committee meetings is as follows:

	Attendance/Number of meetings during the Reporting Period
Mr. Chan Chun Kit *(Chairman)*	1/1
Mr. Liu Chi Keung	1/1
Mr. Tam Tak Kei Raymond	1/1

During the Reporting Period, the Nomination Committee reviewed and assessed (i) the structure, size and composition (including the skills, knowledge and experience) of the Board, (ii) the performance of each of the Directors, (iii) the independence of Independent non-executive Directors, and proposed the appointment or re-appointment or succession (if applicable) of Directors.

Corporate Governance Report

Legal Compliance Committee

During the Report Period, the Legal Compliance Committee comprised five members, namely Prof. Wong Lung Tak Patrick (Chairman), Mr. Tam Tak Kei Raymond, Mr. Liu Chi Keung, Mr. Lam Kwok Leung Peter and Ms. Hui Wai Shu Jessica (replaced by Mr. Poon Yick Pang Philip with effect from 15 November 2019). Prof. Wong Lung Tak Patrick (Chairman), Mr. Tam Tak Kei Raymond and Mr. Liu Chi Keung are independent non-executive Directors. Upon the appointment of Mr. Yuen Ching Bor Stephen as an independent non-executive Director on 7 January 2020, he was also appointed as a member of the Legal Compliance Committee. Upon the resignation of Mr. Tam Tak Kei Raymond as an independent non-executive Director on 14 February 2020, he ceased to be a member of the Legal Compliance Committee.

According to the terms of reference of the Legal Compliance Committee, the primary duties of the Legal Compliance Committee are to assist in overseeing the Group's compliance with laws and regulations relevant to its business operations and to review the effectiveness of its regulatory compliance procedures and system, and the Legal Compliance Committee shall convene meeting at least once a year.

During the Reporting Period, the Legal Compliance Committee held one meeting. The attendance of the members of the Legal Compliance Committee at the committee meetings is as follows:

	Attendance/Number of meetings during the Reporting Period
Prof. Wong Lung Tak Patrick	1/1
Mr. Liu Chi Keung	1/1
Mr. Tam Tak Kei Raymond	1/1
Mr. Lam Kwok Leung Peter	1/1
Ms. Hui Wai Shu Jessica	1/1

During the Reporting Period, the Legal Compliance Committee reviewed (i) the compliance policies of the Company against the applicable laws and regulations, and (ii) the training and continuing professional development of the Directors and Senior Management.

Auditor's Remuneration

During the Reporting Period, the Group engaged THKC as the Group's external auditor and to hold office until the conclusion of the forthcoming AGM. The Company's consolidated financial statements for the year ended 31 December 2019 have been audited by THKC. The remuneration paid or payable to THKC is set out as follows:

Services rendered	**Fees paid/payable for the year ended 31 December**	
	2019	2018
	(HK$'000)	*(HK$'000)*
Statutory audit services	**815**	690
Non-audit services	**206**	158

Corporate Governance Report

Company Secretary

Mr. Poon Yick Pang Philip ("Mr. Poon") was appointed as the Company Secretary on 15 November 2019. Please refer to the section headed "Biographical details of Directors and Senior Management" of this annual report for his biographical information.

During the Reporting Period, Mr. Poon undertook not less than 15 hours of relevant professional training in accordance with Rule 3.29 of the Listing Rules.

Compliance Officer

Mr. Lam Kwok Leung Peter, an executive Director, is the compliance officer of the Group. Please refer to the section headed "Biographical details of Directors and Senior Management" of this annual report for his biographical information.

Risk Management and Internal Control Systems

The Board is responsible for reviewing the effectiveness of the risk management and internal control systems of the Group. The scope of the review is determined and recommended by the Audit Committee and approved by the Board annually. The review covers:

1. all material controls, including but not limited to financial, operational and compliance controls;

2. risks management functions; and

3. the adequacy of resources, qualifications and experience of staff in connection with the accounting and financial reporting function of the Group and their training programmes and relevant budget.

During the Reporting Period, the Audit Committee assessed the risk management and internal control environment of the Group and reviewed the internal control procedural manual of the Group and is satisfied with the Group's risk management and internal control systems. The systems are designed in consideration of the nature of business and the organisation structure. Further, the systems are designed to manage rather than eliminate the risk of failure in operational system and to provide reasonable, but not absolute, assurance against material misstatement or loss. The system is designed further to safeguard the Group's assets, maintain appropriate accounting records and financial reporting, achieve efficiency of operations and ensure compliance with the Listing Rules and all other applicable laws and regulations.

The Group has engaged external independent professionals to review its risk management and internal control systems and further enhance its risk management and internal control systems as appropriate.

There is currently no internal audit function within the Group. The Board has reviewed the need for an internal audit function and is of the view that in light of the size, nature and complexity of the business of the Group, it would be more cost effective to appoint external independent professionals to perform internal audit functions for the Group as the need arises. Nevertheless, the Board will continue to review the need for an internal audit function annually.

Corporate Governance Report

Directors' and Auditor's Responsibility for Consolidated Financial Statements

The Directors acknowledge and understand their responsibility for preparing the consolidated financial statements and to ensure that the consolidated financial statements of the Group are prepared in a manner which reflects the true and fair view of the state of affairs, results and cash flows of the Group and are in compliance with the relevant accounting standards and principles, applicable laws and disclosure provisions required of the Listing Rules. The Directors are of the view that the consolidated financial statements of the Group for each financial year have been prepared on this basis.

To the best knowledge of the Directors, there is no uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern, therefore the Directors continue to adopt the going concern approach in preparing the consolidated financial statements.

Statement of the Company's external auditor's responsibilities in respect of the consolidated financial statements is set out in the Independent Auditor's Report of this annual report.

General Meetings with Shareholders

The AGM is a forum in which the Board and the Shareholders communicate directly and exchange views concerning the affairs and overall performance of the Group, and its future developments, etc. At the AGM, the Directors (including independent non-executive Directors) are available to attend to questions raised by the Shareholders. The external auditors of the Company is also invited to be present at the AGM to address to queries of the shareholders concerning the audit procedures and the auditors' report.

The forthcoming AGM will be held on Wednesday, 24 June 2020, the notice of which shall be sent to the Shareholders at least 20 clear business days prior to the meeting.

Shareholders' Rights

Convening of Extraordinary General Meeting on Requisition by Shareholders

Pursuant to Article 64 of the Articles, the Board may, whenever it thinks fit, convene an extraordinary general meeting ("EGM"). EGMs shall also be convened on the requisition of one or more Shareholders holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the Company Secretary for the purpose of requiring an EGM to be called by the Board for the transaction of any business specified in such requisition. If, within 21 days of such deposit, the Board fails to proceed to convene such meeting, all reasonable expenses incurred by the acquisition(s) as a result of the failure of the Board shall be reimbursed to the requisition(s) by the Company.

Procedures for Shareholders' Nomination of Directors

Pursuant to Article 113 of the Articles, no person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been lodged at the head office or at the registration office of the Company. The period for lodgment of the notices required under the Article will commence no earlier than the day after the dispatch of the notice of the general meeting appointed for such election and end no later than 7 days prior to the date of such general meeting and the minimum length of the period during which such notices to the Company may be given will be at least 7 days.

Corporate Governance Report

Procedures for directing shareholders' enquiries to the Board

Shareholders may direct their enquiries concerning their shareholdings to the Company's share registrars. Shareholders may also make a request for the Company's information to the extent that such information has been made publicly available by the Company. All written enquiries or requests may be forwarded to the Company's head office or by fax to (852) 2525 2081, or by email to ir@starofcanton.com.hk.

The addresses of the Company's head office and the Company's share registrars can be found in the section "Corporate Information" of this annual report.

Dividend Policy

It is the policy of the Company to pay annual dividends to the Shareholders if the Group is profitable, operations environment is stable and there is no significant investment or commitment made by the Group.

In proposing any dividend payout, the Board shall also take into account, inter alia: (a) the Group's actual and expected financial performance; (b) the Group's expected working capital requirements and future expansion plans; (c) the Group's debt to equity ratios and the debt level; (d) any restrictions on payment of dividends that may be imposed by the Group's lenders; (e) general economic conditions, business cycle of the Group's business and other internal and external factors that may have an impact on the business or financial performance and position of the Company; (f) dividends received from the Company's subsidiaries and associates; (g) the Shareholders' and investors' expectation and industry's norm; and (h) any other conditions or factors that the Board deems relevant.

The Board may update, amend, modify and/or cancel the dividend policy upon review from time to time.

Investor Relations

To ensure transparent and comprehensive disclosures to investors, the Group delivers information of the Group to the public through various channels, including general meeting, public announcement and financial reports. The investors are also able to access the latest news and information of the Group via our website (http://www.starofcanton.com.hk).

In order to maintain good and effective communication, the Company together with the Board extend their invitation to all Shareholders and encourage them to attend the AGM and all future general meetings.

The Shareholders may also forward their enquiries and suggestions in writing to the Company to the followings:

Address: Room 2702, Tower 2
Kowloon Commerce Centre
No. 51 Kwai Cheong Road
Kwai Chung, New Territories
Hong Kong

Email: ir@starofcanton.com.hk

Significant Changes in Constitutional Documents

During the year ended 31 December 2019, there had been no significant changes in the constitutional documents of the Company.

Directors' Report

The Board is pleased to present the annual report together with the audited consolidated financial statements (the "Financial Statements") of the Company for the year ended 31 December 2019 (the "Reporting Period").

Principal Activities

The principal activity of the Company is investment holding. The principal activities of its principal subsidiaries are set out in Note 40 to the Financial Statements of this annual report. During the Reporting Period, the Group is principally engaged in the operation of a chain of Chinese restaurants in Hong Kong and the PRC.

An analysis of the Group's results for the Reporting Period by segments is set out in Note 7 to the Financial Statements of this annual report.

Business Review

The business review of the Group for the Reporting Period, including a discussion of the principal risks and uncertainties facing the Group and an indication of likely future developments in the business of the Group, is set out in the section headed "Management Discussion and Analysis" on pages 5 to 15 of this annual report. These discussions form part of this Directors' report.

Results and Appropriations

The Group's results for the Reporting Period are set out in the consolidated statement of profit or loss and other comprehensive income on page 75 of this annual report.

Dividend

The Directors do not recommend the payment of a final dividend for the Reporting Period (2018: HK0.50 cents per Share).

Summary of Financial Information

The summary of the results, assets and liabilities of the Group for the last five financial years is set out on page 152 of this annual report.

Property, Plant and Equipment

Details of the movements in the property, plant and equipment of the Group are set out in Note 16 to the Financial Statements of this annual report.

Share Capital

The Company's issued share capital as at 31 December 2019 was 1,000,000,000 ordinary shares of HK$0.01 each.

Details of movements of the share capital of the Company during the Reporting Period are set out in Note 25 to the Financial Statements of this annual report.

Pre-Emptive Rights

There are no provisions for pre-emptive rights under the Articles or the laws of the Cayman Islands which would oblige the Company to offer new Shares on a pro-rata basis to existing Shareholders.

Directors' Report

Reserves

Details of the movements in the reserves of the Company and the Group during the year ended 31 December 2019 are set out in Note 40 to the Financial Statements and the consolidated statement of changes in equity of this annual report, respectively.

Distributable Reserves

As at 31 December 2019, the Company's reserves available for distribution as calculated in accordance with the Articles and the Companies Law Cap. 22 of Cayman Islands, was approximately HK$38.2 million inclusive of share premium and accumulated losses.

Major Customers and Suppliers

For the year ended 31 December 2019:

(i) due to the nature of the Group's business, its customers mainly represented walk-in customers from the general public. As such, the Directors consider that it is not practicable to identify the five largest customers of the Group, and the Group did not rely on any single customer; and

(ii) the aggregate amount of purchases attributable to the Group's five largest suppliers accounted for approximately 34.5% (2018: approximately 38.2%) of the Group's total purchases, and the largest supplier accounted for approximately 10.8% (2018: approximately 13.4%) of the Group's total purchases. To the best of the knowledge of the Directors, none of the Directors, their close associates or any shareholder which to the knowledge of the Directors owns more than 5% of the Company's share capital had an interest in these major suppliers.

Directors

The Directors during the Reporting Period and up to the date of this annual report were as follows:

Executive Directors

Mr. Chan Chun Kit *(Chairman and Chief Executive Officer)*
Mr. Lam Kwok Leung Peter *(Compliance Officer)*
Mr. Wong Ka Wai
Ms. Chan Wai Sze Josephine *(appointed on 7 January 2020)*
Ms. Zhu Xueqin *(appointed on 7 January 2020)*

Non-executive Director

Mr. Chow Yiu Pong David *(re-designated from executive Director on 7 January 2020)*

Independent Non-executive Directors

Mr. Liu Chi Keung
Prof. Wong Lung Tak Patrick
Mr. Tam Tak Kei Raymond *(resigned on 14 February 2020)*
Mr. Yuen Ching Bor Stephen *(appointed on 7 January 2020)*

Directors' Report

In accordance with Article 112 of the Articles, any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting after his/her appointment and any Director appointed by the Board as an additional Director shall hold office only until the next following AGM. Accordingly, Ms. Chan Wai Sze Josephine, Ms. Zhu Xueqin and Mr. Yuen Ching Bor Stephen will retire from office as Directors at the forthcoming AGM, and being eligible, offer themselves for re-election. Pursuant to Article 108(a) of the Articles, at each AGM, one-third of the Directors for the time being (not including those Directors who are subject to re-election pursuant to Article 112 as described above) shall retire from office by rotation, whereby Mr. Lam Kwok Leung Peter and Mr. Wong Kai Wai will retire from office as Directors at the forthcoming AGM.

Biographical Details of Directors and Senior Management

The biographical details of the Directors and the Senior Management are disclosed in the section headed "Biographical Details of Directors and Senior Management" on pages 37 to 41 in this annual report.

Directors' Service Contracts

No Director proposed for re-election at the forthcoming AGM has entered into a service contract with the Company which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

Directors' Interests in Contracts

Save for the related party transactions disclosed in Note 39 to the Financial statements of this annual report, no contract of significance to which the Company or any of its subsidiaries, holding company or fellow subsidiaries was a party and in which a Director had a material interests directly or indirectly subsisted at the end of the Reporting Period or at any time during the Reporting Period.

Management Contracts

No management contracts concerning the whole or any substantial part of the business of the Company were entered into or existed during the Reporting Period.

Contract of Significance

There was no contract of significance between the Company or any of its subsidiaries, and a Controlling Shareholder or any of its subsidiaries for the year ended 31 December 2019.

Remuneration of the Directors, Senior Management and the Five Highest Paid Individuals

Details of the remuneration of the Directors and the five highest paid individuals in the Group are set out in Note 10 to the Financial Statements of this annual report.

The emoluments paid or payable to the Senior Management of the Group who are not Directors were within the following bands:

	Year ended 31 December	
	2019	2018
	Number of individuals	*Number of individuals*
Nil to HK$1,000,000	**4**	3
HK$1,000,001 to HK$2,000,000	**–**	1
	4	4

Permitted Indemnity Provision

Pursuant to the Articles, the Directors, managing Directors, alternate Directors, auditors, secretary and other officers of the Company for the time being shall be indemnified and secured harmless out of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them shall or may incur or sustain by or about the execution of their duty in their offices or in relation thereto.

The Company has taken out and maintained directors' liability insurance which provides appropriate cover for the directors of the Company and directors of the subsidiaries of the Group.

Emolument Policy

The Remuneration Committee is set up for reviewing the Group's emolument policy and structure for all remuneration of the Directors and the Senior Management, having regard to the Group's operating results, individual performance and comparable market practices. The remuneration of the Directors is determined with reference to the economic situation, the market conditions, the responsibilities and duties assumed by each Director as well as their individual performance.

The Company has adopted a share option scheme as incentive to Directors and eligible employees, details of which are set out in the section headed "Share Option Scheme" below.

Pension Schemes

Details of the Group's pension schemes for the Reporting Period are set out in Note 3.19 to the Financial Statements of this annual report.

Directors' Report

Directors' Interests in Competing Businesses

Set out below are details of certain catering businesses of the Controlling Shareholders which were not included into the Group as at the date of this report. As disclosed in the Prospectus, the Controlling Shareholders were engaged in such businesses as at the date of Listing. For further details, please refer to the section headed "Relationship with Controlling Shareholders – Excluded Catering Businesses" in the Prospectus.

Excluded Catering Businesses

Li Jia Cha Chaan Teng (麗嘉茶餐廳)

As at the date of this report, Mr. Chan, one of the Controlling Shareholders, an executive Director, the chairman of the Board and the chief executive officer of the Company, held 100% of the interest in a cha chaan teng named Li Jia Cha Chaan Teng (麗嘉茶餐廳) located at the same building where the Shenzhen Restaurant is located (the "Li Jia Cha Chaan Teng"). The Li Jia Cha Chaan Teng is a Hong Kong-style cafe that serves Asian and Western foods in a casual environment which commenced business in November 2014.

As disclosed in the Prospectus, the Directors were of the view that there is a clear delineation between the business of the Li Jia Cha Chaan Teng and the Group's business and any competition between the two businesses is remote due to difference in terms of (i) operation model, (ii) target customers, (iii) management, (iv) staff and (v) location and variety of selections for customers.

Taking into account the above and the fact that: (i) the Group's restaurants aim at providing exquisite cuisine to customers with medium to high average spending and has no intention to step in the business of cha chaan teng in near future; and (ii) the Group intends to utilise its funding to expand its current business, the Directors confirm that the Group has no present intention to acquire the Li Jia Cha Chaan Teng. Mr. Chan has undertaken to the Group that (i) in case of disposal of any interest in the Li Jia Cha Chaan Teng, he shall promptly notify the Group in writing and the Group shall have the first right of refusal to acquire the interest in the Li Jia Cha Chaan Teng to be disposed of by Mr. Chan within 30 days (or such longer period the Group is required to complete the approval procedures required under the Listing Rules from time to time) after receipt of the notice from Mr. Chan; and (ii) that so long as he holds any beneficially interest in the Li Jia Cha Chaan Teng, he will procure that the Li Jia Cha Chaan Teng will not engage in any business that will or will likely compete with the Group's business.

The Group shall only exercise the right of first refusal upon approval of all the independent non-executive Directors (who do not have any interest in such transaction). Mr. Chan and the other conflicting Director (if any) shall abstain from participating in and voting at and shall not be counted as quorum at the meeting of the Directors for considering whether the Group will exercise the first right of refusal.

Directors' Report

Hong Wo Kok Restaurant (康和閣酒家)

As at the date of this report, Mr. Ho, one of the Controlling Shareholders, held 80% of the interest in the company which has been operating a Chinese restaurant under the name of "Hong Wo Kok Restaurant" (the "Old Hong Wo Kok Restaurant"). The Old Hong Wo Kok Restaurant commenced business in November 2014 and serves Chinese cuisine.

Mr. Ho opened another Chinese Restaurant under the name of "Hong Wo Kok Restaurant" in September 2018 (the "New Hong Wo Kok Restaurant", together with the Old Hong Wo Kok Restaurant, the "Hong Wo Kok Restaurants"). The New Hong Wo Kok Restaurant will have dining rooms with mahjong facilities serving Chinese cuisine.

As disclosed in the Prospectus, the Directors were of the view that there is a clear delineation between the business of the Hong Wo Kok Restaurants and the Group's business and that any competition between the two businesses is remote due to difference in terms of (i) geographical locations, (ii) operation model, (iii) target customers, (iv) management and (v) staff.

In terms of target customers, the Directors noted that all of the Group's restaurants are strategically situated in landmark shopping arcades or commercial complexes at prime locations, and that the Group's restaurants target at mid-to-high end spending customers from the local neighborhood, office and tourists with the average spending of over HK$200 per head. On the other hand, the Hong Wo Kok Restaurants are located at Whampoa Garden, a large private housing estate in Hung Hom District which is a major residential area. To the best knowledge of the Directors upon due inquiry, the Hong Wo Kok Restaurants target residents from the local neighborhood with the average spending of around HK$100 per head.

Save as disclosed in the above, the Directors were not aware of any other plan for business expansion by the Hong Wo Kok Restaurants. Taking into account of the aforesaid factors, the Directors confirm that the Group has no present intention to acquire the Hong Wo Kok Restaurants in near future.

Mr. Ho has undertaken to the Group that as long as he retains any equity interest in the Hong Wo Kok Restaurants, he will not agree to be appointed as any director or management of any member of the Group.

Prince Café (太子茶餐廳)

As at the date of this report, Ms. Tsui Y. Y., one of the Controlling Shareholders, has been operating a cha chaan teng named Prince Café (太子茶餐廳) (the "Prince Café") located in Lei Yue Mun, Kowloon, Hong Kong. The Prince Café is a Hong Kong-style café that serves Asian and Western foods in a casual environment which commenced business in April 2014.

As disclosed in the Prospectus, the Directors were of the view that there is a clear delineation between the business of the Prince Café and the Group's restaurant business and any competition between the two businesses is remote due to difference in terms of (i) geographical locations, (ii) operation model, (iii) target customers, (iv) management and (v) staff.

Given the above, the Directors confirm that the Group has no present intention to acquire the Prince Café and the Noodles Shop in near future.

Ms. Tsui Y. Y. has undertaken to the Group that as long as she retains any interest in the Prince Café and the Noodles Shop, she will not agree to be appointed as any director or management of any member of the Group.

Prince Roasted Meat Restaurant (太子燒味餐廳)

As at the date of this report, Mr. Tsui K. F., Mr. Lam, Ms. Tsui Y. Y. and Mr. Tsui C. K., each of them being a Controlling Shareholder and Mr. Lam being an executive Director and the compliance officer of the Company, held, in aggregate, 75% shareholding in a company which operates a cha chaan teng named Prince Roasted Meat Restaurant (太子燒味餐廳) (the "Roasted Meat Cha Chaan Teng") located in Shatin, New Territories, Hong Kong. The Roasted Meat Cha Chaan Teng is a Hong Kong-style café that serves Asian food, in particular roasted meat with rice, in a casual environment which commenced business in June 2016.

As disclosed in the Prospectus, the Directors were of the view that there is a clear delineation between the businesses of the Roasted Meat Cha Chaan Teng and the Group's restaurants and any competition between the two businesses is remote due to difference in terms of (i) geographical locations, (ii) operation model, (iii) target customers, (iv) management and (v) staff.

Given the above, the Directors confirm that the Group has no present intention to acquire the Roasted Meat Cha Chaan Teng in near future.

Each of Mr. Tsui K. F., Ms. Tsui Y. Y. and Mr. Tsui C. K. has undertaken to the Group that as long as he/she retains any interest in the Roasted Meat Cha Chaan Teng, he/she will not agree to be appointed as any director or management of any member of the Group.

On 16 June 2016, Zhao Tian, Mr. Chan, Mrs. Chan, Bright Creator, Hong Cui, Mr. Wong, Sun Foo Sing, Sky Gain, Mr. Ho, Mr. Tsui K. F., Mr. David Chow, Mr. Anthony Chow, Mr. Lam, Ms. Tsui Y. Y., Mr. Tsui C. K. and Mr. Tam (each a "Covenantor" and collectively the "Covenantors") have entered into a deed of non-competition (the "Deed of Non-competition") in favour of the Company and its subsidiaries. Pursuant to the Deed of Non-competition, each of the Covenantors has irrevocably and unconditionally undertaken to the Company (for itself and for the benefit of its subsidiaries) that, save and except as disclosed in the Prospectus, during the period that the Deed of Non-competition remains effective, she/he/it shall not, and shall procure that her/his/its close associates (other than any member of the Group) not to develop, acquire, invest in, participate in, carry on or be engaged, concerned or interested, or otherwise be involved, directly or indirectly, in any business in competition with or likely to be in competition with the existing business activity of any member of the Group within Hong Kong and such other parts of the world where any member of the Group may operate from time to time, save for the holding of not more than 5% shareholding interests (individually or with her/his/its close associates) in any company listed on a recognised stock exchange and at any time the relevant listed company shall have at least one shareholder (individually or with her/his/its close associates, if applicable) whose shareholding interests in the relevant listed company is higher than that of the relevant Covenantor (individually or with her/his/its close associates).

The Directors confirmed that the undertakings contained in the Deed of Non-competition have been fully complied with by the Group and the Covenantors since the Company's listing on the Stock Exchange up to the date of this report.

Directors' Report

Save as disclosed above and as of the date of this report, none of the Directors or Controlling Shareholders or their respective close associates had any interests in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group, nor any other conflict of interest which any such person has or may have with the Group.

Non-Competition Undertaking

Each of the Covenantors further undertakes that if she/he/it or her/his/its close associates other than any member of the Group is offered or becomes aware of any business opportunity which may compete with any business opportunity of the Group, she/he/it shall procure that her/his/its close associates to promptly notify the Group in writing with such required information to enable the Group to evaluate the merits of the relevant business opportunity and the Group shall have a right of first refusal to take up such opportunity and jointly pursue the same with the relevant Covenantor. The parties shall then negotiate in good faith with respect to a collaboration for such new business.

The Group shall, within 30 days after receipt of the written notice (or such longer period if the Group is required to complete any approval procedures as set out under the Listing Rules from time to time), notify the Covenantor(s) whether the Group will exercise the right of first refusal. The Group shall only exercise the right of first refusal upon the approval of all independent non-executive Directors who do not have any interest in such opportunity. The relevant Covenantor(s) and the other conflicting Directors (if any) shall abstain from participating in and voting at and shall not be counted as quorum at all meetings of the Board where there is a conflict of interest or potential conflict of interest including but not limited to the relevant meeting of the independent non-executive Directors for considering whether or not to exercise the right of first refusal.

Details of the Deed of Non-Competition have been set out in the section headed "Relationship with Controlling Shareholders" of the Prospectus. The Company has received a written confirmation from each of the Covenantors in respect of its/his/her compliance with the terms of the Deed of Non-Competition during the Reporting Period and up to the date of this annual report.

All the independent non-executive Directors are delegated with the authority to review the Deed of Non-Competition. The independent non-executive Directors were not aware of any non-compliance of the Deed of Non-Competition given by the Controlling Shareholders from the date of the Deed of Non-Competition and up to the date of this annual report.

Purchase, Sale or Redemption of the Company's Listed Securities

Neither the Company nor any of its subsidiaries had purchased or sold any of the Company's listed securities during the Reporting Period.

The Company did not redeem any of its listed securities during the Reporting Period.

Arrangements to Purchase Shares or Debentures

Apart from the sections headed "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures", "Substantial Shareholders" and Other Persons' Interests and Short Positions in Shares, Underlying Shares and Debentures" and "Share Option Scheme" below, at no time during the Reporting Period were rights to acquire benefits by means of the acquisition of Shares in or debentures of the Company granted to any Director or their respective associates nor was the Company and any of its subsidiaries a party to any arrangement to enable the Directors, or their respective associates to acquire such rights in any other body corporate.

Directors' Report

Equity-Linked Agreement

Save as disclosed in the section headed "Share Option Scheme" below, no equity-linked agreements were entered into during Reporting Period or subsisted at the end of the year ended 31 December 2019.

Environmental Policies and Performance

The Group is devoted to promoting and maintaining the environmental and social sustainable development of the regions where it operates. As a responsible enterprise, the Group strives to comply with all the relevant laws and regulations in terms of the environmentally friendliness, health and safety, adopts effective measures, conserves energy and reduces waste.

A report on environmental, social and governance matters is set out in the section headed "Environmental, Social and Governance Report" on pages 16 to 36 of this annual report.

Compliance with Relevant Laws and Regulations

The Group recognises the importance of compliance with legal and regulatory requirements and the risk of non-compliance with such requirements. The Group conducts on-going reviews of newly enacted/revised laws and regulations affecting its operations. The Company is not aware of any non-compliance in any material respect with the relevant laws and regulations that have a significant impact on the business and operation of the Group during the Reporting Period.

Relationship with Employees, Suppliers, Customers and other Stakeholders

The Group understands that the success of the Group's business depends on the support from its key stakeholders, including employees, customers, suppliers, banks, regulators and shareholders. The Group will continue to ensure effective communication and maintain good relationship with each of its key stakeholders.

Audit Committee

The Audit Committee together with the management have reviewed the accounting standards and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters in connection with the preparation of the audited consolidated financial statements of the Group for the year ended 31 December 2019.

Sufficiency of Public Float

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Directors confirmed that, the Company has maintained the amount of public float as required under the Listing Rules as at the latest practicable date prior to the issue of this annual report.

Auditor

Ting Ho Kwan & Chan CPA Limited ("THKC") has been appointed by the Directors as the first auditor of the Company since the Listing date. THKC will retire, and being eligible, offer themselves for re-appointment at the forthcoming AGM. A resolution for its re-appointment as auditor of the Company will be proposed at the forthcoming AGM. The Financial Statements have been audited by THKC.

Share Option Scheme

The Company has conditionally adopted a share option scheme on 16 June 2016. The terms of the share option scheme are in accordance with the provisions of Chapter 17 of the Listing Rules. Particulars of the share option scheme which was adopted on 16 June 2016 are set out in Note 41 to the Financial Statements of this annual report. No share options were granted since the adoption of the share option scheme and there were no share option outstanding as at 31 December 2019.

Disclosure of Interests

A. Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 31 December 2019, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meanings of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which any such director or chief executive is taken or deemed to have under such provision of the SFO) or which were required pursuant to section 352 of the SFO, to be entered in the register of members of the Company, or which were required, pursuant to standard of dealings by Directors as referred to the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

(i) Long Position in the Shares

Name of Director	Capacity/Nature	Number of Shares held/ interested in	Approximate percentage of shareholding
Mr. Chan Chun Kit ("Mr. Chan")	Interest in a controlled corporation *(Note 1)*	376,531,400	37.65%
	Interests held jointly with other persons *(Note 2)*	74,531,200	7.45%
	Beneficial owner	16,750,000	1.68%
Mr. Wong Ka Wai ("Mr. Wong")	Beneficial owner	74,156,200	7.42%
Mr. Chow Yiu Pong David ("Mr. David Chow")	Interest in a controlled corporation *(Note 3)*	74,156,200	7.42%
Mr. Lam Kwok Leung Peter ("Mr. Lam")	Interests held jointly with other persons *(Note 2 and 4)*	467,437,600	46.74%
	Beneficial owner	375,000	0.04%
Prof. Wong Lung Tak Patrick	Beneficial owner (including interest of his spouse)	5,412,500	0.54%

Notes:

1. Mr. Chan owns 50% of Bright Creator Limited ("Bright Creator"), which in turn owns approximately 37.65% of the entire issued share capital of the Company. As such, Mr. Chan is deemed, or taken to be, interested in all the Shares held by Bright Creator for the purposes of the SFO. Mr. Chan is a director of Bright Creator.

2. Mr. Chan and Mr. Lam (together with Ms. Liu Siu Kuen, Bright Creator, Sun Foo Sing Development Limited (Sun Foo Sing), Mr. Ho Wood Yam, Mr. Tsui King Foo, Ms. Tsui Yuk Yi and Mr. Tsui Chi Kit) are parties acting in concert (having the meaning ascribed to it under the Code on Takeovers and Mergers) pursuant to the concert party deed, the supplemental deed and the second supplemental deed dated 25 September 2015, 6 June 2016 and 8 October 2019, respectively. As such, Mr. Chan and Mr. Lam (together with Ms. Liu Siu Kuen, Bright Creator, Sun Foo Sing, Mr. Ho Wood Yam, Mr. Tsui King Foo, Ms. Tsui Yuk Yi and Mr. Tsui Chi Kit) together control approximately 46.78% of the entire issued share capital of the Company.

3. Mr. David Chow owns 37.5% issued shares of Sky Gain Investments Limited (Sky Gain), which in turn owns approximately 7.42% of the entire issued share capital of the Company.

4. Mr. Lam owns 10% issued shares of Sun Foo Sing, which in turn owns approximately 7.42% of the entire issued share capital of the Company.

B. Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 31 December 2019, the interest and short positions of the persons/entities (other than the Directors or chief executive of the Company) in the shares and underlying shares of the Company which were notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO or required to be recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

Long Position in the Shares

Name of Shareholder	Capacity/Nature	Number of shares held/ interested in	Approximate percentage of shareholding
Bright Creator	Interests held jointly with other persons *(Note 1)*	91,281,200	9.13%
	Beneficial owner	376,531,400	37.65%
Ms. Liu Siu Kuen	Interests held jointly with other persons *(Note 1)*	74,531,200	7.45%
	Interest in a controlled corporation *(Note 2)*	376,531,400	37.65%
	Interest of spouse *(Note 2)*	16,750,000	1.68%
Sun Foo Sing	Interests held jointly with other persons *(Note 1)*	393,656,400	39.36%
	Beneficial owner *(Note 3)*	74,156,200	7.42%
Mr. Ho Wood Yam	Interests held jointly with other persons *(Note 1)*	393,656,400	39.36%

Name of Shareholder	Capacity/Nature	Number of shares held/ interested in	Approximate percentage of shareholding
	Interest in a controlled corporation *(Note 3)*	74,156,200	7.42%
Mr. Tsui King Foo	Interests held jointly with other persons *(Notes 1 and 3)*	467,812,600	46.78%
Ms. Tsui Yuk Yi	Interests held jointly with other persons *(Notes 1 and 3)*	467,812,600	46.78%
Mr. Tsui Chi Kit	Interests held jointly with other persons *(Notes 1 and 3)*	467,812,600	46.78%
Sky Gain	Beneficial owner	74,156,200	7.42%
Mr. Chow Chor Ting Anthony	Interest in a controlled corporation *(Note 4)*	74,156,200	7.42%
Ms. Lau Lai Ngor	Interest of spouse *(Note 5)*	74,156,200	7.42%
Ms. Lau Ngar Ching Angel	Interest of spouse *(Note 6)*	74,156,200	7.42%
Ms. Lui Wai Har	Interest of spouse *(Note 7)*	467,812,600	46.78%
Ms. Cho Sin Sum Fion	Interest of spouse *(Note 8)*	74,156,200	7.42%
Ms. Chan Bik Yuk Mariana	Interest of spouse *(Note 9)*	467,812,600	46.78%
Mr. Fong Man Wai	Interest of spouse *(Note 10)*	467,812,600	46.78%
Sincere Expand Limited	Beneficial interest *(Note 11)*	53,530,000	5.53%
Richmax Investment (H.K.) Limited	Interest in a controlled corporation *(Note 11)*	53,530,000	5.53%
Mr. Cheung Yuen Chau	Interest in a controlled corporation *(Note 11)*	53,530,000	5.53%
Mr. David Chu	Interest in a controlled corporation *(Note 11)*	53,530,000	5.53%
Ms. Tsang Siu Lan	Interest of spouse *(Note 12)*	53,530,000	5.53%
Ms. Phyllis Woon Kink Cheng	Interest of spouse *(Note 13)*	53,530,000	5.53%

Notes:

1. Ms. Liu Siu Kuen, Bright Creator, Sun Foo Sing, Mr. Ho Wood Yam, Mr. Tsui King Foo, Ms. Tsui Yuk Yi and Mr. Tsui Chi Kit (together with Mr. Chan and Mr. Lam) are parties acting in concert (having the meaning ascribed to it under the Code on Takeovers and Mergers) pursuant to the concert party deed, the supplemental deed and the second supplemental deed dated 25 September 2015, 6 June 2016 and 8 October 2019, respectively. As such, Ms. Liu Siu Kuen, Bright Creator, Sun Foo Sing, Mr. Ho Wood Yam, Mr. Tsui King Foo, Ms. Tsui Yuk Yi and Mr. Tsui Chi Kit (together with Mr. Chan and Mr. Lam) together control approximately 46.78% of the entire issued share capital of the Company.

2. Ms. Liu Siu Kuen owns 50% issued shares of Bright Creator. As such, Ms. Liu Siu Kuen is deemed, or taken to be, interested in all the Shares held by Bright Creator for the purposes of the SFO. Ms. Liu Siu Kuen is the spouse of Mr. Chan and is deemed or taken to be interested in all the Shares in which Mr. Chan has, or is deemed to have, an interest for the purpose of the SFO.

3. Each of Mr. Ho Wood Yam, Mr. Tsui King Foo, Mr. Lam, Mr. Tsui Chi Kit and Ms. Tsui Yuk Yi owns 50%, 25%, 10%, 7.5% and 7.5% issued shares of Sun Foo Sing respectively.

4. Each of Mr. David Chow, Mr. Chow Chor Ting Anthony and Mr. Tam Chie Sang owns 37.5%, 37.5% and 25% issued shares of Sky Gain respectively.

5. Ms. Lau Lai Ngor is the spouse of Mr. Chow Chor Ting Anthony and is deemed or taken to be interested in all the Shares in which Mr. Chow Chor Ting Anthony has, or is deemed to have, an interest for the purpose of the SFO.

6. Ms. Lau Ngar Ching Angel is the spouse of Mr. Wong and is deemed or taken to be interested in all the Shares in which Mr. Wong has, or is deemed to have, an interest for the purpose of the SFO.

7. Ms. Lui Wai Har is the spouse of Mr. Tsui King Foo and is deemed or taken to be interested in all the Shares in which Mr. Tsui King Foo has, or is deemed to have, an interest for the purpose of the SFO.

8. Ms. Cho Sin Sum Fion is the spouse of Mr. David Chow and is deemed or taken to be interested in all the Shares in which Mr. David Chow has, or is deemed to have, an interest for the purpose of the SFO.

9. Ms. Chan Bik Yuk Mariana is the spouse of Mr. Lam and is deemed or taken to be interested in all the Shares in which Mr. Lam has, or is deemed to have, an interest for the purpose of the SFO.

10. Mr. Fong Man Wai is the spouse of Ms. Tsui Yuk Yi and is deemed or taken to be interested in all the Shares in which Ms. Tsui Yuk Yi has, or is deemed to have, an interest for the purpose of the SFO.

11. Sincere Expand Limited is an investment-holding company incorporated in the BVI and wholly-owned by Richmax Investment (H.K.) Limited. Each of Mr. David Chu and Mr. Cheung Yuen Chan owns approximately 46.67% and 40% issued shares of Richmax Investment (H.K.) Limited respectively. As such, each of Richmax Investment (H.K.) Limited, Mr. David Chu and Mr. Cheung Yuen Chau is deemed, or taken to be, interested in all the Shares held by Sincere Expand Limited for the purposes of the SFO.

12. Ms. Tsang Siu Lan is the spouse of Mr. David Chu and is deemed or taken to be interested in all the Shares in which Mr. David Chu has, or is deemed to have, an interest for the purpose of the SFO.

13. Ms. Phyllis Woon Kink Cheng is the spouse of Mr. Cheung Yuen Chau and is deemed or taken to be interested in all the Shares in which Mr. Cheung Yuen Chau has, or is deemed to have, an interest for the purpose of the SFO.

Directors' Report

Connected Transactions and Related Party Transactions

The Company had not entered into any connected transaction during the Reporting Period which is required to be disclosed under the Listing Rules. Related party transactions entered into by the Group during the Reporting Period are disclosed in Note 39 to the Financial Statements.

Other than the related party transaction disclosed in Note 39 to the Financial Statements, no transactions, arrangements, contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party, and in which a Director or his connected entity had a material interest, whether directly or indirectly, were entered into or subsisted at the end of the Reporting Period or at any time during the Reporting Period.

2019 Annual General Meeting and Closure of Register of Members

The forthcoming AGM will be held at the Causeway Bay Star of Canton Restaurant, which is located at 21/F, Lee Theatre Plaza, 99 Percival Street, Causeway Bay, Hong Kong on Wednesday, 24 June 2020 at 10:00 a.m.

For determining the entitlement to attend and vote at the forthcoming AGM, the register of members of the Company will be closed from Friday, 19 June 2020 to Wednesday, 24 June 2020 (both days inclusive) during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the forthcoming AGM, all share 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 Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Thursday, 18 June 2020.

Events after the Reporting Date of 31 December 2019

Details of the events after the reporting date of 31 December 2019 has been disclosed in Note 42 to the Financial Statements of this annual report. Save as disclosed therein, the Board is not aware of any significant event requiring disclosure that has taken place subsequent to 31 December 2019 and up to the date of this report.

On behalf of the Board
Chan Chun Kit
Chairman and Chief Executive Officer

Hong Kong, 14 May 2020

Independent Auditor's Report

TING HO KWAN & CHAN CPA LIMITED

9th Floor, Tung Ning Building, 249-253 Des Voeux Road Central, Hong Kong

To the Members of Li Bao Ge Group Limited
(Incorporated in Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of Li Bao Ge Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 75 to 151, which comprise the consolidated statement of financial position as at 31 December 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

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

Key Audit Matters

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

Independent Auditor's Report (continued)

Taxation

Key audit matter	How the matter was addressed in our audit
Refer to note 13 to the consolidated financial statements	
The Group is subject to current income tax both in Hong Kong and the People's Republic of China. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group has deferred tax assets of approximately HK$1,144,000 and unrecognised deferred tax assets of approximately HK$12,370,000 as at 31 December 2019. During the year, the Group has performed a review of all deferred tax assets and liabilities to ensure they have been calculated correctly and that they are substantiated by supporting documentation. We identified the amount of deferred tax assets as a key audit matter due to the significance of the balance to the consolidated financial statements as a whole, together with the judgement associated with the assessment of whether deferred tax assets will be utilised in future periods given the operation cycle of restaurant business and the difficulty in estimating when and where taxable profits will arise within the Group.	We assessed and formed our own views on the key judgements with respect to the tax position and found that the judgements made by the management were in line with our views. We have also assessed the adequacy and appropriateness of the current income tax provision and the deferred tax assets by discussing with the management to understand the assumptions and estimation behind and testing the calculations and payments. Where the recoverability of deferred tax assets is dependent on future taxable profits available against which a deductible difference can be utilised when there are sufficient taxable differences relating to the same taxation authority and the same taxable entity which are expected to reverse; (a) in the same period as the expected reversal of the deductible temporary difference; or (b) in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. We challenged and evaluated the reasonableness of the Group's management's estimates and forecast used by using information that we gathered and our knowledge of the restaurant industry and determined that they are being made on a consistent basis to previous years. We found no material misstatements from our testing.

Provision for reinstatement costs

Key audit matter	How the matter was addressed in our audit
Refer to note 32 to the consolidated financial statements	
Provision for reinstatement costs amounting to approximately HK$6,055,000 is estimated by the Group management at the inception of leasing properties with reinstatement clause and this will be reassessed at each reporting date with reference to the latest available quotation from independent contractors. This assessment involves significant judgements made by the management and is therefore identified as a key audit matter.	We assessed the adequacy of reinstatement cost provision by reviewing the latest quotation from independent contractors. We also recalculated the provision and evaluated the key assumptions adopted by the management through reviewing the terms of the operating leases and assessing the reliability of the Group's management's past assumptions and best estimates. Based on the available evidence obtained, we found the management's assumptions and estimates in relation to the provision of reinstatement costs to be reasonable and consistent with the Group's accounting policy.

Carrying value of property, plant and equipment of restaurants

Key audit matter	How the matter was addressed in our audit
Refer to note 16 to the consolidated financial statements	
The carrying value of the Group's property, plant and equipment as at 31 December 2019 was approximately HK$70,282,000 and the related depreciation charge and impairment for the year ended 31 December 2019 were approximately HK$13,424,000 and HK$3,579,000 respectively. Depreciation rates, useful lives and the carrying value of property, plant and equipment are reviewed annually by the management. The Group carries these assets at cost less accumulated depreciation and any accumulated impairment. Such review takes into account any unexpected adverse changes in circumstances or events, current and forecast market values, including declines in projected operating results, negative industry or economic trends. The Group extends or shortens the useful lives and/or makes impairment provisions according to the results of the review. We identified the above assessment of property, plant and equipment as a key audit matter due to its significance in amount and a high degree of management judgement involved in the assessment.	We have reviewed the management's estimates and assertions regarding, estimated useful lives and residual values of the property, plant and equipment as well as the management's plan for the future maintenance or decoration on the restaurant premises. We have discussed the current status of leasehold improvements of each restaurant with the management team regarding any indicator of possible impairment identified. We assessed the reasonableness of management's assumptions and critical judgements by using the past restaurant operation experiences within the Group. We concluded that management's conclusion and estimates on assessing the carrying value of property, plant and equipment to be consistent with the available evidence.

Carrying value of right-of-use assets of restaurant premises

Key audit matter	How the matter was addressed in our audit
Refer to note 17 to the consolidated financial statements	
The carrying value of the Group's right-of-use assets as at 31 December 2019 was approximately HK$167,961,000 and the related depreciation charge and impairment for the year ended 31 December 2019 were approximately HK$47,231,000 and HK$18,155,000 respectively. Right-of-use assets are recognised by the Group management at the inception of the lease period which involves significant judgements made by the management. Depreciation rates, lease terms and the carrying value of right-of-use assets are reviewed annually by the management. The Group carries these assets at cost less accumulated depreciation and any accumulated impairment. Such review takes into account any unexpected adverse changes in circumstances or events, current and forecast market values, including declines in projected operating results, negative industry or economic trends. The Group extends or shortens the useful lives and/or makes impairment provisions according to the results of the review. We identified the above assessment of right-of-use assets as a key audit matter due to its significance in amount and a high degree of management judgement involved in the assessment.	We have reviewed the management's estimates and assertions regarding, the appropriate lease term and incremental borrowing rate that used for recognising the right-of-use assets. We have discussed the current status of right-of-use assets of each restaurant with the management team regarding any indicator of possible impairment identified. We concluded that management's conclusion and estimates on assessing the carrying value of right-of-use assets to be consistent with the available evidence.

Other Information

The directors of the Company are responsible for the Other Information. The Other Information comprises all information in the annual report, but does not include the consolidated financial statements and our auditor's report thereon ("the Other Information").

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of the Other Information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Consolidated Financial Statements

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

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

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

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

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

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

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

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

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

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

We also provide audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

The engagement director on the audit resulting in this independent auditor's report is Mr. Chan Shu Kin.

TING HO KWAN & CHAN CPA LIMITED
Certified Public Accountants
Chan Shu Kin
Practising Certificate Number: P01297

9/F., Tung Ning Building,
249-253 Des Voeux Road Central,
HONG KONG
14 May 2020

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
Revenue	8	**352,861**	360,509
Other income	8	**1,813**	2,041
Other losses	9	**–**	(97)
Cost of materials consumed		**(126,648)**	(119,946)
Employee benefits expense	10	**(94,956)**	(86,196)
Depreciation	11	**(60,655)**	(16,507)
Other expenses	11	**(89,381)**	(132,068)
Operating (loss)/profit		**(16,966)**	7,736
Listing expenses		**–**	(2,235)
Impairment loss on property, plant and equipment	16	**(3,579)**	–
Impairment loss on right-of-use assets	17	**(18,155)**	–
Finance costs	12	**(11,393)**	(494)
(Loss)/profit before income tax		**(50,093)**	5,007
Income tax expense	13	**(9,248)**	(2,745)
(Loss)/profit for the year attributable to owners of the Company		**(59,341)**	2,262
Other comprehensive expense			
Item that may be reclassified subsequently to profit or loss:			
Exchange difference arising from translation of financial statements of foreign operations		**(300)**	(3,264)
Total comprehensive expense for the year attributable to owners of the Company		**(59,641)**	(1,002)
Basic (loss)/earnings per share	15	**HK cent (7.29)**	HK cent 0.28

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 4.

The notes on pages 80 to 151 form an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	16	**70,282**	49,842
Right-of-use assets	17	**167,961**	–
Rental deposits	22	**14,948**	19,284
Deposits placed for life insurance policies	18	**2,115**	2,048
Deferred tax assets	33	**1,144**	8,380
		256,450	79,554
Current assets			
Inventories	20	**13,968**	15,722
Trade receivables	21	**3,844**	4,014
Deposits, prepayments and other receivables	22	**16,943**	9,284
Current tax recoverable		**1,287**	1,238
Pledged bank deposits	23	**11,029**	11,002
Cash and cash equivalents	24	**71,151**	60,447
		118,222	101,707
Total assets		**374,672**	181,261
EQUITY			
Equity attributable to owners of the Company			
Share capital	25	**10,000**	8,000
Reserves		**82,799**	115,283
Total equity		**92,799**	123,283
LIABILITIES			
Non-current liabilities			
Lease liabilities	30	**141,598**	–
Contract liabilities	28	**–**	25
Obligations under finance leases	31	**–**	67
Provision for reinstatement costs	32	**4,743**	4,823
		146,341	4,915

Consolidated Statement of Financial Position (continued)

As at 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
Current liabilities			
Trade payables	26	16,350	7,365
Accruals, provisions and deposits received	27	26,026	18,386
Contract liabilities	28	16,590	15,860
Bank borrowings	29	7,444	10,567
Lease liabilities	30	67,267	–
Obligations under finance leases	31	–	195
Current tax payable		543	690
Provision for reinstatement costs	32	1,312	–
		135,532	53,063
Total liabilities		281,873	57,978
Total equity and liabilities		374,672	181,261
Net current (liabilities)/assets		(17,310)	48,644

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 4.

These consolidated financial statements were approved and authorised for issue by the board of directors on 14 May 2020 and are signed on its behalf by:

CHAN Chun Kit
Director

CHAN Josephine Wai Sze
Director

The notes on pages 80 to 151 form an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2019

	Attributable to owners of the Company					
	Share capital *HK$'000*	**Share premium** *HK$'000*	**Other reserves** *(note 33)* *HK$'000*	**Exchange translation reserve** *HK$'000*	**Retained profits/ (accumulated losses)** *HK$'000*	**Total** *HK$'000*
Balance as at 1 January 2018	8,000	55,134	42,396	(927)	31,682	136,285
Profit for the year	–	–	–	–	2,262	2,262
Currency translation differences	–	–	–	(3,264)	–	(3,264)
Total comprehensive expense for the year	–	–	–	(3,264)	2,262	(1,002)
Dividend paid	–	–	–	–	(12,000)	(12,000)
Balance as at 31 December 2018	8,000	55,134	42,396	(4,191)	21,944	123,283
Balance as at 31 December 2018	8,000	55,134	42,396	(4,191)	21,944	123,283
Change in accounting policy – HKFRS 16 (note 4)	–	–	–	–	(12,593)	(12,593)
Balance as at 1 January 2019 (restated)	**8,000**	**55,134**	**42,396**	**(4,191)**	**9,351**	**110,690**
Loss for the year	**–**	**–**	**–**	**–**	**(59,341)**	**(59,341)**
Currency translation differences	**–**	**–**	**–**	**(300)**	**–**	**(300)**
Total comprehensive expense for the year	**–**	**–**	**–**	**(300)**	**(59,341)**	**(59,641)**
Issue of new shares under rights issue, net (note 25)	**2,000**	**43,750**	**–**	**–**	**–**	**45,750**
Dividend paid (note 14)	**–**	**–**	**–**	**–**	**(4,000)**	**(4,000)**
Balance as at 31 December 2019	**10,000**	**98,884**	**42,396**	**(4,491)**	**(53,990)**	**92,799**

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 4.

The notes on pages 80 to 151 form an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
Operating activities			
Cash generated from operations	24(b)	60,884	21,051
Income tax paid, net		(2,210)	(7,730)
Net cash generated from operating activities		58,674	13,321
Investing activities			
Interest received		588	157
Purchases of property, plant and equipment		(40,055)	(5,931)
Refund from life insurance policies		–	3,735
Deposits paid for life insurance policies		–	(205)
Net cash used in investing activities		(39,467)	(2,244)
Financing activities			
Proceeds from shares issued under rights issue, net of issuing cost	25	45,750	–
Other borrowing costs paid	24(c)	(513)	(478)
Dividends paid	14	(4,000)	(12,000)
Repayments of bank borrowings	24(c)	(3,123)	(3,209)
Repayments of finance lease obligations	24(c)	–	(192)
Capital element of lease rentals paid	24(c)	(35,655)	–
Interest element of lease rentals paid	24(c)	(10,880)	(16)
Net cash used in financing activities		(8,421)	(15,895)
Net increase/(decrease) in cash and cash equivalents		10,786	(4,818)
Cash and cash equivalents at beginning of the year	24(a)	60,447	67,494
Effect of foreign exchange rate changes		(82)	(2,229)
Cash and cash equivalents at end of the year	24(a)	71,151	60,447

The notes on pages 80 to 151 form an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

1 General Information

Li Bao Ge Group Limited (the "Company") was incorporated in the Cayman Islands on 1 September 2015 as an exempted company with limited liability under the Companies Law (2013 Revision) of the Cayman Islands. The address of the Company's registered office and principal place of business are Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman KY1-1108, Cayman Islands and Room 2702, 27/F., Tower 2, Kowloon Commerce Centre, 51 Kwai Cheong Road, Kwai Chung, New Territories, respectively. The Company is listed on the Main Board of The Stock Exchange of Hong Kong Limited.

The Company is an investment holding company and its subsidiaries (collectively, the "Group") are principally engaged in the operation of a chain of Chinese restaurants in Hong Kong and the People's Republic of China ("PRC").

As detailed in the announcements of the Company dated 8 October 2019, after the completion of the distribution in specie, Zhao Tian Ventures Limited ceased to be a direct shareholder of the Company. In the opinion of the directors of the Company (the "Directors"), the controlling shareholders (having the meaning ascribed to it in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules")) of the Company, include Bright Creator Limited, Mr. Chan Chun Kit and his spouse Ms. Liu Siu Kuen, Sun Foo Sing Development Limited, Mr. Ho Wood Yam, Mr. Tsui King Foo, Mr. Lam Kwok Leung Peter, Mr. Tsui Chi Kit and Ms. Tsui Yuk Yi.

2 Statement of Compliance with Hong Kong Financial Reporting Standards

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations ("Int") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These consolidated financial statements also comply with the applicable disclosure provisions of the Listing Rules. A summary of significant accounting policies adopted by the Group is set out in note 3.

The HKICPA has issued certain new, revised HKFRSs and interpretation that are first effective or available for early adoption for the current accounting period of the Group. Note 4 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these consolidated financial statements.

3 Summary of Significant Accounting Policies

3.1 Basis of preparation

The consolidated financial statements for the year ended 31 December 2019 comprise the Company and its subsidiaries (together referred to as the "Group").

The consolidated financial statements are presented in Hong Kong dollars ("HK$") which is the same as the functional currency of the Company and all values are rounded to the nearest thousand except where otherwise indicated.

The consolidated financial statements have been prepared under the historical cost convention.

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 6.

In preparing the consolidated financial statements, the directors of the Company have given due and careful consideration to the future liquidity of the Group in light of the Group's net current liabilities position of approximately HK$17,310,000 as at 31 December 2019. As at 31 December 2019, the Group obtained a banking facility of HK$44,650,000 with an unutilised amount of HK$37,206,000.

Having considered the above available undrawn banking facility and the estimated future cash flows generated from the Group's operations, the directors of the Company are satisfied that the Group will have sufficient working capital for its present requirements for the foreseeable future. On this basis, the consolidated financial statements have been prepared on a going concern basis.

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

3 Summary of Significant Accounting Policies (continued)

3.2 Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

Investments in subsidiaries are consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment losses (see note 3.7), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

3.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker (the "CODM"). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer ("CEO") of the Group who makes strategic decisions.

3.4 Foreign currency transactions

(a) Functional and presentation currency

Items included in the consolidated financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is also the Company's functional and presentation currency.

3 Summary of Significant Accounting Policies (continued)

3.4 Foreign currency transactions (continued)

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of profit or loss and other comprehensive income. Foreign exchange gains and losses are presented in the consolidated statement of profit or loss and other comprehensive income within 'other gains and losses'.

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of this consolidated statement of financial position;

(ii) income and expenses for each profit and loss account are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) all resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Currency translation differences arising are recognised in other comprehensive income.

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the equity holders of the Company are reclassified to profit or loss.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (that is, reductions in the Group's ownership interest in associates or jointly controlled entities that do not result in the Group losing significant influence or joint control) the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

3 Summary of Significant Accounting Policies (continued)

3.5 Property, plant and equipment

Property, plant and equipment other than crockery, utensils and linen are stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated statement of profit or loss and other comprehensive income during the financial period in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values, if any, over their estimated useful lives, as follows:

Leasehold improvements	Shorter of 5 to 8 years and the unexpired lease term
Furniture, fixtures and equipment	3 to 5 years
Motor vehicles	4 to 5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Initial expenditure incurred for crockery, utensils and linens is capitalised and no depreciation is provided thereon. The cost of subsequent replacement for these items is recognised in profit or loss when incurred.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see note 16).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other gains and losses' in the consolidated statement of profit or loss and other comprehensive income.

3 Summary of Significant Accounting Policies (continued)

3.6 Right-of-use assets

Right-of-use assets arising from leases over leasehold properties where the Group is not the registered owner of the property interest are stated at cost less accumulated depreciation and impairment losses (note 3.7).

Gains or losses arising from the retirement or disposal of an item of right-of-use assets are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of right-of-use assets, less their estimated residual value, if any, using the straight line method as follows:

– The Group's interests in buildings situated on leasehold land are depreciated over the shorter of the unexpired term of lease and the buildings' estimated useful lives, being no more than 50 years after the date of completion.

– Items of plant and equipment arising from leases of underlying plant and equipment are depreciated over the shorter of the unexpired term of the leases and their estimated useful lives.

Where parts of an item of right-of-use assets have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

3.7 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment.

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

3 Summary of Significant Accounting Policies (continued)

3.8 Financial assets

(a) Classification and measurement of financial assets

All recognised financial assets are subsequently measured at amortised cost or fair value.

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

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

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

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling; and

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

The Group's rental deposits, deposits placed for life insurance policies, trade receivables, deposits and other receivables, pledged bank deposits and cash and cash equivalents are subsequently measured at amortised cost.

Contingent consideration receivable is subsequently measured at fair value through profit or loss.

3 Summary of Significant Accounting Policies (continued)

3.8 Financial assets (continued)

(b) Amortised cost and interest income

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit loss ("ECL"), through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance.

On the other hand, the gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired.

3.9 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

3 Summary of Significant Accounting Policies (continued)

3.10 Credit losses and impairment of financial assets carried at amortised cost

The Group recognises a loss allowance for expected credit losses ("ECLs") on the following items:

– financial assets measured at amortised cost (including rental deposits, deposits placed for life insurance policies, trade receivables, deposits and other receivables, cash and cash equivalents and pledged bank deposits)

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

For undrawn loan commitments, expected cash shortfalls are measured as the difference between (i) the contractual cash flows that would be due to the Group if the holder of the loan commitment draws down on the loan and (ii) the cash flows that the Group expects to receive if the loan is drawn down.

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

– fixed-rate financial assets, trade and other receivables and contract assets: effective interest rate determined at initial recognition or an approximation thereof;

– variable-rate financial assets: current effective interest rate;

– lease receivables: discount rate used in the measurement of the lease receivable;

– loan commitments: current risk-free rate adjusted for risks specific to the cash flows.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

3 Summary of Significant Accounting Policies (continued)

3.10 Credit losses and impairment of financial assets carried at amortised cost (continued)

Measurement of ECLs (continued)

ECLs are measured on either of the following bases:

– 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

– lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables, lease receivables and contract assets are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments (including loan commitments issued), the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

3 Summary of Significant Accounting Policies (continued)

3.10 Credit losses and impairment of financial assets carried at amortised cost (continued)

Significant increases in credit risk (continued)

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

– failure to make payments of principal or interest on their contractually due dates;

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

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

– existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

For loan commitments, the date of initial recognition for the purpose of assessing ECLs is considered to be the date that the Group becomes a party to the irrevocable commitment. In assessing whether there has been a significant increase in credit risk since initial recognition of a loan commitment, the Group considers changes in the risk of default occurring on the loan to which the loan commitment relates.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt securities that are measured at FVTOCI (recycling), for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve (recycling).

Write-off policy

The gross carrying amount of a financial asset, lease receivable or contract asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

3 Summary of Significant Accounting Policies (continued)

3.11 Contract assets and Contract liabilities

A contract asset is recognised when the Group recognises revenue (see note 3.23) before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for expected credit losses ("ECLs") in accordance with the policy set out in note 3.10 and are reclassified to receivables when the right to the consideration has become unconditional (see note 3.12).

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue (see note 3.23). A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised.

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method (see note 3.23).

3.12 Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset.

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses. See note 3.8 for further information about the Group's accounting for trade and other receivables and note 3.10 for a description of the Group's impairment policies.

3.13 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less. Cash and cash equivalents are assessed for expected credit losses ("ECLs") in accordance with the policy set out in note 3.10.

3 Summary of Significant Accounting Policies (continued)

3.14 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

3.15 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, unless the effect of discounting would be immaterial, in which case they are stated at cost.

3.16 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statement of profit or loss and other comprehensive income over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facilities will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facilities will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facilities to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

3 Summary of Significant Accounting Policies (continued)

3.17 Borrowing costs

All borrowing costs are recognised in the consolidated statement of profit or loss and other comprehensive income in the period in which they are incurred since no borrowing costs are directly attributable to the acquisition, construction or production of qualified assets.

3.18 Current and deferred tax

The tax expense for the year comprises current and deferred tax. Tax is recognised in the consolidated statement of profit or loss and other comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is recognised in other comprehensive income or directly in equity, respectively.

(a) Current tax

The current tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred tax

Deferred tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated statement of financial position. However, the deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

3 Summary of Significant Accounting Policies (continued)

3.18 Current and deferred tax (continued)

(c) Offsetting

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

3.19 Employee benefits

(a) Pension obligation

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") in Hong Kong under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the profit or loss as they become payable in accordance with the rules of the MPF Scheme. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The full-time employees of the Group in the PRC are covered by various government-sponsored basic pension insurance under which the employees are entitled to a monthly pension based on certain formulas. The relevant government agencies are responsible for the pension liability to these retired employees. The Group contributes on a monthly basis to these pension plans. Under these plans, the Group has no obligation for post-retirement benefits beyond the contributions made. Contributions to these plans are expenses as incurred and contributions paid to the defined-contribution pension plans for a staff are not available to reduce the Group's future obligations to such defined-contribution pension plans even if the staff leaves the Group.

The Group's contributions are charged to the consolidated statement of profit or loss and other comprehensive income in the period they incurred.

3 Summary of Significant Accounting Policies (continued)

3.19 Employee benefits (continued)

(b) Housing funds, medical insurances and other social insurances

The PRC employees of the Group are entitled to participate in various government-supervised housing funds, medical insurance and other employee social insurance plan. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees, subject to certain ceiling. The Group's liability in respect of these funds is limited to the contributions payable in each period, and recognised as employee benefit expense when they are due.

(c) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(d) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to a termination when the Group has a detailed formal plan to terminate the employment of current employees without possibility of withdrawal. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than twelve months after the reporting date are discounted to their present value.

(e) Bonus plans

The Group recognises a liability and an expense for bonuses. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

3 Summary of Significant Accounting Policies (continued)

3.19 Employee benefits (continued)

(f) Long service payments

The Group's net obligation in respect of long service payments to its employees in Hong Kong upon cessation of their employment in certain circumstances under the Hong Kong Employment Ordinance is the amount of future benefits that the employees have earned in return for their services in the current and prior periods.

A provision is recognised in respect of the probable future long service payments expected to be made. The provision is based on the best estimate of the probable future payments which have been earned by the employees from their service to the Group to the end of the reporting period.

3.20 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in-first out method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

3.21 Other provisions and contingent liabilities

Other provisions are recognised for other liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

3.22 Provision for reinstatement costs

Provision for reinstatement costs represents the present value of the estimated cost for the restoration work of the Group's leased retail shops agreed to be carried out upon the expiry of the relevant leases using a risk-free pre-tax interest rate. The provision has been determined by the directors based on their best estimates. The related reinstatement costs have been included as leasehold improvements in the consolidated statement of financial position.

3 Summary of Significant Accounting Policies (continued)

3.23 Revenue recognition

Revenue from contracts with customers

Revenues are recognised when or as the control of the good or service is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the good or service may be transferred over time or at a point in time. The Group can recognise revenue over time if the Group meets one of the following conditions:

– provides the benefits which are received and consumed simultaneously by the customer as the Group performs;

– creates or enhances an asset that the customer controls as the Group performs; or

– does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods and services.

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the customer, and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method.

Further details of the Group's revenue recognition policies are as follows:

(a) Revenue from restaurant operations

Revenue is recognised at a particular point in time when customers have control over the goods, which is generally the time when the related catering services are rendered to customers.

(b) Revenue from sale of food ingredients

Revenue from sale of food ingredients consists of sales of dried foods sold to third parties and is recognised at a particular point in time when customers have control over the goods, which generally coincides with the date of delivery.

Other income

Interest income

Interest income is recognised as it accrues under the effective interest method using the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset. For financial assets measured at amortised cost or FVTOCI (recycling) that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see note 3.10).

3 Summary of Significant Accounting Policies (continued)

3.24 Leases

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

As a lessee

(A) Policy applicable from 1 January 2019

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets which, for the Group are primarily laptops and office furniture. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate.

After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see note 3.6).

3 Summary of Significant Accounting Policies (continued)

3.24 Leases (continued)

***As a lessee** (continued)*

(A) Policy applicable from 1 January 2019 (continued)

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets and lease liabilities separately in the consolidated statement of financial position.

(B) Policy applicable prior to 1 January 2019

Prior to 1 January 2019, leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated statement of profit or loss and other comprehensive income on a straight-line basis over the period of the lease.

The Group leases certain property, plant and equipment. Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the consolidated statement of profit or loss and other comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Item of property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

3 Summary of Significant Accounting Policies (continued)

3.25 Dividend distribution

Dividend distribution to the members of the Company and its subsidiaries is recognised as a liability in the consolidated statement of financial position in the period in which the dividends are approved by the shareholders or director, where appropriate, of the respective companies.

3.26 Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by a group entity are initially measured at their fair values and, if not designated as at FVTPL and do not arise from a transfer of a financial asset, are subsequently measured at the higher of:

- the amount of the loss allowance determined in accordance with HKFRS 9; and
- the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies.

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be acquired without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

3.27 Related parties

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

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

(ii) has significant influence over the Group; or

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

3 Summary of Significant Accounting Policies (continued)

3.27 Related parties (continued)

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third party and the other entity is an associate of third entity.

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

(vi) The entity is controlled or jointly controlled by a person identified in (a).

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

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

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

4 Changes in Accounting Policies

The HKICPA has issued a number of new and revised HKFRSs, which are generally effective for accounting periods beginning on or after 1 January 2019. The Group has adopted the following new and revised standards for the first time for the current year's consolidated financial statements:

HKFRS 16	Leases
HK(IFRIC)-Interpretation 23	Uncertainty over Income Tax Treatments
Amendment to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle

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

4 Changes in Accounting Policies (continued)

HKFRS 16, Leases

HKFRS 16 replaces HKAS 17, "Leases", and the related interpretations, HK(IFRIC) 4, "Determining whether an arrangement contains a lease", HK(SIC) 15, "Operating leases – incentives", and HK(SIC) 27, "Evaluating the substance of transactions involving the legal form of a lease". It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("short-term leases") and leases of low value assets. The lessor accounting requirements are brought forward from HKAS 17 substantially unchanged.

HKFRS 16 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to assess the effect that lease have on the financial position, financial performance and cash flows of an entity.

The Group has initially applied HKFRS 16 as from 1 January 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balances of right-of-use assets and lease liabilities at 1 January 2019. Comparative information has not been restated and continues to be reported under HKAS 17.

Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:

(a) New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in HKFRS 16 only to contracts that were entered into or changed on or after 1 January 2019. For contracts entered into before 1 January 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases. Accordingly, contracts that were previously assessed as leases under HKAS 17 continue to be accounted for as leases under HKFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

(b) Lessee accounting and transitional impact

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those short-term leases and leases of low-value assets which are exempt. As far as the Group is concerned, these newly capitalised leases are primarily in relation to property, plant and equipment as disclosed in note 17. For an explanation of how the Group applies lessee accounting, see note 3.24.

4 Changes in Accounting Policies (continued)

HKFRS 16, Leases (continued)

(b) Lessee accounting and transitional impact (continued)

At the date of transition to HKFRS 16 (i.e. 1 January 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1 January 2019. The weighted average of the incremental borrowing rates used for determination of the present value of the remaining lease payments was 6.05%.

To ease the transition to HKFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of HKFRS 16:

(i) The Group elected not to apply the requirements of HKFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of HKFRS 16, i.e. where the lease term ends on or before 31 December 2019.

(ii) when measuring the lease liabilities at the date of initial application of HKFRS 16, the Group applied a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment); and

(iii) when measuring the right-of-use assets at the date of initial application of HKFRS 16, the Group relied on the previous assessment for onerous contract provisions as at 31 December 2018 as an alternative to performing an impairment review.

4 Changes in Accounting Policies (continued)

HKFRS 16, Leases (continued)

(b) Lessee accounting and transitional impact (continued)

The following table reconciles the operating lease commitments as disclosed in note 38 as at 31 December 2018 to the opening balance for lease liabilities recognised as at 1 January 2019.

	At 1 January 2019 HK$'000
Operating lease commitments disclosed at 31 December 2018	198,736
Less: Short-term leases recognised on a straight-line basis as expenses and other leases with remaining lease terms ended on or before 31 December 2019	(12,296)
Discount arising from conversion into present value by discounting cash flows using the Group's incremental borrowing rate at 1 January 2019 (weighted average of 6.05%)	(20,717)
Operating lease commitments of leases contracted before 1 January 2019 with lease commencement date after 1 January 2019	(62,042)
Add: Lease payments for the additional periods where the Group considers it reasonably certain that it will exercise the extension options	16,320
Finance lease liabilities recognised as at 31 December 2018	262
Lease liabilities recognised upon application of HKFRS 16 as at 1 January 2019	120,263
Analysed as	
Current lease liabilities	43,068
Non-current lease liabilities	77,195
	120,263

4 Changes in Accounting Policies (continued)

HKFRS 16, Leases (continued)

(b) Lessee accounting and transitional impact (continued)

The carrying amount of right-of-use assets as at 1 January 2019 comprises the following:

	At 1 January 2019 HK$'000
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16	106,090
Amounts previously included in property, plant and equipment	2,116
	108,206
By class:	
Other properties leased for own use, carried at depreciated cost	108,002
Plant and equipment, carried at depreciated cost	204
	108,206

The following table summarises the impact of transition to HKFRS 16 on retained profits at 1 January 2019.

	Retained profits HK$'000
At 31 December 2018 and 1 January 2019 (previously stated)	21,944
Impact of adopting HKFRS 16	(12,593)
At 1 January 2019 (restated)	9,351

4 Changes in Accounting Policies (continued)

HKFRS 16, Leases (continued)

(b) Lessee accounting and transitional impact (continued)

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

Consolidated statement of financial position (extract)	31 December 2018 (As previously presented) HK$'000	Impacts of adopting HKFRS 16 HK$'000	1 January 2019 (As restated) HK$'000
Non-current assets			
Property, plant and equipment *(note 16)*	49,842	(2,116)	**47,726**
Right-of-use assets *(note 17)*	–	108,206	**108,206**
Current liabilities			
Accruals, provision and deposits received	18,386	(1,318)	**17,068**
Obligations under finance leases *(note 31)*	195	(195)	**–**
Lease liabilities *(note 30)*	–	43,068	**43,068**
Non current liabilities			
Lease liabilities *(note 30)*	–	77,195	**77,195**
Obligations under finance leases *(note 31)*	67	(67)	**–**
Net assets	123,283	(12,593)	**110,690**
Equity			
Retained profits	21,944	(12,593)	**9,351**

(c) Impact on the financial result, segment results and cash flows of the Group

After the initial recognition of right-of-use assets and lease liabilities as at 1 January 2019, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. This results in a positive impact on the reported loss from operations in the Group's consolidated income statement, as compared to the results if HKAS 17 had been applied during the year.

4 Changes in Accounting Policies (continued)

HKFRS 16, Leases (continued)

(c) Impact on the financial result, segment results and cash flows of the Group (continued)

In the consolidated cash flow statement, the Group as a lessee is required to split rentals paid under capitalised leases into their capital element and interest element. These elements are classified as financing cash outflows, similar to how leases previously classified as finance leases under HKAS 17 were treated, rather than as operating cash outflows, as was the case for operating leases under HKAS 17. Although total cash flows are unaffected, the adoption of HKFRS 16 therefore results in a change in presentation of cash flows within the consolidated cash flow statement.

The following tables may give an indication of the estimated impact of adoption of HKFRS 16 on the Group's financial result, segment results and cash flows for the year ended 31 December 2019, by adjusting the amounts reported under HKFRS 16 in these consolidated financial statements to compute estimates of the hypothetical amounts that would have been recognised under HKAS 17 if this superseded standard had continued to apply to 2019 instead of HKFRS 16, and by comparing these hypothetical amounts for 2019 with the actual 2018 corresponding amounts which were prepared under HKAS 17.

	2019				2018
	Amounts reported under HKFRS 16 (A) HK$'000	Add back: HKFRS 16 depreciation, impairment and interest expense (B) HK$'000	Deduct: Estimated amounts related to operating leases as if under HKAS 17 *(note 1)* (C) HK$'000	Hypothetical amounts for 2019 as if under HKAS 17 (D=A+B-C) HK$'000	Compared to amounts reported for 2018 under HKAS 17 HK$'000
Financial results for the year ended 31 December 2019 impacted by the adoption of HKFRS 16					
Operating (loss)/profit	(16,966)	46,750	(56,797)	(27,013)	7,736
Listing expenses	–	–	–	–	(2,235)
Impairment loss on property, plant and equipment	(3,579)	–	–	(3,579)	–
Impairment loss on right-of-use assets	(18,155)	18,155	–	–	–
Finance costs	(11,393)	10,873	–	(520)	(494)
(Loss)/profit before income tax	(50,093)	75,778	(56,797)	(31,112)	5,007
(Loss)/profit for the year	(59,341)	75,778	(56,797)	(40,360)	2,262

4 Changes in Accounting Policies (continued)

HKFRS 16, Leases (continued)

(c) Impact on the financial result, segment results and cash flows of the Group (continued)

	2019			2018
	Amounts reported under HKFRS 16 (A) HK$'000	Deduct: Estimated amounts related to operating leases as if under HKAS 17 *(note 1 and 2)* (B) HK$'000	Hypothetical amounts for 2019 as if under HKAS 17 (C=A+B) HK$'000	Compared to amounts reported for 2018 under HKAS 17 HK$'000
Line items in the consolidated cash flow statement for the year ended 31 December 2019 impacted by the adoption of HKFRS 16:				
Cash generated from/(used in) operations	60,884	(46,528)	14,356	21,051
Net cash generated from/(used in) operating activities	58,674	(46,528)	12,146	13,321
Capital element of lease rentals paid	(35,655)	35,655	–	–
Interest element of lease rentals paid	(10,880)	10,873	(7)	(16)
Net cash (used in)/generated from financing activities	(8,421)	46,528	38,107	(15,895)

Note 1: The "estimated amounts related to operating leases" is an estimate of the amounts of the cash flows in 2019 that relate to leases which would have been classified as operating leases, if HKAS 17 had still applied in 2019. This estimate assumes that there were no differences between rentals and cash flows and that all of the new leases entered into in 2019 would have been classified as operating leases under HKAS 17, if HKAS 17 had still applied in 2019. Any potential net tax effect is ignored.

Note 2: In this impact table these cash outflows are reclassified from financing to operating in order to compute hypothetical amounts of net cash generated from operating activities and net cash used in financing activities as if HKAS 17 still applied.

4 Changes in Accounting Policies (continued)

HK(IFRIC)-Int 23

HK(IFRIC)-Int 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses.

(i) whether an entity considers uncertain tax treatments separately;

(ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities;

(iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and

(iv) how an entity considers changes in facts and circumstances.

The adoption of HK(IFRIC) interpretation 23 did not have any significant impact on the Group's condensed consolidated financial statements.

The Group has not early applied any new standard, amendment or interpretation that has been issued but is not yet effective for the current accounting period (see note 44).

5 Financial Risk Management

5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and cash flow and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group does not use derivative financial instruments to hedge its risk exposures to changes in foreign exchange rates and interest rates.

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Foreign exchange risk arises when recognised assets and liabilities are denominated in a currency that is not the Group entities' functional currency. Most of the income and expenditures of the Group are denominated in HK$ and RMB, which are the functional currencies of the respective group entities. Even HK$ is not pegged to RMB, the historical exchange rate fluctuation on RMB is insignificant. Thus there is no significant exposure expected on RMB transactions and balances. Hence, the Group does not have any material foreign exchange exposure. The Group has not implemented or entered into any type of instruments or arrangements to hedge against currency exchange fluctuations for the years under review. As at 31 December 2018 and 2019, the Group did not have any outstanding hedging instruments.

5 Financial Risk Management (continued)

5.1 Financial risk factors (continued)

(a) Market risk (continued)

(ii) Cash flow and fair value interest rate risk

Cash flow interest rate risk is the risk that future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

The Group's interest rate risk arises from bank deposits and borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by bank deposits held at variable rates. The interest rate profile of borrowings is disclosed in Note 28. The bank deposits generate interest at the prevailing market interest rates.

The Group is exposed to cash flow interest rate risk in relation to bank balances and bank borrowings. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates on bank balances and the Best Lending Rate arising from the bank borrowings.

The sensitivity analyses below have been determined based on the exposure to effective interest rates for the variable-rate bank borrowings at the end of each reporting period.

As at 31 December 2019, if the effective interest rates on approximately HK$7,444,000 bank borrowings had been 1%, 2%, 3% higher/lower with all other variables held constant, loss before tax for the year would have been approximately HK$89,000, HK$179,000, HK$268,000 lower/higher respectively, mainly as a result of higher/lower finance costs on floating rate borrowings.

As at 31 December 2018, if the effective interest rates on approximately HK$10,567,000 bank borrowings had been 1%, 2%, 3% higher/lower with all other variables held constant, profit before tax for the year would have been approximately HK$99,000, HK$198,000, HK$296,000 lower/higher respectively, mainly as a result of higher/lower finance costs on floating rate borrowings.

(b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade and other receivables. The Group's exposure to credit risk arising from bank deposits is limited because the Group places their deposits to certain reputable banks with a minimum rating of "investment grade" ranked by an independent party. See note 23 for further disclosure on credit risk.

Trade receivables

The Group applied simplified approach to measuring expected credit losses which uses a lifetime expected credit loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

5 Financial Risk Management (continued)

5.1 Financial risk factors (continued)

(b) Credit risk (continued)

Trade receivables (continued)

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables as at 31 December 2019 and 2018:

		2019		2018	
Status	**Expected loss rate** %	**Gross carrying amount** *HK$'000*	**Loss allowance** *HK$'000*	Gross carrying amount *HK$'000*	Loss allowance *HK$'000*
Current	1%–2%	**3,401**	**50**	3,343	44
0 to 30 days past due	4%–10%	**219**	**9**	551	36
31 to 60 days past due	6%–11%	**165**	**10**	193	12
Over 60 days past due	15%–25%	**170**	**42**	26	7
		3,955	**111**	4,113	99

Expected loss rates are based on actual loss experience over the past 2 years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statement of financial position.

(c) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with debt covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from banks and other financial institutions to meet their liquidity requirements in the short and longer term. Management believes that there is no significant liquidity risk as the Group is able to generate net cash inflow from operating activities and has sufficient committed facilities to fund its operations and debt servicing requirements and to satisfy its future working capital and other financing requirements from its operation cash flows and available bank financing.

5 Financial Risk Management (continued)

5.1 Financial risk factors (continued)

(c) Liquidity risk (continued)

The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at each reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year *HK$'000*	Between 1 and 2 years *HK$'000*	Between 2 and 5 years *HK$'000*	Over 5 years *HK$'000*
At 31 December 2019				
Trade payables	16,350	–	–	–
Accruals and deposits received	25,382	–	–	–
Bank borrowings	7,531	–	–	–
Lease liabilities	69,209	53,664	88,909	43,853

	Less than 1 year *HK$'000*	Between 1 and 2 years *HK$'000*	Between 2 and 5 years *HK$'000*	Over 5 years *HK$'000*
At 31 December 2018				
Trade payables	7,365	–	–	–
Accruals and deposits received	16,421	–	–	–
Bank borrowings	10,899	–	–	–
Obligations under finance leases	204	67	–	–

5 Financial Risk Management (continued)

5.1 Financial risk factors (continued)

(c) Liquidity risk (continued)

The following table summarises the maturity analysis of term loans with a repayment on demand clause based on agreed scheduled repayments set out in the loan agreements. The amount includes interest payments computed using contractual rates. Taking into account the Group's net assets, the directors do not consider that it is probable that the bank will exercise its discretion to immediate repayment. The directors believe that such term loans will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

	Maturity Analysis – term loans subject to a repayment on demand clause based on scheduled repayments		
	Within 1 year *HK$'000*	Over 1 year but less than 2 years *HK$'000*	Over 2 years but less than 5 years *HK$'000*
At 31 December 2019	**7,531**	**–**	**–**
At 31 December 2018	8,396	2,503	–

5.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as interest-bearing debts divided by capital. Debts are calculated as total borrowings (including current and non-current borrowings as shown in the consolidated statement of financial position). Capital represents equity attributable to owners of the Company.

5 Financial Risk Management (continued)

5.2 Capital risk management (continued)

The Group has initially applied HKFRS 16 using the modified retrospective approach. Under this approach, the Group recognises right-of-use assets and corresponding lease liabilities for almost all leases previously accounted for as operating leases as from 1 January 2019. This caused a significant increase in the Group's total debt and hence the Group's gearing ratio rose from 8.78% to 118.19% on 1 January 2019 when compared to its position as at 31 December 2018.

The Group's strategy, which was unchanged during the years, was to lower the gearing ratio to an acceptable level. The Group's gearing ratio at the end of the current and previous reporting periods and at the date of transition to HKFRS 16 was as follows:

	31 December 2019 **HK$'000**	1 January 2019 *(note)* HK$'000	31 December 2018 *(note)* HK$'000
Bank borrowings *(note 29)*	**7,444**	10,567	10,567
Lease liabilities *(note 30)*	**208,865**	120,263	–
Obligations under finance leases *(note 31)*	**–**	–	262
Total borrowings	**216,309**	130,830	10,829
Equity attributable to owners of the Company	**92,799**	110,690	123,283
Gearing ratio	**233.09%**	118.19%	8.78%

Note: The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to lease which were previously classified as operating leases under HKAS 17. Under this approach, the comparative information is not restated.

5.3 Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated statement of financial position approximate their fair values as at 31 December 2018 and 2019.

6 Critical Accounting Estimates and Judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal to the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Useful lives of property, plant and equipment

The Group has significant investments in property, plant and equipment. The Group is required to estimate the useful lives of property, plant and equipment in order to ascertain the amount of depreciation charges for each reporting date.

Useful lives are estimated at the time of purchase of these assets after considering future technology changes, business developments and the Group's strategies. The Group performs annual reviews to assess the appropriateness of the estimated useful lives. Such review takes into account any unexpected adverse changes in circumstances or events, including declines in projected operating results, negative industry or economic trends and rapid advancement in technology. The Group extends or shortens the useful lives and/or makes impairment provisions according to the results of the review.

(b) Impairment of non-financial assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. The recoverable amounts have been determined based on fair value less costs of disposal or value-in-use valuations. These calculations require the use of judgements and estimates.

Management judgement is required in the area of asset impairment particularly in assessing:

(i) whether an event has occurred that may indicate that the related asset values may not be recoverable;

(ii) whether the carrying amount of an asset can be supported by the recoverable amount, being the higher of fair value less costs of disposal and net present value of future cash flows which are estimated based upon the continued use of the asset in the business; and

(iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management in assessing impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test and as a result affect the Group's financial position and results of its operations.

6 Critical Accounting Estimates and Judgements (continued)

(c) Income tax

The Group is subject to current tax in Hong Kong and the PRC. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current tax and deferred tax assets and liabilities in the period in which such determination is made.

Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted at the reporting date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

The Group's management determines the deferred tax assets based on the enacted or substantively enacted tax rates (and laws) and the best knowledge of profit projections of the Group for coming years during which the deferred tax assets are expected to be utilised. In assessing the amount of deferred tax assets that need to be recognised, the Group considers future taxable income and ongoing prudent and feasible tax planning strategies. In the event that the Group estimates of projected future taxable income and benefits from available tax strategies are changed, or changes in current tax regulations are enacted that would impact the timing or extent of the Group's ability to utilise the tax benefits of net operating loss carry forwards in the future, adjustments to the recorded amount of net deferred tax assets and income tax expense would need to be made. In addition, management will revisit the assumptions and profit projections at each reporting date.

(d) Provision for reinstatement costs

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

6 Critical Accounting Estimates and Judgements (continued)

(e) Estimated impairment of trade receivables

The management of the Group estimates the amount of loss allowance for trade receivables based on the credit risk of trade receivables. The loss allowance amount is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows with the consideration of expected future credit losses. The assessment of the credit risk of trade receivables involves high degree of estimation and uncertainty as the management of the Group estimates the loss rates for debtors by using forward-looking information. When the actual future cash flows are less than expected or more than expected, a material impairment loss or a material reversal of impairment loss may arise accordingly.

(f) Determining the lease term

As explained in policy note 3.24, the lease liability is initially recognised at the present value of the lease payments payable over the lease term. In determining the lease term at the commencement date for leases that include renewal options exercisable by the Group, the Group evaluates the likelihood of exercising the renewal options taking into account all relevant facts and circumstances that create an economic incentive for the Group to exercise the option, including favourable terms, leasehold improvements undertaken and the importance of that underlying asset to the Group's operation. The lease term is reassessed when there is a significant event or significant change in circumstance that is within the Group's control. Any increase or decrease in the lease term would affect the amount of lease liabilities and right-of-use assets recognised in future years.

(g) Contingent liabilities

The Group is exposed to the risk of litigation in the course of its normal operation. The Group will make provision and/or disclose information as appropriate. Changes in the assumptions around the likelihood of an outflow of economic resources or the estimation of any obligation would change the value recognised in the consolidated financial statements.

7 Segment Information

The Chief Operating Decision Maker ("CODM") has been identified as the CEO of the Company who reviews the Group's internal reporting in order to assess performance and allocate resources. The CODM has determined the operating segments based on these reports.

The CODM assesses the performance based on a measure of profit after income tax. The CODM considers all business is included in a single operating segment.

The Group is principally engaged in the operation of food catering services through a chain of Chinese restaurants. Information reported to the CODM for the purpose of resources allocation and performance assessment focuses on the operation results of the Group as a whole as the Group's resources are integrated and no discrete operating segment financial information is available. Accordingly, the Group has identified one operating segment–operation of restaurants and no operating segment information is presented.

For the years ended 31 December 2018 and 2019, there are no single external customers contributed more than 10% revenue of the Group.

7 Segment Information (continued)

Geographical information

The following tables present revenue from external customers for the years ended 31 December 2018 and 2019 and certain non-current assets information as at 31 December 2018 and 2019 by geographic area.

	2019 HK$'000	2018 HK$'000
Revenue from external customers		
Hong Kong	187,227	183,426
Mainland China	165,634	177,083
	352,861	360,509

The revenue information above is based on the locations of the customers.

	2019 HK$'000	2018 HK$'000
Non-current assets		
Hong Kong	87,575	13,086
Mainland China	150,668	36,756
	238,243	49,842

The non-current assets information above is based on the locations of the assets and excludes financial assets and deferred tax assets.

8 Revenue and Other Income

An analysis of revenue and other income during the years ended 31 December 2018 and 2019 are as follows:

	2019 *HK$'000*	2018 *HK$'000*
Revenue from customers and recognised at point in time		
Revenue from Chinese restaurant operations	344,967	353,040
Revenue from Thai Cuisine restaurant operations	7,823	5,841
Revenue from sale of food ingredients	71	1,628
	352,861	360,509
Other income		
Interest income on short-term bank deposits	588	157
Interest income from deposits placed for life insurance policies	105	206
Forfeiture of deposits received	49	46
Reversal of impairment loss on trade receivables	–	43
Government incentive *(note i)*	567	1,189
Miscellaneous income	504	400
	1,813	2,041
Total revenue and other income	354,674	362,550
Total interest income on financial assets measured at amortised cost	693	363

Note: (i) The amounts represented the government incentive granted by the Economic Development Bureau of different districts in Mainland China to support the Group's contribution to local economy with no unfulfilled conditions or contingencies and are recognised as other income upon receipts during the year ended 31 December 2019 (2018: same).

Disaggregation of revenue from contracts with customers by geographic markets is disclosed in Note 7.

8 Revenue and Other Income (continued)

(a) Contract liabilities

The Group has recognised the following revenue-related contract liabilities:

	2019 HK$'000	2018 HK$'000
Contract liabilities *(note 28)*	**16,590**	15,885

(i) Revenue recognised in relation to contract liabilities

The following table shows how much of the revenue recognised in related to carried-forward contract liabilities.

	2019 HK$'000	2018 HK$'000
Revenue recognised that was included in the balance of contract liabilities at the beginning of the year *(note 28)*	**10,428**	11,525

9 Other Losses

	2019 HK$'000	2018 HK$'000
Exchange loss, net	**–**	97

10 Employee Benefits Expense

	2019 HK$'000	2018 HK$'000
Wages, salaries and bonuses	**89,314**	78,536
Directors' fees	**561**	558
Pension costs - defined contribution plans *(note a)*	**5,081**	7,102
	94,956	86,196

10 Employee Benefits Expense (continued)

(a) Pensions - defined contribution plans

The Group's net contributions to pension plans are mainly for employees in Hong Kong and Mainland China. Summary of the pension plans are as follows:

(i) The Group contributes to an MPF Scheme for its employees in Hong Kong, under which the Group and each employee each makes monthly contribution to the scheme at 5% of the qualifying earnings of the employee, subject to a maximum of HK$1,500 (2018: HK$1,500) per month. Contribution totalling approximately HK$162,000 and HK$221,000 were payable to the MPF fund as at 31 December 2018 and 2019, respectively.

(ii) The Group's subsidiaries in Mainland China also contribute to retirement plans for its employees in Mainland China at a percentage of their salaries in compliance with the requirements of the respective municipal governments in Mainland China. The municipal governments undertake to assume the retirement benefit obligation of all existing and future retired employees of the Group in Mainland China.

(b) Directors' emoluments

The emoluments of directors for the year ended 31 December 2019 are set out below:

	Fees *HK$'000*	Basic salaries, allowances and benefits *HK$'000*	Discretionary bonuses *HK$'000*	Employer's contributions to pension scheme *HK$'000*	Total *HK$'000*
Executive directors:					
CHAN Chun Kit	–	2,762	220	18	3,000
WONG Ka Wai	–	179	–	9	188
CHOW Yiu Pong	–	179	–	9	188
LAM Kwok Leung	–	179	–	9	188
Independent non-executive directors:					
WONG Lung Tak, Patrick	187	–	–	–	187
TAM Tak Kei, Raymond	187	–	–	–	187
LIU Chi Keung	187	–	–	–	187
	561	3,299	220	45	4,125

10 Employee Benefits Expense (continued)

(b) Directors' emoluments (continued)

The emoluments of directors for the year ended 31 December 2018 is set out below:

	Fees HK$'000	Basic salaries, allowances and benefits HK$'000	Discretionary bonuses HK$'000	Employer's contributions to pension scheme HK$'000	Total HK$'000
Executive directors:					
CHAN Chun Kit	–	2,024	820	18	2,862
WONG Ka Wai	–	248	–	12	260
CHOW Yiu Pong	–	248	–	12	260
LAM Kwok Leung	–	248	–	12	260
Independent non-executive directors:					
WONG Lung Tak, Patrick	186	–	–	–	186
TAM Tak Kei, Raymond	186	–	–	–	186
LIU Chi Keung	186	–	–	–	186
	558	2,768	820	54	4,200

No director waived or agreed to waive any emoluments during the year (2018: Nil). No incentive payment for joining the Group or compensation for loss of office was paid or payable to any directors during the year ended 31 December 2019 (2018: Nil).

(c) Directors' retirement benefits

No retirement benefits were paid to the directors of the Company during the year ended 31 December 2019 by a defined contribution plan operated by the Group in respect of their services as directors of the Company (2018: Nil). No other retirement benefits were paid to the directors in respect of their other services in connection with the management of the affairs of the Company or its subsidiary undertakings (2018: Nil).

(d) Directors' termination benefits

None of the directors received or will receive any termination benefits during the year ended 31 December 2019 (2018: Nil).

(e) Consideration provided to third parties for making available directors' services

During the year ended 31 December 2019, the Company did not pay any considerations to any third parties for making available the services of themselves as directors of the Company (2018: Nil).

10 Employee Benefits Expense (continued)

(f) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

No loans, quasi-loans and other dealings were entered into by the Company or its subsidiary undertakings in favour of the directors of the Company, a controlled body corporate or a connected entity of such directors at any time during the year (2018: Nil).

(g) Directors' material interests in transactions, arrangements or contracts

Save for transactions disclosed elsewhere in the notes to these consolidated financial statements, no other significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (2018: Same).

(h) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the years ended 31 December 2018 and 2019 include one director whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining four individuals during the years are as follows:

	2019	2018
	HK$'000	*HK$'000*
Basic salaries, allowances and benefits	**2,126**	2,479
Discretionary bonuses	**103**	948
Employer's contribution to pension scheme	**69**	71
	2,298	3,498

The emoluments of the above four individuals were within the following bands:

	Number of employees	
	2019	2018
HK$Nil – HK$1,000,000	**4**	3
HK$1,000,001 – HK$2,000,000	**–**	1
	4	4

No incentive payment for joining the Group or compensation for loss of office was paid or payable to any of the five highest paid individuals during the year ended 31 December 2019 (2018: Nil).

11 Depreciation and Other Expenses

	2019 HK$'000	2018 HK$'000
Depreciation		
– Property, plant and equipment	**13,424**	16,507
– Right-of-use assets	**47,231**	–
	60,655	16,507

Other expenses include the following items:

	2019 HK$'000	2018 HK$'000
Auditor's remuneration		
– Audit services	**815**	690
– Non audit services	**206**	158
Operating lease payments of premises		
– Minimum lease payments	**–**	51,868
– Contingent rent*	**3,879**	6,180
Lease payments not included in the measurement of lease liabilities	**5,502**	–
Impairment loss on trade receivables	**14**	–

* The contingent rent refers to the operating rentals based on pre-determined percentage to the restaurant revenue less minimum rentals of the respective leases.

12 Finance Costs

	2019 HK$'000	2018 HK$'000
Interest expense on bank borrowings *(note 24(c))*	**513**	478
Interest expense on lease liabilities *(note 24(c))*	**10,880**	–
Finance charges on obligations under finance leases *(note 24(c))*	**–**	16
Total interest expenses on financial liabilities not at fair value through profits or loss	**11,393**	494

13 Income Tax Expense

	2019 HK$'000	2018 HK$'000
Current tax		
Current tax on profits for the year		
– Hong Kong	31	818
– The PRC	1,729	4,491
Underprovided/(overprovided) in prior year	274	(114)
	2,034	5,195
Deferred tax *(note 33)*		
Origination and reversal of temporary differences	7,214	(2,450)
Income tax expense	9,248	2,745

For the years ended 31 December 2018 and 2019, Hong Kong profits tax is calculated in accordance with the two-tiered profits tax rates regime.

Under the two-tiered profits tax rates regime, the first HK$2 million of profits of qualifying subsidiary will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of subsidiaries not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

According to the PRC Enterprise Corporate Tax Law promulgated by the PRC government, the PRC's statutory income tax rate is 25%. Except for certain preferential tax treatment available to one of its subsidiaries of the Group, the other PRC subsidiaries are subject to income tax at the rate of 25% for the years ended 31 December 2018 and 2019.

13 Income Tax Expense (continued)

The tax on the Group's (loss)/profit before income tax differs from the theoretical amount that would arise using applicable statutory tax rates as follows:

	2019 **HK$'000**	2018 HK$'000
(Loss)/profit before income tax	**(50,093)**	5,007
Tax calculated at applicable statutory tax rates	**(8,476)**	1,761
Income not subject to tax	**(70)**	(63)
Expenses not deductible for tax purposes	**1,028**	1,161
Current tax underprovided/(overprovided) in prior year	**274**	(114)
Tax effect of deferred tax assets derecognised	**5,598**	–
Tax effect of temporary differences not recognised	**3,969**	–
Tax effect of tax losses not recognised	**6,925**	–
Income tax expense	**9,248**	2,745

14 Dividends

The Directors did not recommend the declaration of any final dividend for the year ended 31 December 2019.

Final dividend of HK$4,000,000 for the year ended 31 December 2018 was declared on 25 March 2019, and was paid in full in June 2019.

15 (Loss)/Earnings per Share

The basic and diluted earnings per share and weighted average number of ordinary shares for the year ended 31 December 2018 have been adjusted to reflect the rights issue which was effective on 17 December 2019.

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

	2019 ***HK$'000***	2018 *HK$'000*
(Loss)/Earnings		
(Loss)/Profit for the year attributable to owners of the Company	**(59,341)**	2,262

	2019 ***'000***	2018 *'000* (Restated)
Number of shares		
Weighted average number of shares for the purpose of calculating basis earnings per share	**814,456**	806,504

Diluted (loss)/earnings per share was the same as basic (loss)/earnings per share as there were no potential dilutive ordinary shares outstanding for the years ended 31 December 2018 and 2019.

16 Property, Plant and Equipment

	Leasehold improvements *HK$'000*	Furniture, fixtures and equipment *HK$'000*	Utensils, liners and uniforms *HK$'000*	Motor vehicles *HK$'000*	Total *HK$'000*
Cost					
At 1 January 2018	88,659	21,293	4,808	1,349	116,109
Additions	10,560	1,509	382	–	12,451
Exchange alignment	(1,771)	(501)	(118)	(6)	(2,396)
At 31 December 2018	97,448	22,301	5,072	1,343	126,164
Impact on initial application of HKFRS 16 (note 4)	(4,224)	–	–	(919)	(5,143)
At 1 January 2019	**93,224**	**22,301**	**5,072**	**424**	**121,021**
Additions	28,322	9,837	1,799	97	40,055
Disposals	(8,075)	–	–	–	(8,075)
Exchange alignment	(638)	(194)	(46)	(3)	(881)
At 31 December 2019	**112,833**	**31,944**	**6,825**	**518**	**152,120**
Accumulated depreciation and impairment					
At 1 January 2018	46,615	13,779	–	781	61,175
Charge for the year	12,800	3,434	–	273	16,507
Exchange alignment	(988)	(370)	–	(2)	(1,360)
At 31 December 2018	58,427	16,843	–	1,052	76,322
Impact on initial application of HKFRS 16 (note 4)	(2,312)	–	–	(715)	(3,027)
At 1 January 2019	**56,115**	**16,843**	**–**	**337**	**73,295**
Charge for the year	10,423	2,955	–	46	13,424
Impairment loss	2,669	–	910	–	3,579
Written back on disposal	(8,075)	–	–	–	(8,075)
Exchange alignment	(276)	(108)	–	(1)	(385)
At 31 December 2019	**60,856**	**19,690**	**910**	**382**	**81,838**
Net book value					
At 31 December 2019	**51,977**	**12,254**	**5,915**	**136**	**70,282**
At 31 December 2018	39,021	5,458	5,072	291	49,842

16 Property, Plant and Equipment (continued)

As at 31 December 2018, motor vehicles include the following amounts where the Group was a lessee under finance leases:

	2018
	HK$'000
Cost – capitalised finance leases	919
Accumulated depreciation	(715)
Net book amount	204

The Group leases motor vehicles under non-cancellable finance lease agreements. The lease terms are between three and five years, and ownership of the assets lies within the Group.

Depreciation charged for the year on	**2019**	2018
	HK$'000	*HK$'000*
– Owned assets	**13,424**	16,277
– Leased assets	**–**	230
	13,424	16,507

As at 31 December 2019, the carrying amount of the restaurant assets is written down to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount of the property, plant and equipment of two restaurants (i.e. Sheung Wan Restaurant and Beijing House Restaurant) was nil which was determined by reference to the property, plant and equipment's fair value less costs of disposal. As the property, plant and equipment were disposed of at nil consideration in February 2020 upon the closure of the two restaurants, the fair value less costs of disposal those property, plant and equipment as at 31 December 2019 was estimated to be nil. Therefore, impairment losses of property, plant and equipment and right-of-use assets of HK$3,579,000 and HK$18,155,000 (note 17) were recognised in profit or loss in the consolidated statement of profit or loss and other comprehensive income.

17 Right-of-use Assets

The Company does not have the option to purchase the right-of-use assets of premises for a nominal amount at the end of the lease terms.

	Motor Vehicle HK$'000	Premises HK$'000	Total HK$'000
Cost			
As at 1 January 2019 upon initial application of HKFRS 16 (note 4)	919	108,002	108,921
Exchange alignment	–	(780)	(780)
Additions	–	124,720	124,720
Adjustments upon modification of the leases	–	1,136	1,136
As at 31 December 2019	919	233,078	233,997
Accumulated depreciation and impairment			
As at 1 January 2019 upon initial application of HKFRS 16 (note 4)	715	–	715
Charge for the year	204	47,027	47,231
Impairment loss	–	18,155	18,155
Exchange alignment	–	(65)	(65)
As at 31 December 2019	919	65,117	66,036
Carrying amount			
As at 31 December 2019	–	167,961	167,961

(i) The Group has obtained the right to use properties as its office and restaurants through tenancy agreements.

(ii) The leases typically run for an initial period of 3 to 10 years. Total cash outflow for the leases in the reporting period was approximately HK$46,535,000.

(iii) The Group entered into short-term leases for staff apartments. As at 31 December 2019, the outstanding lease commitment relating to these staff apartments are approximately HK$6,679,000.

(iv) The Group leases a motor vehicle under a non-cancellable finance lease agreement for its operations. The lease terms is five years and ownership of the asset lie within the Group.

17 Right-of-use Assets (continued)

(v) The amounts recognised in profit or loss for the year ended 31 December 2019 in relation to leases are as follows:

	HK$'000
Depreciation charge of right-of-use assets *(note 11)*	**47,231**
Interest on lease liabilities *(note 12)*	**10,880**
Expense relating to short-term leases and other leases with remaining lease terms ended on or before 31 December 2019 *(note 11)*	**5,502**
Total amount recognised in profit or loss	**63,613**

(vi) For details of impairment loss on right-of-use assets, refer to note 16.

18 Deposits Placed for Life Insurance Policies

	2019 ***HK$'000***	2018 *HK$'000*
Life insurance policy	**2,115**	2,048

Life Insurance Policy

In April 2009, the Group entered into a life insurance policy with an insurance company to insure an Executive Director, Mr. Chan Chun Kit. Under the policy, the beneficiary and policy holder is Orient Century Limited ("Orient Century"), a Company's subsidiary and the total insured sum is USD750,000 (approximately HK$5,850,000). Orient Century is required to pay ten annual instalments of USD26,055 up to 30 April 2019 (approximately HK$203,229) including a premium charge at inception of the policy amounting to USD8,100 (approximately HK$63,180). Orient Century can terminate the policy at any time and receive cash back based on the cash value of the policy at the date of withdrawal, which is determined by the accumulated deposit payments plus accumulated interest earned and minus the accumulated insurance charge and policy expense charge.

In addition, if withdrawal is made between the 1st to 15th policy year, there is a specified amount of surrender charge. The insurance company will pay Orient Century an guaranteed interest of 5.55% on annum basis for first 20 years. Commencing on the 21st year, the interest will become 3% per annum plus a premium determined by the insurance company on an annual basis.

19 Financial Instruments by Category

	2019 ***HK$'000***	2018 *HK$'000*
Financial assets at amortised cost		
Rental deposits	**14,948**	19,284
Deposits placed for life insurance policies	**2,115**	2,048
Trade receivables	**3,844**	4,014
Deposits and other receivables	**14,620**	6,764
Pledged bank deposits	**11,029**	11,002
Cash and cash equivalents	**71,151**	60,447
	117,707	103,559
Financial liabilities at amortised cost		
Trade payables	**16,350**	7,365
Accruals and deposits received	**25,382**	16,421
Bank borrowings	**7,444**	10,567
Lease liabilities	**208,865**	–
Obligations under finance leases	**–**	262
	258,041	34,615

20 Inventories

	2019 ***HK$'000***	2018 *HK$'000*
Food and beverages	**13,968**	15,722

As at 31 December 2018 and 2019, there were no inventories stated at net realisable value.

21 Trade Receivables

	2019 *HK$'000*	2018 *HK$'000*
Trade receivables	**3,955**	4,113
Less: Allowance for impairment losses	**(111)**	(99)
Trade receivables net of allowance	**3,844**	4,014

The Group's sales from its restaurant operations are mainly conducted in cash or by credit cards. The credit period granted by the Group to its customers ranges from 0 to 30 days.

The ageing analysis of trade receivables based on invoice date (net of allowance for impairment losses) is as follows:

	2019 *HK$'000*	2018 *HK$'000*
0 to 30 days	**3,352**	3,298
31 to 60 days	**209**	515
61 to 90 days	**155**	181
Over 90 days	**128**	20
	3,844	4,014

The Group applies simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

21 Trade Receivables (continued)

The closing loss allowance for trade receivables as at 31 December 2019 reconcile to the opening loss allowances as follows:

	2019 HK$'000	2018 HK$'000
As at 1 January	99	145
Loss allowance reversed in profit or loss during the year	–	(43)
Loss allowance recognised during the year	14	–
Exchange alignment	(2)	(3)
As at 31 December	111	99

Due to the short-term nature of the trade receivables, their carrying amounts approximate to their fair values and are denominated in HK$ or RMB, which are the functional currencies of the respective group entities. The maximum exposure to credit risk at the reporting date is the carrying value of trade receivables mentioned above. The Group does not hold any collateral as security.

22 Deposits, Prepayments and Other Receivables

	2019 HK$'000	2018 HK$'000
Rental deposits	21,749	19,284
Utility deposits	1,913	1,703
Other deposits, prepayments and other receivables	8,229	7,581
	31,891	28,568
Less: Non-current portion – rental deposits	(14,948)	(19,284)
Current portion	16,943	9,284

The carrying amounts of deposits, prepayments and other receivables approximate their fair values and are denominated in HK$ or RMB, which are the functional currencies of the respective group entities.

23 Pledged Bank Deposits

The balances, which were carried at the prevailing market interest rate at 1.2% to 1.4% (2018: 0.03% to 0.35%) per annum represent deposits pledged to banks to secure short-term bank borrowings (Note 29) granted to the Group, and therefore classified as current assets. The pledged deposits will be released upon expiry or termination or upon the settlement of relevant bank borrowings. As at 31 December 2019 and 2018, all the pledged bank deposits were denominated in HK$.

24 Cash and Cash Equivalents and Other Cash Flow Information

(a) Cash and cash equivalents comprise:

	2019 HK$'000	2018 HK$'000
Cash at banks	70,201	59,778
Cash on hand	950	669
Cash and cash equivalents in the consolidated statement of financial position and in the consolidated statement of cash flows	71,151	60,447
Maximum exposure to credit risk	70,201	59,778

Majority of the Group's cash and cash equivalents are denominated in HK$ or RMB, which are the functional currencies of the respective group entities. Cash at banks earns interest at floating rates based on daily bank deposit rates.

(b) Reconciliation of (loss)/profit before income tax to cash generated from operations:

	Notes	2019 HK$'000	2018 HK$'000
(Loss)/profit before income tax		(50,093)	5,007
Adjustments for:			
Depreciation	11	60,655	16,507
Finance costs	12	11,393	494
Interest income	8	(693)	(363)
Reversal of impairment loss on trade receivables	8	–	(43)
Premium charged on life insurance policies		38	370
Impairment loss on property, plant and equipment	16	3,579	–
Impairment loss on right-of-use assets	17	18,155	–
Impairment loss on trade receivables	11	14	–
Operating cash flows before changes in working capital		43,048	21,972
Changes in working capital:			
Decrease/(increase) in inventories		1,836	(3,597)
Decrease in trade receivables		184	5,081
Increase in deposits, prepayments and other receivables		(3,207)	(3,845)
Increase/(decrease) in trade payables		9,010	(1,723)
Increase in contract liabilities		848	2,123
Increase in pledged bank deposits		(27)	(1)
Increase in accruals, provisions and deposits received		9,192	1,041
Cash generated from operations		60,884	21,051

24 Cash and Cash Equivalents and Other Cash Flow Information (continued)

(c) Reconciliation of liabilities arising from financing activities:

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flow was, or future cash flow will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Bank borrowings *HK$'000*	Obligations under finance leases *HK$'000*	Lease liabilities *HK$'000*	Total *HK$'000*
At 1 January 2018	13,776	454	–	14,230
Changes from financing cash flows:				
Repayment of bank borrowings	(3,209)	–	–	(3,209)
Capital element of finance lease rentals paid	–	(192)	–	(192)
Interest element of finance lease rentals paid	–	(16)	–	(16)
Borrowing costs paid	(478)	–	–	(478)
Total changes from financing cash flows	(3,687)	(208)	–	(3,895)
Other changes				
Finance charges on obligations under finance leases *(note 12)*	–	16	–	16
Interest expenses *(note 12)*	478	–	–	478
Total other changes	478	16	–	494
At 31 December 2018	10,567	262	–	10,829
Opening adjustment upon application of HKFRS 16 *(note 4)*	–	(262)	120,263	120,001
At 1 January 2019 (as restated)	10,567	–	120,263	130,830
Changes from financing cash flows:				
Repayment of bank borrowings	(3,123)	–	–	(3,123)
Capital element of lease rentals paid	–	–	(35,655)	(35,655)
Interest element of lease rentals paid	–	–	(10,880)	(10,880)
Other borrowing costs paid	(513)	–	–	(513)
Total changes from financing cash flows	(3,636)	–	(46,535)	(50,171)
Other changes				
Increase in lease liabilities from entering into new leases during the year	–	–	123,655	123,655
Adjustment on the modification of the lease terms	–	–	1,136	1,136
Interest expenses *(note 12)*	513	–	10,880	11,393
Exchange alignment	–	–	(534)	(534)
Total other changes	513	–	135,137	135,650
At 31 December 2019	7,444	–	208,865	216,309

25 Share Capital

	Number of Ordinary shares	Nominal value of Ordinary share *HK$'000*
Authorised:		
Ordinary shares of HK$0.01 each as at 1 January 2018, 31 December 2018 and 2019	**2,000,000,000**	20,000
Issued and fully paid:		
As at 1 January 2018 and 31 December 2018	**800,000,000**	8,000
Issue of new shares pursuant to rights issue *(Note)*	**200,000,000**	2,000
As at 31 December 2019	**1,000,000,000**	10,000

Note: On 17 December 2019, the Company completed its rights issue by issuing 200,000,000 rights shares on the basis of one rights share for every four then existing shares, at the subscription price of HK$0.238 per rights share (the "rights issue"). The net cash proceeds of approximately HK$45,750,000, after share issue expenses of approximately HK$1,850,000 are used for the repayment of the Group's indebtedness and interest expenses; payment of renovation and refurbishment costs incurred for recently opened restaurants and other existing restaurants; and for the general working capital for the Group. The rights issue has increased the share capital and share premium of the Company by HK$2,000,000 and approximately HK$43,750,000 respectively. Those rights shares rank pari passu in all respects with the ordinary shares of the Company in issue on that date.

26 Trade Payables

The ageing analysis of trade payables based on invoice date is as follows:

	2019 ***HK$'000***	2018 *HK$'000*
0 to 30 days	**10,996**	6,795
31 to 60 days	**3,427**	225
61 to 90 days	**1,747**	171
Over 90 days	**180**	174
	16,350	7,365

The carrying amounts of trade payables approximate their fair values and are denominated in HK$ or RMB, which are the functional currencies of the respective group entities.

27 Accruals, Provisions and Deposits Received

	2019 HK$'000	2018 HK$'000
Accrued expenses	**18,222**	14,759
Other payables for purchases of property, plant and equipment	**6,856**	2,648
Temporary receipts	**304**	385
Provision for unutilised paid annual leave	**644**	594
Total accruals and provisions	**26,026**	18,386

All of the accruals, provisions and deposits received are expected to be settled or recognised as income within one year or are repayable on demand.

The carrying amounts of accruals, provisions and deposits received approximate their fair values and are denominated in HK$ or RMB, which are the functional currencies of the respective group entities.

28 Contract Liabilities

The Group has recognised the following revenue-related contract liabilities.

	2019 HK$'000	2018 HK$'000
Current	**16,590**	15,860
Non-current	**–**	25
	16,590	15,885

Contract liabilities represent the advance payments from customers, while the underlying services are not yet provided as at 31 December 2018 and 2019. The portion to be recognised within one year after the end of each reporting period is classified as current liabilities in the consolidated statements of financial position.

28 Contract Liabilities (continued)

Movement in the contract liabilities balances during the years ended 31 December 2018 and 2019 is as follows:

	2019 HK$'000	2018 HK$'000
Carrying amount at 1 January	**15,885**	14,279
Exchange alignment	**(143)**	(517)
Revenue recognised during the year *(note 8(a)(i))*	**(10,428)**	(11,525)
Consideration received from customers, excluding amounts recognised as revenue during the year	**11,276**	13,648
Carrying amount at 31 December	**16,590**	15,885

29 Bank Borrowings

	2019 HK$'000	2018 HK$'000
Bank borrowings due for repayment within one year – secured	**7,444**	8,118
Bank borrowings due for repayment after one year which contain a repayment on demand clause – secured	**–**	2,449
	7,444	10,567

Repayments of bank borrowings based on the scheduled repayment dates set out in the loan agreements are as follows:

	2019 HK$'000	2018 HK$'000
Within one year	**7,444**	8,118
Over one year but less than two years	**–**	2,449
	7,444	10,567

29 Bank Borrowings (continued)

The bank borrowings are exposed to interest rate changes and the contractual reprising dates are 6 months or less at each reporting date. The weighted effective interest rates of bank borrowings at the reporting date are as follows:

	2019	2018
Bank borrowings	4.82%	5.00%

The current liabilities as at 31 December 2018 and 2019 include such bank loans that are not scheduled to repay within one year after the end of the reporting periods. They are classified as current liabilities as the related loan agreements contain a clause that provides the lenders with an unconditional right to demand repayment at any time at their own discretion. None of the portion of these bank loans due for repayment after one year which contain a repayment on demand clause and that are classified as current liabilities are expected to be settled within one year.

The carrying amounts of current bank borrowings approximate their fair values, as the impact of discounting was not significant on the borrowings carried floating interest rate.

As at 31 December 2018 and 2019, the banking facilities of the Group were secured by bank deposits of approximately HK$11,002,000 and HK$11,029,000 respectively of the Group and corporate guarantee of the Company.

30 Lease Liabilities

The following table shows the remaining contractual maturities of the Group's lease liabilities at the end of the current reporting periods and the date of transition to HKFRS 16.

	At 01.01.2019		At 31.12.2019	
	Present value of the minimum lease payment *HK$'000*	Total minimum lease payment *HK$'000*	Present value of the minimum lease payment *HK$'000*	Total minimum lease payment *HK$'000*
Within 1 year	43,068	44,141	67,267	69,209
After 1 year but within 2 years	35,614	38,509	48,994	53,664
After 2 years but within 5 years	29,819	36,217	68,469	88,909
After 5 years	11,762	22,122	24,135	43,853
	77,195	96,848	141,598	186,426
	120,263	140,989	208,865	255,635
Less: Total future interest expenses		(20,726)		(46,770)
Present value of lease liabilities		120,263		208,865

Note: The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under HKAS 17. Comparative information as at 31 December 2018 has not been restated. Further details on the impact of the transition to HKFRS 16 are set out in note 4.

31 Obligations under Finance Leases

The Group leased certain motor vehicles which were classified as finance lease under HKAS 17. Upon initial adoption of HKFRS 16 on 1 January 2019, the carrying amount of finance lease liabilities to these leases were reclassified to lease liabilities (note 30).

	2019 ***HK$'000***	2018 *HK$'000*
Gross finance lease liabilities		
– minimum lease payments		
No later than 1 year	**–**	204
Later than 1 year and no later than 5 years	**–**	67
	–	271
Future finance charges on finance leases	**–**	(9)
Present value of finance lease liabilities	**–**	262
The present value of finance lease liabilities is as follows:		
No later than 1 year	**–**	195
Later than 1 year and no later than 5 years	**–**	67
	–	262

As at 31 December 2018, finance lease liabilities are secured by motor vehicles.

32 Provision for Reinstatement Costs

	2019 ***HK$'000***	2018 *HK$'000*
At 1 January	**4,823**	3,939
Additions	**1,250**	942
Exchange alignment	**(18)**	(58)
At 31 December	**6,055**	4,823
Less: Non-current portion	**(4,743)**	(4,823)
Current portion	**1,312**	–

Provision for reinstatement costs is recognised for the costs to be incurred for the reinstatement of the properties used by the Group for its operations upon expiration of the relevant leases. The Group expected that the present value of the costs approximates their undiscounted costs.

33 Deferred Tax Assets

(a) The analysis of deferred tax assets is as follows:

	2019 *HK$'000*	2018 *HK$'000*
Deferred tax assets	**1,144**	8,380

The movements in deferred tax assets during the current and prior years, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

Deferred tax

	Decelerated tax depreciation *HK$'000*	Tax losses *HK$'000*	Others *HK$'000*	Total *HK$'000*
At 1 January 2018	4,674	1,201	207	6,082
Exchange alignment	(107)	(45)	–	(152)
Credited/(charged) to consolidated statement of profit or loss and other comprehensive income *(note 13)*	339	2,112	(1)	2,450
At 31 December 2018	4,906	3,268	206	8,380
At 1 January 2019	**4,906**	**3,268**	**206**	**8,380**
Exchange alignment	**(17)**	**(4)**	**(1)**	**(22)**
Charged to consolidated statement of profit or loss and other comprehensive income *(note 13)*	**(3,763)**	**(3,264)**	**(187)**	**(7,214)**
At 31 December 2019	**1,126**	**–**	**18**	**1,144**

33 Deferred Tax Assets (continued)

(b) Deferred tax assets have not been recognised in respect of the following items:

	2019 HK$'000	2018 HK$'000
Deductible temporary differences	19,884	–
Tax losses	51,812	–
	71,696	–

Notes:

(i) The deductible temporary differences do not expire under the current tax legislation.

(ii) Tax losses of approximately HK$7,085,000 arising from the Group's restaurant business in the PRC will expire in the fifth year commencing from the year the loss incurred whereas tax losses of approximately HK$44,727,000 arising from the Group's other subsidiaries in Hong Kong do not expire under the current tax legislation

34 Major Non-Cash Transactions

For the year ended 31 December 2019, the Group entered into lease arrangements in respect of the acquisition of right-of-use assets with a total capital value at the inception of the leases of approximately HK$125,856,000.

For the year ended 31 December 2018, additions of property, plant and equipment include reinstatement costs and deposits paid for property, plant and equipment in prior year amounting to approximately HK$942,000 and HK$5,578,000 respectively, which did not involve any cash payment.

35 Reserves

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 78 of the consolidated financial statements.

Other reserves

Other reserves of the Group represent (i) the amount arising from a reorganisation of the Company in connection with the listing; (ii) wavier of amounts due to a non-controlling shareholder, related party, and ultimate controlling shareholders; (iii) the difference between the acquisition of additional equity interests from the then non-controlling shareholders and the nominal value of the shares of an existing subsidiary of the Group issued in exchange therefore prior to the listing of the Company's shares; and (iii) the difference between the consideration received on disposal of the entire equity interests of the subsidiaries and the carrying amounts of the net liabilities of the subsidiaries.

36 Litigation and Contingent Liabilities

Except for the case set out below, the Group did not have significant contingent liabilities as at 31 December 2019 and up to the date of this report.

As announced by the Company on 6 January 2020, Excel Linker (Hong Kong) Limited, an indirect wholly-owned subsidiary of the Company received a Writ of Summons together with an indorsement of claim (the"Indorsement") dated 31 December 2019 and a statement of claim (the "Statement of Claim") dated 17 January 2020 issued in the High Court of The Hong Kong Special Administrative Region (the "Court Action") by Foxhill Investments Limited as plaintiff (the "Plaintiff") against Excel Linker (Hong Kong) Limited as defendant (the "Defendant").

It is stated in the Indorsement that the Plaintiff's claim against the Defendant is in relation to the breach of the Tenancy Agreement dated 18 April 2018 (the "Tenancy Agreement") for wrongfully failing and/or refusing to pay the rent and/or management fees and/or government rates in respect of the Premises located at Units 201-202 on the Second Floor of Infinitus Plaza, No.199 Des Voeux Road, Central, Hong Kong (the "Premises") since 1 October 2019. As at 31 December 2019, the estimated amounts claimed by the Plaintiff on the rent, management fee, penalty and related interest were approximately HK$4,599,000 which was recognised in the consolidated financial statements.

Up to the date of this report, the case is still in proceedings. On the basis of currently available information, the Director's considered that the legal proceedings are unlikely to result in any other material outflow of economic benefits from the Group and no further provision has been made in the consolidated financial statements.

37 Capital Commitments

The Group did not have any significant capital commitment as at 31 December 2019 (2018: HK$240,000).

38 Operating Lease Commitments

The Group leases various restaurant properties and equipment under non-cancellable and optional operating lease agreements. The lease agreements are between one to ten years, and majority of lease arrangements are renewable at the end of the lease period with either pre-set increment rate or market rate to be agreed with landlords.

The operating leases of certain restaurant properties also call for additional rentals, which will be based on a certain percentage of revenue of the operation being undertaken therein pursuant to the terms and conditions as stipulated in the respective rental agreements. As the future revenue of these restaurants could not be accurately determined as at the reporting date, the relevant contingent rentals have not been included.

At 31 December 2018, minimum lease payments under non-cancellable operating leases in respect of properties were payable as a lessee as follows:

	2018 *HK$'000*
No later than 1 year	54,907
Later than 1 year and no later than 5 years	111,365
Later than 5 years	32,464
	198,736

From 1 January 2019, the Group has recognised right-of-use assets and lease liabilities, except for short-term leases (note 17).

39 Related Party Transactions

(a) Transactions with related parties

Save as disclosed elsewhere in the consolidated financial statements, the Group had the following significant transactions with its related party during the years:

	2019	2018
	HK$'000	*HK$'000*
Rental expenses paid to Richfield Develop Limited (Note)	**214**	214

Note:

Richfield Develop Limited is a related company controlled by the Controlling Shareholders. Rental expenses paid to the related company were charged at term mutually agreed by both parties.

(b) Key management compensation

The emoluments of directors and members of key management were as follows:

	2019	2018
	HK$'000	*HK$'000*
Basic salaries, allowances and benefits	**5,733**	6,356
Discretionary bonuses	**364**	1,203
Employer's contribution to pension scheme	**122**	146
	6,219	7,705

Total remuneration is included in "Employee benefits expenses" (see note 10).

40 Statement of Financial Position of the Company

(a) Company-level statement of financial position

	Notes	2019 HK$'000	2018 HK$'000
ASSETS			
Non-current assets			
Interest in subsidiaries	40(c)	28,231	10,297
Current assets			
Prepayments and other receivables		223	268
Pledged bank deposits		4,029	4,002
Cash and cash equivalents		16,824	5,932
		21,076	10,202
Total assets		49,307	20,499
EQUITY			
Share capital	25	10,000	8,000
Share premium	40(b)	98,884	55,134
Other reserve	40(b)	78	78
Accumulated losses	40(b)	(60,742)	(43,639)
Total equity		48,220	19,573
Current liabilities			
Other payables		1,087	926
Total liabilities		1,087	926
Total equity and liabilities		49,307	20,499
Net current assets		19,989	9,276

These financial statements were approved and authorised for issue by the Board of directors on 14 May 2020 and are signed on its behalf by:

CHAN Chun Kit
Director

CHAN Josephine Wai Sze
Director

40 Statement of Financial Position of the Company (continued)

(b) Movements in components of reserve of the Company

	Share premium *HK$'000*	Other reserve *HK$'000*	Accumulated losses *HK$'000*	Total *HK$'000*
Balance at 1 January 2018	55,134	78	(25,471)	29,741
Loss and total comprehensive expense for the year	–	–	(6,168)	(6,168)
Dividend paid	–	–	(12,000)	(12,000)
Balance at 31 December 2018	55,134	78	(43,639)	11,573
Loss and total comprehensive expense for the year	–	–	(13,103)	(13,103)
Dividend paid (note 14)	–	–	(4,000)	(4,000)
Issue of new shares under rights issue, net (note 25)	43,750	–	–	43,750
Balance at 31 December 2019	**98,884**	**78**	**(60,742)**	**38,220**

40 Statement of Financial Position of the Company (continued)

(c) Particulars of principal subsidiaries

Details of the principal subsidiaries at the end of the reporting period are as follows:

Name	Place of incorporation and business and type of legal entity	Particulars of issued share capital	Effective interest held by the Company	Principal activities
Solarday Investment Limited	Hong Kong, limited liability company	HK$20,000	100%	Restaurant operation
Orient Century Limited	Hong Kong, limited liability company	HK$20,000	100%	Restaurant and Thai cuisine restaurant operation
Great Virtue Investment Limited	Hong Kong, limited liability company	HK$10,000	100%	Restaurant operation
Great Virtue (Hong Kong) Investment Limited	Hong Kong, limited liability company	HK$10,000	100%	Restaurant operation
利寶閣(深圳)餐飲有限公司	People's Republic of China, limited liability company	RMB11,960,600	100%	Restaurant operation
利寶閣(深圳)宴會餐飲有限公司	People's Republic of China, limited liability company	RMB8,000,000	100%	Restaurant operation
利寶閣茶居(深圳)餐飲有限公司 (former name as 象屋(深圳)餐飲有限公司)	People's Republic of China, limited liability company	HK$5,000,000	100%	Cantonese dim sum tea houses
利寶茶居(深圳)餐飲有限公司	People's Republic of China, limited liability company	HK$500,000	100%	Cantonese dim sum tea houses
Excel Linker (Hong Kong) Limited	Hong Kong, limited liability company	HK$1	100%	Restaurant operation and ceased business in February 2020
Smart Best (Asia) Limited	Hong Kong, limited liability company	HK$100	100%	Ordering of food ingredient for the Group

The above table lists out the subsidiaries of the Group which, in the opinion of the Directors, principally affect the results of the Group for the year or form a substantial portion of the net assets of the Group at the end of the year.

To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

None of the subsidiaries had any debt capital in issue at the end of the year or at any time during the year.

41 Share-Based Payment Transactions

Pursuant to the Company's share option scheme (the "Scheme") adopted on 16 June 2016 for the primary purpose of providing incentives to Directors, employees, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners and services providers of the Group, the directors, employees, consultant or adviser of the Group or any substantial shareholder of the Group, or any distributors, contractors, suppliers, agents, customers, business partners and services providers may, at the discretion of the board, be granted options (the "Options") to subscribe for shares in the Company at a price determined by its directors, but shall not be less than the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotation sheet on the date of the offer of grant, which must be a trading day, (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotation sheet for the five trading days immediately preceding the date of the offer of grant; and (iii) the nominal value of the Shares on the date of grant of the option.

Without prior approval from the Company's shareholders, the total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, and the number of shares in respect of which options may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time.

The Scheme will remain in force for a period of ten years from the date of its adoption. Options granted must be taken up not later than 7 days after the date of grant. A consideration of HK$1 is payable on acceptance of the offer of grant of an option.

The exercisable period of an option, which shall not exceed 10 years from the date of grant, is determined by the Board of Directors of the Company at their discretion. No options have been granted since its adoption.

42 Events after the Reporting Date of 31 December 2019

(a) Since early January 2020, the coronavirus disease 2019 ("COVID-19") outbreak has spread across mainland China and beyond, causing disruption to business and economic activity.

As the situation remains fluid as at the date these consolidated financial statements are authorised for issue, the directors of the Company considered that the financial effects of the COVID-19 outbreak on the Group's consolidated financial statements cannot be reasonably estimated. Nevertheless, the COVID-19 outbreak is expected to affect the consolidated results of the Group for the first half and full year of 2020.

(b) On 9 January 2020, the Group entered into an equity transfer agreement to acquire 70% equity interest in a target company which operates more than 30 food counters selling roasted meat and delicatessen under the brand names of "Sun Kau Kee* (新玖記)" and "Chaojiangjun* (潮將軍)" through online and offline stores at Freshippo in Shanghai, the PRC. Details of the acquisition are set out in the announcement of the Company dated 9 January 2020.

Up to the date of this report, the transaction has not yet been completed.

(c) In February 2020, the Group ceased the operation of the Sheung Wan Restaurant and the Beijing House Restaurant.

Save for the above, there was no other material subsequent event during the period from 1 January 2020 to the date of this report.

43 Comparative Figures

The Group has initially applied HKFRS 16 at 1 January 2019. Using the modified retrospective approach. Under this approach comparative information is not restated. Details of changes in accounting policies are disclosed in note 4 to these consolidated financial statements.

44 Possible Impact of Amendments, New Standards and Interpretations Issued but not yet Effective for the year ended 31 December 2019

Up to the date of issue of these consolidated financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2019 and which have not been early adopted in these consolidated financial statements. These include the following which may be relevant to the Group.

		Effective for accounting periods beginning on or after
HKFRS 17	Insurance Contracts	1 January 2021
Amendments to HKFRS 3	Definition of a Business	1 January 2020
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	No mandatory effective date yet determined
Amendments to HKAS 1 and HKAS 8	Definition of Material	1 January 2020
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform	1 January 2020
Conceptual Framework for Financial Reporting	Revised Conceptual Framework for Financial Reporting	1 January 2020

These standards are mandatory for first annual period beginning on or after 1 January 2020. At this stage, the Group does not intend to adopt these standards before their effective date. The Group has not early applied the new and revised HKFRSs that have been issued but are not yet effective.

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

Financial Summary

RESULTS

Year ended 31 December

	Year ended 31 December				
	2019	2018	2017	2016	2015
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	**352,861**	360,509	307,001	278,429	256,881
(Loss)/Profit before income tax	**(50,093)**	5,007	30,109	16,148	10,740
Income tax expense	**(9,248)**	(2,745)	(6,921)	(4,800)	(4,119)
(Loss)/Profit for the year	**(59,341)**	2,262	23,188	11,348	6,621
Attributable to:					
Owner of the Company	**(59,341)**	2,262	23,188	11,348	3,652
Non-controlling interests	**–**	–	–	–	2,969
	(59,341)	2,262	23,188	11,348	6,621

Assets, Liabilities and Non-Controlling Interests

	Year ended 31 December				
	2019	2018	2017	2016	2015
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Total assets	**374,672**	181,261	198,918	174,361	114,973
Total liabilities	**(281,873)**	(57,978)	(62,520)	(55,570)	(76,499)
Net assets	**92,799**	123,283	136,398	118,791	38,474
Non-controlling interests	**–**	–	–	–	–
Equity attributable to the owners of the Company	**92,799**	123,283	136,398	118,791	38,474

The financial information for the years ended 31 December 2016, 2017, 2018 and 2019 is extracted from the consolidated financial statements in the Company's annual reports while such for the year ended 31 December 2015 is extracted from the Prospectus. Such summary is presented on the basis as set out in the Prospectus.

The summary above does not form part of the audited consolidated financial statements.