



# LH GROUP

叙福樓集團

## LH GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 1978



ANNUAL REPORT 2018

The background features a light beige, textured pattern. On the left and bottom, there are illustrations of traditional Chinese dishes: a plate of red braised meat, a bowl of soup with green onions, a plate of dumplings, and a bowl of rice with various toppings. On the right, there are clusters of orange and red flowers, possibly chrysanthemums, with some petals scattered around. A teapot and a cup are also visible in the upper left quadrant.

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# Corporate Information

## BOARD OF DIRECTORS

### Executive Directors

Mr. Wong Kit Lung Simon *Prof, JP*  
(*Chairman and Chief Executive Officer*)  
Ms. Ko Sau Chee Grace (*Vice Chairperson*)  
Mr. Ho Chi Wai

### Independent non-executive Directors

Mr. Sin Yat Kin *SBS, CSDSM*  
Ms. Hung Lo Shan Lusan  
Mr. Hung Wai Man *JP*

## AUDIT COMMITTEE

Ms. Hung Lo Shan Lusan (*Chairperson*)  
Mr. Hung Wai Man *JP*  
Mr. Sin Yat Kin *SBS, CSDSM*

## REMUNERATION COMMITTEE

Mr. Sin Yat Kin *SBS, CSDSM* (*Chairperson*)  
Mr. Wong Kit Lung Simon *Prof, JP*  
Ms. Hung Lo Shan Lusan

## NOMINATION COMMITTEE

Mr. Wong Kit Lung Simon *Prof, JP* (*Chairperson*)  
Mr. Sin Yat Kin *SBS, CSDSM*  
Mr. Hung Wai Man *JP*

## JOINT COMPANY SECRETARIES

Ms. Chan Hiu Yi (*ACIS, ACS*)  
Ms. Yu Wing Sze (*ACIS, ACS*)

## AUDITOR

PricewaterhouseCoopers  
Certified Public Accountants  
22/F, Prince's Building  
Central  
Hong Kong

## AUTHORISED REPRESENTATIVES

Mr. Ho Chi Wai  
Ms. Chan Hiu Yi

## LEGAL ADVISER

Michael Li & Co.  
19/F., Prosperity Tower  
No.39 Queen's Road Central  
Central, Hong Kong

## COMPLIANCE ADVISER

China Everbright Capital Limited  
24/F, Lee Garden One  
33 Hysan Avenue  
Causeway Bay  
Hong Kong

## REGISTERED OFFICE

Cayman Corporate Centre  
27 Hospital Road  
George Town  
Grand Cayman KY1-9008  
Cayman Islands

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 03, L22, Tower 1  
Enterprise Square Five  
38 Wang Chiu Road  
Kowloon Bay, Kowloon  
Hong Kong

## HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited  
Shops 1712–1716  
17/F, Hopewell Centre  
183 Queen's Road East  
Wanchai  
Hong Kong

**CAYMAN ISLANDS PRINCIPAL SHARE  
REGISTRAR AND TRANSFER OFFICE**

Walkers Corporate Limited  
27 Hospital Road  
George Town  
Grand Cayman KY1-9008  
Cayman Islands

**PRINCIPAL BANKERS**

Bank of China (Hong Kong) Limited  
Shanghai Commercial Bank Limited  
Industrial and Commercial Bank of China (Asia) Limited  
China Citic Bank (International) Limited

**COMPANY WEBSITE**

[www.lhgroup.com.hk](http://www.lhgroup.com.hk)

**STOCK CODE**

1978

**LISTING DATE**

30 May 2018

# Financial Highlights and Calendar

## FINANCIAL HIGHLIGHTS

For the year ended 31 December

	2018 <i>HK\$ million</i>	2017 <i>HK\$ million</i>	% Change
Revenue	1,004.1	829.2	21.1%
Earnings before interest, tax, depreciation and amortisation	94.4	75.7	24.7%
Profit attributable to the shareholders of the Company	35.2	22.4	57.1%
Profit attributable to the shareholders of the Company (excluded listing expenses)	43.2	38.5	12.2%
Earnings per share Basic and diluted ( <i>HK cents</i> )	4.90	3.73	31.4%
Proposed final dividend per share ( <i>HK cents</i> )	5.40		

## CALENDAR

Interim Results Announcement	27 August 2018
Annual Results Announcement	27 March 2019
Closure of Register of Members	
— Annual General Meeting	14 June 2019–19 June 2019 (both days inclusive)
— Proposed final dividend	26 June 2019–28 June 2019 (both days inclusive)
Annual General Meeting	19 June 2019
Payable date of final dividend	On or around 15 July 2019

## Chairman's Statement

Dear Shareholders,

I am frequently asked the rationale behind “1978”, many of my friends thought it is my year of birth, however I was born in 1973. The year 1978 was the first year of reform and opening up of Mainland China, since then, the economic landscape of China, and even worldwide, has been rewritten. The year 1978 was also the year when China entered into the Sino-Japan Treaty of Peace and Friendship with Japan, which is in line with the development of the Group that it has reformed from the restaurant group of traditional Chinese cuisine to the major Japanese cuisine corporation in Hong Kong, contributing to the friendship between the citizens of China and Japan. By the way, getting back to our topic, on behalf of the board (the “**Board**”) of directors (the “**Directors**”), I am pleased to present the annual results of LH Group Limited (the “**Company**”) and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2018 (the “**Reporting Year**”).

Since we opened our first Chinese restaurant in the 1980s, thanks to our over 30 years of heritage, profound experience and years of refined operation, the Group has successfully strengthened our foothold in the industry as a top full service multi-brand restaurant group in Hong Kong specialising in Cantonese and Asian (in particular Japanese) cuisine. And the Company's shares have been successfully listed (the “**Listing**”) on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 30 May 2018 (the “**Listing Date**”), marking the year 2018 a memorable year of the Group.

Over the years, we have adhered to our core philosophy of quality catering operation and provided outstanding cuisines and services to our customers in order to fit into different consumption markets. We have stayed abreast of market trends in a prudent manner and adjusted our development strategies in accordance with the mega scale structural transformation of the industry. We maintained a steady pace of development and strategically enlarged our business presence.

During the year, the Group opened new Asian cuisine restaurants for its franchised and self-owned brands businesses, also introducing to market our first Gyu-Kaku Buffet (牛角Buffet) outlet and Gyu-Kaku Jinan-Bou (牛角次男坊) outlet in Hong Kong. As at 31 December 2018, the Group operated a total of 39 restaurants, including 5 Cantonese restaurants and 34 Asian restaurants under 11 franchised and self-owned brands in Hong Kong, offering delicacies to diversified customer segments seeking a wide array of culinary experiences. In August 2018, we have acquired the registered trademark of “(永華麵家)” (transliterated as “Wing Wah Noodles”) in Hong Kong, Macau and Singapore. “Wing Wah Noodles” is an established brand serving traditional Cantonese noodles with 70 years of history originated from Hong Kong. We believe it is a good opportunity to tap into the Chinese noodles market to diversify our brand portfolio as well as preserving the traditional local heritage. Currently we are identifying suitable location to open the first restaurant under this trademark and pass on the culture of this traditional local cuisine.

## *Chairman's Statement*

To enhance our customer experience, the Group also dedicated to improving our mobile phone application “Kabu App” which offers an electronic queuing system to shorten the waiting time at our Asian cuisine restaurants, increasing the usage of electronic menu in our restaurants and introducing different means of electronic payment, including AliPay and WeChat Pay, in our restaurants to align with the global trend of electronic payment and provide more convenience to our customers.

The Group expanded our Asian cuisine restaurants as our core business in an opportune timing and conditions by adding eight new outlets under both franchised and self-owned brands during the year. During the year ended 31 December 2018, our franchised brand under Asian cuisine restaurants segment, led by “Gyu-Kaku” and “On-Yasai”, remained as the Group’s key growth driver. Revenue of this segment rose by approximately 48.4% for the year ended 31 December 2018 as compared with the year ended 31 December 2017, its proportion to total revenue also increased to approximately 47.2% in the year ended 31 December 2018, as compared with approximately 38.6% for the year ended 31 December 2017. With the unremitting efforts of our prominent management team, the Group recorded an annual revenue of over HK\$1 billion for the year ended 31 December 2018, which increased by approximately HK\$174.9 million or approximately 21.1% from the year ended 31 December 2017. The profit for the year attributable to shareholders of the Company amounted to approximately HK\$35.2 million, representing a growth of approximately 57.1% as compared with the year ended 31 December 2017.

Based on the satisfactory results and solid financial position of the Group, we hope to share the success with our shareholders, the Board proposed a payment of 100% of profit attributable to shareholders of the Company, excluding listing expenses, totaling approximately HK\$43.0 million, which is equivalent to HK5.40 cents per share as the final dividend for the year ended 31 December 2018. It represents a dividend payout ratio of approximately 123%.

Looking forward, the Group will keep its market responsiveness and make flexible business and strategy adjustment in a timely manner. We will continue to capitalize on our core competitiveness and profitability to enhance market penetration into different customer segment and actively explore and grasp any development opportunity with a view to bringing sustainable and higher value to our shareholders.

## APPRECIATION

On behalf of the Board, I would like to express my sincere gratitude and appreciation to the management and staff for their dedication during the year. I would also like to thank our shareholders, customers, suppliers, business partners and professional parties for their continuous trust and unreserved support over the years.



◀ A seasoned cleaner of our restaurant and myself, together depicting the entire of our Group regardless of position and seniority, was celebrating a memorable day of our group (photo taken in the listing ceremony of our Company on the Listing Date)

**Wong Kit Lung Simon Prof, JP**  
Chairman

Hong Kong, 27 March 2019

# Management Discussion and Analysis



## BUSINESS REVIEW

We are a top full service multi-brand restaurant group with 39 restaurants in Hong Kong specialising in Cantonese and Asian (in particular Japanese) cuisine.

As at 31 December 2018, the Group operated five Cantonese restaurants under four self-owned brands in Hong Kong, namely, “The Banqueting House (御苑皇宴)”, “China Hall (御苑)”, “LHGrand (叙福樓金閣)” and “Pot Master (煲仔王)”; and 34 Asian restaurants under three self-owned brands, namely, “Mou Mou Club (牛涮鍋)”, “Peace Cuisine (和平飯店)” and “Goolo (咕佬)”, and four franchised brands, namely “Gyu-Kaku (牛角)”, “Gyu-Kaku Jinan-Bou (牛角次男坊)”, “On-Yasai (溫野菜)” and “Yoogane (柳氏家)”, which served quality, value-for-money delicacies to diversified customer segments seeking a wide array of culinary experiences. We pride ourselves in the extensive market coverage of our brand portfolio, which allows us to tap into customer segments spanning across mid-to-high end market to mass market with different culinary preferences.

The following table sets forth the number of restaurants we operated as at the dates indicated.

	As at 31 December	
	2018	2017
<b>Cantonese cuisine restaurants</b>		
— Self-owned brands	5	7
<b>Asian cuisine restaurants</b>		
— Self-owned brands	13	10
— Franchised brands	21	17
<i>Sub-total of Asian restaurants:</i>	34	27
<b>Total:</b>	39	34

As disclosed in the section headed “Future plans and use of proceeds” in the prospectus dated 15 May 2018 (the “**Prospectus**”), the Group will continue to open new restaurants in Hong Kong going forward in accordance with our expansion plan and the Group will exercise due care in identifying adequate opportunities and planning for the opening of new restaurants.

## FINANCIAL REVIEW

### Revenue

The Group's revenue increased by approximately 21.1%, or approximately HK\$174.9 million, from approximately HK\$829.2 million for the year ended 31 December 2017 to approximately HK\$1,004.1 million for the year ended 31 December 2018. The increase in revenue was due to the increase in revenue from restaurant operations, which is primarily driven by an amount of approximately HK\$154.6 million or approximately 48.4% increase in revenue from our Asian cuisine restaurants — franchised brands during the year ended 31 December 2018 as compared with the year ended 31 December 2017. The revenue from Asian cuisine restaurants — franchised brands as a percentage of the Group's revenue increased from approximately 38.6% for the year ended 31 December 2017 to approximately 47.2% for the year ended 31 December 2018.

	For the year ended 31 December			
	2018		2017	
	Revenue HK\$'000	% of total Revenue (%)	Revenue HK\$'000	% of total Revenue (%)
<b>Cantonese cuisine restaurants</b>				
— Self-owned brands	273,624	27.3	272,060	32.8
<b>Asian cuisine restaurants</b>				
— Self-owned brands	240,036	23.9	217,143	26.2
— Franchised brands	474,329	47.2	319,694	38.6
Sub-total of restaurant operations	987,989	98.4	808,897	97.6
Sale of food ingredients	16,116	1.6	20,255	2.4
<b>Total</b>	<b>1,004,105</b>	<b>100.0</b>	<b>829,152</b>	<b>100.0</b>

### Cost of food and beverages

The Group's cost of food and beverages increased by approximately 25.9%, or approximately HK\$59.3 million, from approximately HK\$228.6 million for the year ended 31 December 2017 to approximately HK\$287.9 million for the year ended 31 December 2018. The increase was in line with the increase in revenue during the year ended 31 December 2018. The cost of food and beverages as a percentage of revenue remained relatively stable at approximately 28.7% for the year ended 31 December 2018 (year ended 31 December 2017: 27.6%).

### **Staff costs**

The Group's staff costs increased by approximately 17.1%, or approximately HK\$44.4 million, from approximately HK\$259.5 million for the year ended 31 December 2017 to approximately HK\$303.9 million for the year ended 31 December 2018. Such increase was primarily due to the increased salary and wages in order to cope with our increased business operation and business expansion plan during the year ended 31 December 2018. The staff costs as a percentage of revenue decreased from approximately 31.3% for the year ended 31 December 2017 to approximately 30.3% for the year ended 31 December 2018.

### **Property rentals and related expenses**

The Group's property rentals and related expenses increased by approximately 19.0%, or approximately HK\$29.0 million, from approximately HK\$152.5 million for the year ended 31 December 2017 to approximately HK\$181.5 million for the year ended 31 December 2018. Such increase was mainly attributable to an increase in the monthly rentals of the Group's leased properties upon renewal of the relevant leases and new properties leased. The property rentals and related expenses as a percentage of revenue remained stable at approximately 18.1% for the year ended 31 December 2018 (year ended 31 December 2017: 18.4%).

### **Listing expenses**

Listing expenses comprise professional fees and other expenses in relation to the Listing. The Group's listing expenses amounted to approximately HK\$8.0 million for the year ended 31 December 2018 as compared with approximately HK\$16.1 million for the year ended 31 December 2017 as more expenses incurred during the year ended 31 December 2017 in preparation for the Listing.

### **Profit for the year**

Profit for the year ended 31 December 2018 increased by approximately 46.3%, or approximately HK\$11.1 million, from approximately HK\$24.0 million for the year ended 31 December 2017 to approximately HK\$35.1 million for the year ended 31 December 2018. Such increase was mainly due to the combined effect of (i) decrease in listing expenses incurred for the year ended 31 December 2018 by approximately HK\$8.1 million as compared with the year ended 31 December 2017; and (ii) other factors discussed above.

## **LIQUIDITY AND FINANCIAL RESOURCES**

The Group financed its business with internally generated cash flows and proceeds received from the Listing. As at 31 December 2018, the Group had short term bank deposits of approximately HK\$148.0 million (as at 31 December 2017: nil) and cash and cash equivalents of approximately HK\$142.3 million (as at 31 December 2017: approximately HK\$70.0 million). Most bank deposits and cash were denominated in Hong Kong dollar. The Group will continue to use the internal generated cash flows and proceeds received from the Listing as a source of funding for future developments.

As at 31 December 2018, the Group's total current assets and current liabilities were approximately HK\$371.1 million (as at 31 December 2017: approximately HK\$146.3 million) and approximately HK\$147.4 million (as at 31 December 2017: approximately HK\$128.5 million) respectively, while the current ratio was about 2.5 times (as at 31 December 2017: about 1.1 times).

As at 31 December 2018, the Group did not have any bank borrowings or finance lease payables.

As at 31 December 2018, the gearing ratio of the Group was not applicable as it had no outstanding debt.

## **SIGNIFICANT INVESTMENTS**

As at 31 December 2018, the Group did not hold any significant investments.

## **MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES**

During the year ended 31 December 2018, the Group had no material acquisition or disposal of subsidiaries, associates or joint ventures.

## **PLEDGE OF ASSETS**

As at 31 December 2018, the Group did not pledge any assets.

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 31 December 2018, the Group had 1,041 employees (as at 31 December 2017: 1,052 employees). The remuneration of the employees is determined by reference to prevailing market terms and in accordance with the performance, qualification and experience of each individual employee.

The emoluments of the Directors are recommended by the remuneration committee of the Company, with reference to their respective contribution of time, effort and expertise on the Company's matters. The Company has adopted a share option scheme (the "**Share Option Scheme**") on 4 May 2018 to reward the participants defined thereunder for their contribution to the Group's success and to provide them with incentives to further contribute to the Group. The Share Option Scheme has become effective on 30 May 2018. In addition, employees are entitled to performance and discretionary new year bonuses.

No share option was granted during the year ended 31 December 2018. As at 31 December 2018, the Company had no outstanding share option under the Share Option Scheme.

## **FOREIGN EXCHANGE EXPOSURE**

Most of the transactions of the Group are denominated in HK\$ and the Group is not exposed to any significant foreign exchange exposure.

## **CONTINGENT LIABILITIES**

As at 31 December 2018, the Group did not have any material contingent liabilities.

## **OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENT**

As at the date of this report, the Group had not entered into any off-balance sheet transactions.

## **PROSPECTS**

The Group's strategic objective is to continue solidifying our market position as a top multi-brand full service restaurant group in Hong Kong and enhancing market penetration into different customer segments. To achieve such objective, the Group will continue to implement the following strategies:

- Expanding our restaurant network and enhancing our market penetration in Hong Kong;
- Strengthening our multi-brand business model with new additions to our brand portfolio; and
- Enhancing operational efficiency and cost savings.

To cater for our business expansion, we intend to set up a new central processing and logistic centre to enhance the Group's capacity for food preparation, food processing and cutting and provide additional storage space for food ingredients and products.

# Directors and Senior Management

## EXECUTIVE DIRECTORS

**Mr. WONG Kit Lung Simon (黃傑龍)**, *Prof, JP*, aged 45, was appointed as the Director on 20 June 2017 and was re-designated as executive Director on 8 August 2017. Mr. Wong is the Chairman and Chief Executive Officer of the Group. He is a director of all subsidiaries of the Group. He is primarily responsible for the overall management, strategic planning, brand management, business development, public relations and cooperation of the Group. In carrying out his responsibilities, Mr. Wong has provided the Group with leadership, vision with reformation, marketing and public relations strategies. Mr. Wong has over 21 years of working and management experience in the engineering and restaurant management sectors.

Mr. Wong holds various public positions in Hong Kong, including:

Year of appointment	Organisation	Current position
2012	Food Business and Related Services Task Force of the Business Facilitation Advisory Committee	Member
2014	Institution of Dining Art	President
2016	Environment and Conservation Fund Committee — Waste Reduction Projects Vetting Subcommittee	Member
2016	Hong Kong Japanese Food and Cuisine Association	Chairman
2016	Advisory Committee on Enhancing Self-Reliance Through District Partnership Programme	Member
2017	Advisory Council on the Environment	Member
2017	Food Wise Hong Kong Steering Committee	Member
2017	Catering Industry Training Advisory Committee	Chairman
2017	Mandatory Provident Fund Schemes Authority	Non-executive director
2017	Finance Committee of the Mandatory Provident Fund Schemes Authority	Chairman
2018	Commission on Poverty	Member
2019	Employees Retraining Board	Vice Chairman

Mr. Wong became a member of the Institution of Highways & Transportation in the United Kingdom in September 1999. He was elected as a member and chartered professional engineer of the Institution of Engineers in Australia in April 2001. He was elected as a registered professional engineer in the civil practice area of the National Professional Engineers Register in Australia in April 2001. He was admitted as a member and chartered civil engineer of the Institution of Civil Engineers in the United Kingdom in December 2001, and he was subsequently registered by the Engineering Council in the United Kingdom in May 2002 to use the title of chartered engineer. Mr. Wong, who has satisfied the requirements under the Recognition of Prior Learning mechanism (Chinese Catering Industry), obtained a Statement of Attainment in Control Cost of Chinese Catering Organizations (Level 4) by the Vocational Training Council in Hong Kong in 28 December 2017.

Mr. Wong obtained his Bachelor of Engineering in Civil Engineering degree from the University of New South Wales in Australia in May 1997. He obtained his Master of Business Administration (Electronic Commerce) degree from Charles Sturt University in Australia (through long distance learning) in November 2001. Mr. Wong was elected as one of the Ten Outstanding Young Persons by the Junior Chamber International Hong Kong in October 2011. He was appointed as Justice of the Peace in July 2014. In January 2019, he was appointed as Adjunct Professor of College of Business of City University of Hong Kong.

**Ms. KO Sau Chee Grace (高秀芝)**, aged 53, was appointed as the Director on 20 June 2017 and was re-designated as executive Director on 8 August 2017. She is the vice chairperson of the Group.

Ms. Ko is a director of all subsidiaries of the Group. She is primarily responsible for the strategic planning, business development, system building and procurement matters of the Group. She is responsible for overlooking the implementation of corporate policies and strategies mainly in areas of procurement management, supply chain management, food quality and occupational safety control, together with human resources management. In carrying out her responsibilities, she has provided the Group with her passion, vision, leadership, innovation and insightfulness. Ms. Ko has over 23 years of working experience and extensive management experience in the Group.

Ms. Ko obtained her Master of Business Administration in Management degree from the Charter University in March 2014 in the United States of America (through long distance learning). Ms. Ko has been nominated as our representative of the network of Gender Focal Point since 2018.

**Mr. HO Chi Wai (何志偉)**, aged 48, was appointed as the Director on 20 June 2017 and was re-designated as executive Director on 8 August 2017. Mr. Ho is the Chief Financial Officer of the Group and is primarily responsible for the overall management of financial affairs and budgeting of our Group. Mr. Ho has over 28 years of professional services experience with auditing, accounting and financial management.

Prior to joining the Group, from July 1990 to February 1994, he worked with Lai & Fan, Sothertons and lastly served as an audit senior where he was primarily responsible for handling clients of trading, industrial and investment businesses. From March 1994 to July 1996, he worked with Ho & Au Yeung and lastly served as an audit senior. From August 1996 to present, he has served at Lucky House Group Limited as its head of accounting, having also carried out the same role at Lucky House Group (Management) Limited.

Mr. Ho was admitted as an associate of the Association of Chartered Certified Accountants in July 1999 and subsequently admitted as a fellow in July 2004. He was admitted as a member of the Hong Kong Institute of Certified Public Accountants in October 2000. Mr. Ho was awarded a Diploma in Accountancy by the Vocational Training Council in Hong Kong in July 1990.

## **INDEPENDENT NON-EXECUTIVE DIRECTORS**

**Mr. SIN Yat Kin (單日堅)**, *SBS, CSDSM*, aged 61, was appointed as the independent non-executive Director with effect from 30 May 2018. Mr. Sin has around 39 years of experience in public disciplinary services and management.

Prior to joining the Group, from June 1979 to December 2015, Mr. Sin worked at the Hong Kong Correctional Services Department where his final position was the Commissioner of Correctional Service. From June 2015 to present, he has worked at the Hong Kong Football Association as a non-club-linked director. From June 2015 to present, he has been a member of the executive committee of the Hong Kong Playground Association. Since July 2017, he has been the vice chairman of the Hong Kong Playground Association. Since 18 January 2018, he has been the Chief of Staff of AMTD Group. Mr. Sin is also currently a member of the consultation council of the Hong Kong Army Cadets Association.

Mr. Sin obtained his Master of Social Science degree from The University of Hong Kong in December 2002. Mr. Sin was awarded a 2007 Hong Kong Correctional Services Medal for Distinguished Service. He was awarded a 2009 Chief Executive's Commendation for Government/Public Service and a 2014 Silver Bauhinia Star in Hong Kong.

**Ms. HUNG Lo Shan Lusan (熊璐珊)**, aged 52, was appointed as the independent non-executive Director with effect from 30 May 2018. Ms. Hung has over 32 years of experience in accounting, tax and strategic planning.

Prior to joining the Group, from March 1987 to March 1990, Ms. Hung worked as an accountant at Weston Woodley & Robertson. From May 1990 to June 1993, she worked at Ernst & Young where her last position was deputy manager of tax department. From November 1993 to April 2002, she worked with Grant Thornton where her final position was partner. During her tenure at Grant Thornton, she worked at Grant Thornton — Los Angeles as a manager on secondment from December 1995 to February 1997. From January 2003 to September 2005, she was a director of the Chartered Accountants Australia & New Zealand (formerly known as the Institute of Chartered Accountants in Australia). From 2013 to 2015, she was the president of the Association of Women Accountants in Hong Kong. From April 2002 to present, she has been an executive director of Higuma Consulting Limited. Ms. Hung was appointed as Head of Tax, Pacific Jade Tax Consultancy Limited from 3 October 2018. She also serves as a member of the Hong Kong Breast Cancer Foundation — Audit Committee since March 2019. Ms. Hung has been appointed as a member of the Beijing Women's Federation since 2014 and the Shandong Committee of the Chinese People's Political Consultative Conference since 2018.

Ms. Hung was admitted to membership of the Chartered Accountants Australia and New Zealand in April 1990, and was subsequently entitled to use the designation of Chartered Accountant Fellow in June 2000. She was admitted as an associate of the Hong Kong Society of Accountants in December 1991, and was subsequently admitted as a fellow of Hong Kong Institute of Certified Public Accountants (formerly known as the Hong Kong Society of Accountants) in November 1999. She was admitted as a fellow of the Taxation Institute of Hong Kong in September 2010, and was registered as a Certified Tax Adviser since September 2010. Ms. Hung is currently a fellow of Chartered Accountants Australia and New Zealand and Hong Kong Institute of Certified Public Accountants. She is also a fellow and Certified Tax Adviser of the Taxation Institute of Hong Kong.

Ms. Hung obtained her Bachelor of Commerce in Accounting degree from the University of New South Wales in Australia in April 1988. She completed the Women's Directorship Programme at The University of Hong Kong in June 2013, and subsequently completed the Board Directorship Programme in July 2013.

**Mr. HUNG Wai Man (洪為民)**, JP, aged 50, was appointed as the independent non-executive Director with effect from 30 May 2018. Mr. Hung has over 21 years of experience in management consulting, project management and outsourcing services.

Prior to joining the Group, from July 1987 to August 1989, Mr. Hung worked as a manager at Datacheck Limited. From September 1989 to August 1991, he was a manager at Ever Idea Development Limited. From April 1991 to October 1996, he worked as a director of Wit's Consultant Limited. He worked as a manager of system integration department at AT&T Asia/Pacific Group Limited for a term of two years from late 1996. From August 1998 to April 2004, he worked at Atos Origin Limited where his last position was North Asia vice president and Country Manager — Hong Kong. From March 2004 to March 2006, he worked as director — corporate market at Jardine OneSolution (HK) Limited. From April 2006 to August 2013, he worked as executive vice president at Next Horizon Company Limited. From May 2014 to present, Mr. Hung has been a director of Qianhai International Liaison Services Limited. From January 2017 to present, he has been a director of Wit's Technology (HK) Company Limited.

Mr. Hung is currently an independent non-executive director of Hsin Chong Group Holdings Limited (stock code: 404), VSTECS Holdings Limited (stock code: 856) and Sino Hotels (Holdings) Limited (stock code: 1221).

He was elected a member of the British Computer Society in March 2002, and was subsequently awarded Chartered IT Professional Fellowship in July 2008. He was admitted as a fellow by the Hong Kong Institute of Directors and the Hong Kong Computer Society in July 2002 and February 2008 respectively.

Mr. Hung obtained a Higher Diploma in Mathematics, Statistics and Computing from the Hong Kong Polytechnic (currently known as The Hong Kong Polytechnic University) in November 1988. He obtained his Bachelor of Arts in Business Administration degree from the Bolton Institute of Higher Education in the United Kingdom in July 1997 (through long distance learning). He obtained his Master of Business Administration (General Business Administration) degree from the University of Hull in the United Kingdom in December 1995 (through long distance learning). He obtained his Master of Arts in Comparative and Public History degree from The Chinese University of Hong Kong in December 2006. He obtained a LLM degree from the Renmin University of China in June 2011. He obtained a Doctor of Philosophy in Business Administration degree from the Bulacan State University in the Philippines in December 2012 (through long distance learning).

Mr. Hung was awarded in the Secretary for Home Affairs' Commendation Scheme in 2007. Mr. Hung was appointed as a Justice of Peace in July 2015. Mr. Hung has been elected as the Hong Kong Deputy of the 13th National People's Congress of the People's Republic of China in December 2017.

## **SENIOR MANAGEMENT**

**Mr. MAK Ka Chun (麥家俊)**, aged 43, joined the Group in April 2012. Mr. Mak is our general manager (Asian cuisine) and is primarily responsible for the overall Asian cuisine general management matters of our Group. He has approximately 24 years of experience in the food and beverage industry, in particular in relation to Asian cuisine general management.

Prior to joining the Group, Mr. Mak has worked in several conventional and exhibition companies and chain restaurants, responsible for day to day operations and ad-hoc catering functions. From April 2012 to present, Mr. Mak has worked for Kabushikigaisha Limited and he is currently the general manager (Asian cuisine) of Kabushikigaisha Limited.

Mr. Mak obtained a certificate of training from the Accredited Certification International Limited in relation to hazard analysis and critical control points. He also obtained a Certificate of Completion for a course entitled Basic Food Hygiene Certificate for Hygiene Managers by the City University of Hong Kong in June 2010.

**Mr. YUEN Ka Chun (袁家駿)**, aged 45, joined the Group in May 2012. Mr. Yuen is our deputy general manager (food system, Asian cuisine) and is primarily responsible for the overall Asian cuisine food system general management and food cost control matters of the Group. He has approximately 16 years of experience in the food and beverage industry, in particular in relation to Asian food system management and food cost control. Mr. Yuen, who has satisfied the requirements under the Recognition of Prior Learning mechanism (Chinese Catering Industry), obtained a Statement of Attainment in Control Cost of Chinese Catering Organizations (Level 4) by the Vocational Training Council in Hong Kong in December 2017.

Prior to joining the Group, Mr. Yuen has worked for several chain Japanese restaurants as chef for more than 10 years, responsible for operation, food procurement and quality monitoring. From May 2012 to present, Mr. Yuen has worked for Kabushikigaisha Limited and he is currently the deputy general manager (food system).

Mr. Yuen was awarded a Basic Food Hygiene Certificate for Hygiene Managers by the Vocational Training Council in Hong Kong in December 2011.

# Report of the Directors

The Directors present their report together with the audited financial statements of the Group for the Reporting Year.

## PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Its subsidiaries are principally engaged as full-service restaurants operator serving Chinese and Asian cuisine including Japanese and Korean cuisine in Hong Kong. Details of the principal activities of the Company's major subsidiaries are set out in Note 31 to the financial statements.

## BUSINESS REVIEW

The detailed business review of the Group's performance for the Reporting Year with analysis using financial key performance indicators is set out on "Management Discussion and Analysis" section in this report.

There are certain risks involved in the Group's operations, which may affect our business and results of operations.

- (i) The limited choices of commercially attractive locations, failure to renew existing leases, breach of lease agreements, or increase in rental expenses;
- (ii) We may not be able to implement and manage our growth strategies effectively;
- (iii) Uncertainties on obtaining or renewing the licenses and permits for our operations for factors beyond our control;
- (iv) Opening new restaurants could result in fluctuations in our financial performance, and sales of our existing restaurants may be negatively affected if new restaurants are opened nearby;
- (v) The Group's success depends substantially on the market recognition of our brands, and any damage to our brands could materially affect our business and results of operations;
- (vi) If there is any adverse incident associated with the quality of food and services or if the hygiene standards of our restaurants fall below the relevant statutory requirements, our restaurant business and reputation could be affected;
- (vii) The operations are susceptible to fluctuation in the supply, quality or costs of food ingredients;
- (viii) Difficulties in recruitment and retention of employees.

## **ENVIRONMENTAL, SOCIAL AND GOVERNANCE (“ESG”) POLICIES AND PERFORMANCES**

The Group is committed to building a sustainable future. It assesses the materiality of various ESG issues and take measures to control the environmental and social impacts during operations. All businesses are required to comply with all applicable ESG laws and regulations strictly. The Group strives to minimize its environmental impacts through effective air emissions control, enhancing water and energy efficiency, proper waste management and resources conservation. The Group also puts effort into creating positive social impacts by protecting labour right and maintaining integrity. Discussion on the Group’s ESG initiatives, performance and applicable ESG laws and regulations can be found in the ESG Report on pages 42 to 74 of this report.

## **COMPLIANCE WITH LAWS AND REGULATIONS**

As far as the Board is aware, the Group has complied with the relevant laws and regulations that may cause a significant impact on the business and operation of the Group in the event of a material breach or non-compliance. During the Reporting Year, there was no material breach or non-compliance with the applicable laws and regulations by the Group.

## **RESULTS AND DIVIDENDS**

The results of the Group for the Reporting Year and the state of affairs of the Group are set out in the consolidated financial statements on pages 80 to 145 of this report.

The Board has recommended the payment of a final dividend of HK5.4 cents per share, totalling HK\$43,200,000 to the shareholders of the Company (the “**Shareholders**”) whose names will appear on the register of members of the Company on Friday, 28 June 2019, subject to the approval of the Shareholders at the Annual General Meeting (the “**AGM**”). Details of dividends for the Reporting Year are set out in Note 11 to the financial statements.

## **DIVIDEND POLICY**

Pursuant to the Dividend Policy, the Board may declare the payment of dividend of the Company after considering the below factors:

- (a) the results of operations of the Group;
- (b) economic and market conditions that may have an impact on the business or financial performance and position of the Group;
- (c) cash available for distribution as dividends from subsidiaries;
- (d) restrictions under the Cayman Island Laws and the Company’s Articles of Association, including approval of the Shareholders; and
- (e) any other factors that the Board deems relevant.

After considering the above factors, the Board intends to recommend dividends of no less than 50% of the profit and total comprehensive income after tax attributable to the Shareholders in a financial year.

For the Reporting Year, the proposed dividend represented approximately 123% of profit and total comprehensive income after tax attributable to the Shareholders.

The Board reviews the Company's dividend policy regularly to ensure that the policy is appropriate considering the Group's ongoing development plans.

## USE OF NET PROCEEDS FROM LISTING

The net proceeds from the IPO on 30 May 2018 after deducting share issuance expenses and listing expenses (the "Net Proceeds") was approximately HK\$178,610,000. As at 31 December 2018, the Company had used approximately HK\$52,361,000 of the Net Proceeds for the purposes as set out in the Prospectus, representing approximately 29.3% of the Net Proceeds.

Use of Net Proceeds	Approximate percentage of total amount	Actual Net Proceeds HK\$'000	Amount utilised as at 31 December 2018 HK\$'000	Unused Net Proceeds HK\$'000
Opening a total of eight restaurants under our self-owned brands				
— Four Chinese restaurants	20%	35,222	—	35,222
— Four Asian cuisine restaurants	14%	24,840	5,649	19,191
Opening 19 restaurants under franchised brands	56%	100,659	28,823	71,836
Additional working capital, strategic investment and other general corporate purposes	10%	17,889	17,889	—
<b>Total</b>	<b>100%</b>	<b>178,610</b>	<b>52,361</b>	<b>126,249</b>

## SUMMARY FINANCIAL INFORMATION

A summary of the results, assets and liabilities of the Group for the past four financial years is set out on page 146 of this report.

## PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Group during the Reporting Year are set out in Note 13 to the financial statements.

## **SHARE CAPITAL**

Pursuant to the written resolution passed by the shareholders on 4 May 2018 and conditional upon the share premium account of the Company being credited as a result of the share offer, the Directors are authorised to capitalise an amount of HK\$59,999,990 standing to the credit of the share premium account of the Company by applying such sum in paying up in full at par of 599,999,990 shares for allotment and issue to the then shareholders.

On 30 May 2018, the Company issued 200,000,000 ordinary shares of HK\$0.1 each at a price of HK\$1.1 per share pursuant to the initial public offering and listing of the Company's shares on the Main Board of the Stock Exchange.

Details of movements in the share capital of the Company during the Reporting Year are set out in Note 28 to the financial statements.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

Neither the Company nor its subsidiaries had purchased, sold or redeemed any of the Company's listed securities from the Listing Date to 31 December 2018.

## **PRE-EMPTIVE RIGHTS**

There is no provision for pre-emptive rights under the Articles of Association or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

## **RESERVES**

Movements in the reserves of the Group and the Company during the Reporting Year are set out in the consolidated statement of changes in equity on page 83 of this report.

## **DISTRIBUTABLE RESERVES**

As at 31 December 2018, the distributable reserves of the Company, including the share premium account, calculated in accordance with the Companies Law (Cap. 22, Law 3 of 1961 as consolidated and revised) of the Cayman Islands, amounted to HK\$259,304,000.

## **EQUITY-LINKED AGREEMENTS**

Saved for the Share Option Scheme mentioned in "Management Discussion and Analysis" section, no equity-linked agreements were entered into by the Company during or at the end of the Reporting Year.

## **CHARITABLE DONATIONS**

During the Reporting Year, charitable donations made by the Group amounted to approximately HK\$1,621,000. Details of the charity activities and donations are set out in the ESG Report on pages 42 to 74 of this report.

## **MAJOR CUSTOMERS AND SUPPLIERS**

For the Reporting Year, the aggregate amount of revenue attributable to the Group's five largest customers represented less than 30% of the Group's total revenue.

The amount of purchases of the largest supplier represented 16.1% of the total purchases for the Reporting Year. The aggregate purchases attributable to the Group's five largest suppliers represented 42.4% of the total purchases for the Reporting Year.

None of the Directors, their respective associates (as defined in the Rules Governing the Listing of Securities (the "**Listing Rules**")) or any Shareholders, which to the best knowledge of the Directors, owns more than 5% of the Company's issued share capital, has any interests in the share capital of any of the above five largest suppliers of the Group.

## **RELATIONSHIPS WITH EMPLOYEES, SUPPLIERS AND CUSTOMERS**

The Group understands that employees are our valuable partners. The Group provides competitive remuneration package to attract and motivate the employees. The Group regularly reviews the remuneration package of employees and makes necessary adjustments to conform to the market standard.

The Group's business is built on a customer-oriented culture. The Group also understands that it is important to maintain good relationship with its suppliers and customers to fulfil its immediate and long-term goals. To maintain its market competitiveness within the industry, the Group aims at delivering constantly high standards of quality in the products and services to its customers. During the Reporting Year, there was no material and significant dispute between the Group and its suppliers and/or customers.

## **DIRECTORS**

The Directors during the Reporting Year and up to the date of this report were:

### **Executive Directors**

Mr. Wong Kit Lung Simon *Prof, JP (Chairman and Chief Executive Officer)*

Ms. Ko Sau Chee Grace *(Vice Chairperson)*

Mr. Ho Chi Wai

### **Independent non-executive Directors**

Mr. Sin Yat Kin *SBS, CSDSM*

Ms. Hung Lo Shan Lusan

Mr. Hung Wai Man *JP*

Pursuant to the Articles of Association, Mr. Wong Kit Lung Simon, Ms. Ko Sau Chee Grace and Mr. Ho Chi Wai shall retire by rotation at the forthcoming AGM. All of them, being eligible, will offer themselves for re-election at the forthcoming AGM.

Pursuant to the Articles of Association, Mr. Sin Yat Kin, Ms. Hung Lo Shan Lusan and Mr. Hung Wai Man, who were appointed on 30 May 2018, will hold office until the next AGM of the Company. They shall then retire at the Company's forthcoming AGM and, being eligible, will offer themselves for re-election.

## **BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT**

The biographical details of the Directors and senior management of the Company are set out on pages 14 to 18 of this report.

## **DIRECTORS' SERVICE CONTRACTS**

Each of the executive Directors entered into a service agreement with the Company for a term of three years commencing from 10 May 2018. They are subject to retirement by rotation and re-election at the AGM of the Company under the Articles of Association. Either party may terminate the service agreement by giving the other party not less than one month notice in writing or by the payment of wages in lieu of the outstanding notice.

Each of the non-executive Directors entered into a service agreement with the Company for a term of three years commencing from 30 May 2018. They are subject to retirement by rotation and re-election at the AGM of the Company under the Articles of Association. Either party may terminate the service agreement by giving the other party not less than one month notice in writing or by the payment of wages in lieu of the outstanding notice.

## **DIRECTORS' REMUNERATION**

Details of the remuneration of the Directors are set out in Note 32 to the financial statements, which are recommended by the Remuneration Committee of the Company by reference to the performance of the individual and the Company as well as market practice and conditions.

## SENIOR MANAGEMENT'S REMUNERATION

The emoluments of senior management fell within the following bands:

	Number of senior management Year ended 31 December	
	2018	2017
Nil to HK\$1,000,000	—	1
HK\$1,000,001 to HK\$2,000,000	2	1
HK\$2,000,001 to HK\$3,000,000	—	—
	<b>2</b>	<b>2</b>

## PERMITTED INDEMNITY PROVISION

Pursuant to the Articles of Association and subject to the applicable laws and regulations, every Director shall be indemnified and secured harmless out of the assets of the Company and against all losses or liabilities incurred or sustained by reason of any act done, concurred in or omitted in or about the execution of their duties. Such permitted indemnity provision has been in force throughout the Reporting Year. The Company has arranged for appropriate directors' and officers' liability insurance coverage for the Directors and officers of the Group.

## DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

No transactions, arrangements and contracts of significance in relation to the Group's business to which the Company's subsidiaries, fellow subsidiaries or its parent company was a party and in which a Director of the Company and the Director's connected party had a material interest, whether directly or indirectly, subsisted at any time during or at the end of the Reporting Year.

## CONTROLLING SHAREHOLDERS' INTEREST IN CONTRACTS

None of the Company or any of its subsidiaries entered into contract of significance with the controlling shareholders or any of its subsidiaries other than the Group, nor was there any contract of significance between the Group and the controlling shareholders or any of its subsidiaries other than the Group in relation to provision of services.

## MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during or at the end of the Reporting Year.

## DIRECTORS' AND CHIEF EXECUTIVE INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

### (i) Interest in the Company

As at 31 December 2018, 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 its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required to be 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 they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Appendix 10 of the Listing Rules (the "Model Code") are as follows:

Name of Director	Capacity/Nature of interest	Number of Shares	Approximate percentage of shareholding in the Company (%)	Long position/ Short position
Mr. Wong Kit Lung Simon <sup>(2)</sup>	Interest held jointly with other persons; interest in a controlled corporation	600,000,000	75%	L
Ms. Ko Sau Chee Grace <sup>(2)</sup>	Interest held jointly with other persons; interest in a controlled corporation	600,000,000	75%	L

*Notes:*

- (1) The letter "L" denotes the person's long position in the shares of the Company (the "Shares").
- (2) Mr. Wong Kit Lung Simon, Mr. Ko Cheuk Kuen, Mr. Wong Yiu Hung, Mr. Liu Cheung, Mr. Liu Chi Hung Peter, Mr. Lau Kwong Kwan, Hop Kwan Holdings Limited ("Hop Kwan") and Ms. Ko Sau Chee Grace are parties acting in concert (having the meaning ascribed to it under the Hong Kong Codes on Takeovers and Mergers and Share Repurchases (the "Takeover Code")). Each of Mr. Lam Kwan Ying and Ms. Chan Wai Chun owns 36.67% and 36.67% of Hop Kwan respectively and therefore under the SFO, Mr. Lam Kwan Ying and Ms. Chan Wai Chun are deemed or taken to be interested in the shares to be held by Hop Kwan. As such, Mr. Wong Kit Lung Simon, Mr. Ko Cheuk Kuen, Mr. Wong Yiu Hung, Mr. Liu Cheung, Mr. Liu Chi Hung Peter, Mr. Lau Kwong Kwan, Hop Kwan, Mr. Lam Kwan Ying, Ms. Chan Wai Chun and Ms. Ko Sau Chee Grace will for the purpose of the SFO together through LHG Holdings Limited control 75% of the entire share capital of the Company.

**(ii) Interest in the associated corporation**

<b>Name of Director</b>	<b>Position in the Company</b>	<b>Name of associated corporation</b>	<b>Number of Shares held</b>	<b>Approximate percentage of shareholding (%)</b>
Mr. Wong Kit Lung Simon	Executive Director	LHG Holdings Limited ("LHG Holdings")	290,358	29.03%
Ms. Ko Sau Chee Grace	Executive Director	LHG Holdings	80,300	8.03%

Save as disclosed above, as at 31 December 2018, none of the Directors or chief executives of the Company had or was deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required to be recorded in the register to be kept by the Company pursuant to section 352 of the SFO, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

**DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES**

Save as disclosed in this report, at no time during the Reporting Year was the Company, its holding company or any of its subsidiaries, a party to any arrangements which enable the Directors and the chief executives of the Company to acquire benefits by means of an acquisition of Shares or debentures of the Company or any other body corporate; and none of the Directors, or their spouses or children under the age of 18, had any rights to subscribe for the securities of the Company, or had exercised any such right during the Reporting Year.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2018, within the knowledge of the Directors, the following persons (other than the Directors or chief executive of the Company) had an interest or a short position in the Shares or underlying Shares which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name of Shareholder	Capacity/Nature of interest	Number of Shares	Approximate percentage of shareholding (%)	Long position/ Short position/ Lending pool
LHG Holdings <sup>(2)</sup>	Beneficial owner	600,000,000	75%	L
Mr. Ko Cheuk Kuen	Interest held jointly with other persons; interest in a controlled corporation	600,000,000	75%	L
Mr. Wong Yiu Hung <sup>(6)</sup>	Interest held jointly with other persons; interest in a controlled corporation	600,000,000	75%	L
Mr. Liu Cheung <sup>(6)</sup>	Interest held jointly with other persons; interest in a controlled corporation	600,000,000	75%	L
Mr. Liu Chi Hung Peter <sup>(6)</sup>	Interest held jointly with other persons; interest in a controlled corporation	600,000,000	75%	L
Mr. Lau Kwong Kwan <sup>(6)</sup>	Interest held jointly with other persons; interest in a controlled corporation	600,000,000	75%	L
Hop Kwan <sup>(3)(6)</sup>	Interest held jointly with other persons; interest in a controlled corporation	600,000,000	75%	L
Mr. Lam Kwan Ying <sup>(3)(4)(6)</sup>	Interest of Spouse; Interest held jointly with other persons; Interest in a controlled corporation	600,000,000	75%	L
Ms. Chan Wai Chun <sup>(3)(5)(6)</sup>	Interest of Spouse; Interest held jointly with other persons; Interest in a controlled corporation	600,000,000	75%	L

*Notes:*

- (1) The letter "L" denotes the person's long position in the Shares.
- (2) LHG Holdings is an investment-holding company incorporated in the BVI and owned as to 29.03%, 2.99%, 11.99%, 11.99%, 11.99%, 11.99% and 8.03% by Mr. Wong Kit Lung Simon, Mr. Wong Yiu Hung, Mr. Ko Cheuk Kuen, Mr. Liu Cheung, Mr. Liu Chi Hung Peter, Mr. Lau Kwong Kwan, Hop Kwan and Ms. Ko Sau Chee Grace respectively.
- (3) Mr. Lam Kwan Ying and Ms. Chan Wai Chun each owns 36.67% and 36.67% of Hop Kwan respectively and therefore under the SFO, Mr. Lam Kwan Ying and Ms. Chan Wai Chun are deemed or taken to be interested in the Shares to be held by Hop Kwan.
- (4) Mr. Lam Kwan Ying is the spouse of Ms. Chan Wai Chun and is deemed or taken to be interested in all the Shares in which Ms. Chan Wai Chun has, or is deemed to have, an interest for the purpose of the SFO.
- (5) Ms. Chan Wai Chun is the spouse of Mr. Lam Kwan Ying and is deemed or taken to be interested in all the Shares in which Mr. Lam Kwan Ying has, or is deemed to have, an interest for the purpose of the SFO.
- (6) Mr. Wong Kit Lung Simon, Mr. Ko Cheuk Kuen, Mr. Wong Yiu Hung, Mr. Liu Cheung, Mr. Liu Chi Hung Peter, Mr. Lau Kwong Kwan, Hop Kwan, and Ms. Ko Sau Chee Grace are parties acting in concert (having the meaning ascribed to it under the Takeover Code). Each of Mr. Lam Kwan Ying and Ms. Chan Wai Chun owns 36.67% and 36.67% of Hop Kwan respectively and therefore under SFO, Mr. Lam Kwan Ying and Ms. Chan Wai Chun are deemed or taken to be interested in the shares to be held by Hop Kwan. As such, Mr. Wong Kit Lung Simon, Mr. Ko Cheuk Kuen, Mr. Wong Yiu Hung, Mr. Liu Cheung, Mr. Liu Chi Hung Peter, Mr. Lau Kwong Kwan, Hop Kwan, Mr. Lam Kwan Ying, Ms. Chan Wai Chun and Ms. Ko Sau Chee Grace will for the purpose of the SFO together through LHG Holdings control 75% of the entire share capital of the Company.

Save as disclosed above, as at 31 December 2018, the Directors are not aware of any other person (other than the Directors or chief executives of the Company) who had an interest or a short position in the Shares or underlying Shares as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

## **SUFFICIENCY OF PUBLIC FLOAT**

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained a sufficient public float of at least 25% of the issued Shares from the Listing Date to the date of this report.

## **DIRECTORS' INTERESTS IN COMPETING BUSINESS**

During the Reporting Year and up to the date of this report, none of the Directors had an interest in a business, which competes or may compete, either directly or indirectly, with the business of the Group.

## **RELATED PARTY TRANSACTIONS**

Details of the related party transactions undertaken by the Group during the Reporting Year are set out in Note 19 to the financial statements. These related party transactions did not constitute connected transactions or continuing connected transactions under the Listing Rules. The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

## **EVENT AFTER THE REPORTING YEAR**

On 14 March 2019, LHG Procurement Limited, a direct wholly-owned subsidiary of the Company, entered into a provisional sale and purchase agreement to acquire the entire issued shares of Way Sure Limited (the “**Target Company**”), and all debts owing by the Target Company to the vendors and their respective associates (if any) as at 17 June 2019 at a consideration of HK\$35,000,000.

The Target Company is a company incorporated in Hong Kong with limited liability and is principally engaged in property holding and property leasing business. The principal asset of the Target Company is a property located at Workshop Part 1, Ground Floor, Wah Fai Industrial Building, No. 4 Sze Shan Street, Kowloon, Hong Kong. The property is a commercial property with a saleable area of approximately 5,559 square feet.

The property will be used by the Group to expand its operations and existing central processing and logistic centre. The proposed acquisition will enhance the Group’s capacity for food preparation, food processing and cutting and provide additional storage space for food ingredients and products, which will also enable the Group to save rental expenses in relation to storage. The proposed acquisition will be financed by the internal resources of the Group.

For details, please refer to the announcement of the Company dated 14 March 2019.

Saved as mentioned above, no significant events occurred after the Reporting Year and up to the date of this report.

## **AUDITOR**

The consolidated financial statements for the Reporting Year have been audited by PricewaterhouseCoopers who will retire and, being eligible, offer themselves for re-appointment at the forthcoming AGM of the Company.

On behalf of the Board

**Wong Kit Lung Simon Prof, JP**

*Chairman*

Hong Kong, 27 March 2019

## CORPORATE GOVERNANCE PRACTICES

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders and to enhance corporate value and accountability. The Company has adopted the Corporate Governance Code and the Corporate Governance Report (the “CG Code”) contained in Appendix 14 to the Listing Rules on the Stock Exchange as its own code of corporate governance.

For the period from the Listing Date to 31 December 2018, save for the deviation from code provision A.2.1 of the CG Code regarding the separation of the roles of the chairman and the chief executive officer detailed in “Chairman and Chief Executive Officer” section in this Corporate Governance report, the Company had complied with all the code provisions of the CG Code and adopted most of the best practices set out therein.

The Company will continue to review and enhance its corporate governance practices to ensure compliance with CG code.

## MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its own code of conduct regarding securities transactions of the Directors. Having made specific enquiry with the Directors, all Directors confirmed that they have complied with the required standard as set out in the Model Code for the period from the Listing Date to 31 December 2018.

## BOARD OF DIRECTORS

The Board is responsible for the leadership and control of the Company. It is collectively responsible for promoting the success of the Company by directing and supervising its affairs. The Board takes decisions objectively in the interests of the Company. All Directors have carried out their duties in good faith, in compliance with applicable laws and regulations and in the interests of the Company and its shareholders at all times.

The Board undertakes responsibility for decision making in major Company matters, including: approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions and other significant financial and operational matters.

The Board has delegated the authority and responsibility for the day-to-day management and operation of the Group to the management. The management is responsible for implementing the decisions of the Board, directing and coordinating operations, managing the Group in accordance with the strategies and plans as approved by the Board and formulating and monitoring the operation plans.

All Directors have full and timely access to all relevant information as well as the advice and services of the company secretary of the Company, with a view to ensuring that Board procedures and all applicable laws and regulations are followed. Each Director is normally able to seek independent professional advice in appropriate circumstances at the Company’s expense, upon making request to the Board.

The Company has arranged for appropriate insurance cover for Directors' and officers' liabilities in respect of legal actions against its Directors and senior management arising out of corporate activities.

The Board comprises six members, consisting of three executive Directors and three independent non-executive Directors. The executive Directors and independent non-executive Directors during the Reporting Year and up to the date of this report were as follows:

**Executive Directors**

Mr. Wong Kit Lung Simon *Prof, JP (Chairman and Chief Executive Officer)*

Ms. Ko Sau Chee Grace *(Vice Chairperson)*

Mr. Ho Chi Wai

**Independent non-executive Directors**

Mr. Sin Yat Kin *SBS, CSDSM*

Ms. Hung Lo Shan Lusan

Mr. Hung Wai Man *JP*

Biographies and relationships among members of the Board are set out in the "Directors and Senior Management" section on pages 14 to 18 of this report.

For the period from the Listing Date to 31 December 2018, the Board at all times met the requirements of Rules 3.10(1), 3.10(2) and 3.10A of the Listing Rules relating to the appointment of at least three independent non-executive Directors, representing at least one-third of the Board, with at least one independent non-executive Director possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received from each of the independent non-executive Directors (the "INEDs") an annual confirmation in writing of his independence pursuant to Rule 3.13 of the Listing Rules. Furthermore, the Board is not aware of any relationship or circumstances which would interfere with the exercise of the independent judgment of the INEDs. Accordingly, the Company considers that all the INEDs are independent.

During the Reporting Year, two regular Board meetings and no general meeting were held as the Company was listed in May 2018. All executive Directors and non-executive Directors attended the two Board meetings.

The attendance records of the Directors at the Board meetings and the Board committee meetings of the Company held during the Reporting Year are set out below:

	Number of meetings attended/held			Audit Committee
	Board	Nomination Committee	Remuneration Committee	
<b>Executive Directors</b>				
Mr. Wong Kit Lung Simon <i>Prof, JP</i>	2/2	1/1	1/1	—
Ms. Ko Sau Chee Grace	2/2	—	—	—
Mr. Ho Chi Wai	2/2	—	—	—
<b>Independent non-executive Directors</b>				
Mr. Sin Yat Kin <i>SBS, CSDSM</i>	2/2	1/1	1/1	1/1
Ms. Hung Lo Shan Lusan	2/2	—	1/1	1/1
Mr. Hung Wai Man <i>JP</i>	2/2	1/1	—	1/1

## CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Pursuant to code provision A.2.1 of the CG Code, the roles of the chairman and the chief executive officer should be separated and should not be performed by the same individual. Mr. Wong Kit Lung Simon (“**Mr. Wong**”) currently holds both positions. Mr. Wong has been the key leadership figure of the Group who has been primarily involved in the formulation of business strategies and determination of the overall direction of the Group. He has also been chiefly responsible for the Group’s operations as he directly supervises our senior management. Taking into account the continuation of the implementation of our business plans, the Directors (including the independent non-executive Directors) consider Mr. Wong as the best candidate for both positions and the present arrangements are beneficial and in the interests of the Group and the Shareholders as a whole. The balance of power and authority is ensured by the operation of the senior management and the Board, which comprises experienced and high-calibre individuals. The Board currently comprises three executive Directors (including Mr. Wong) and three independent non-executive Directors and therefore has a fairly strong independence element in its composition.

## APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each of the executive Directors entered into a service agreement with the Company for a term of three years commencing from 10 May 2018. They are subject to retirement by rotation and re-election at the AGM of the Company under the Articles of Association.

Each of the non-executive Directors entered into a service agreement with the Company for a term of three years commencing from 30 May 2018. They are subject to retirement by rotation and re-election at the AGM of the Company under the Articles of Association.

Pursuant to the Articles of Association, Mr. Wong Kit Lung Simon, Ms. Ko Sau Chee Grace and Mr. Ho Chi Wai shall retire by rotation at the forthcoming AGM. All of them, being eligible, will offer themselves for re-election at the forthcoming AGM.

Pursuant to the Articles of Association, Mr. Sin Yat Kin, Ms. Hung Lo Shan Lusan and Mr. Hung Wai Man, who were appointed on 30 May 2018, will hold office until the next AGM of the Company. They shall then retire at the Company's forthcoming AGM and, being eligible, will offer themselves for re-election.

## CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS

During the Reporting Year, all Directors had participated in continuous professional development activities either by attending training courses, by reading materials or by attending seminars, conference and/or forums to develop and refresh their knowledge and skills on the roles and functions of a director of a listed corporation in compliance with code provision A.6.5 of the CG Code.

During the Reporting Year, a summary of the Directors participated in continuous professional development is set out below:

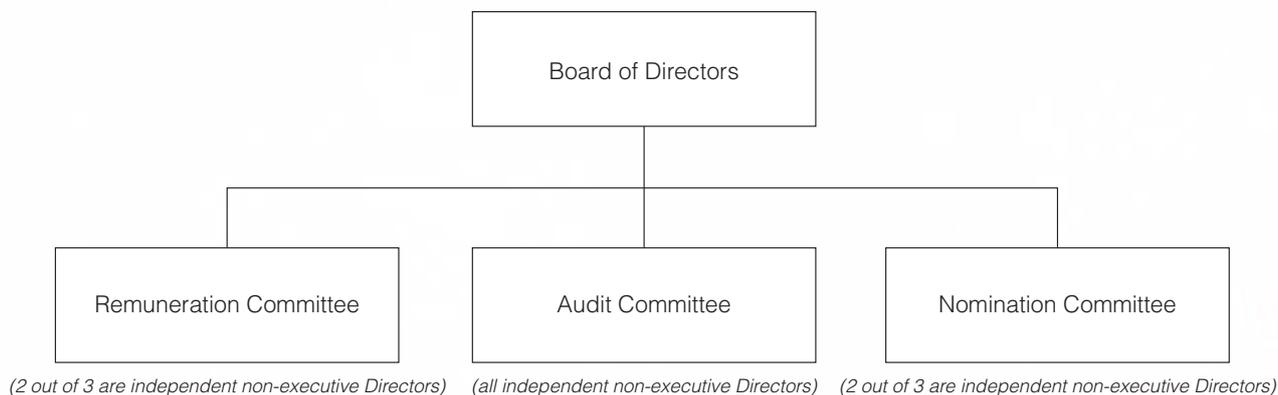
Directors	Type of training <sup>Note</sup>
<b>Executive Directors</b>	
Mr. Wong Kit Lung Simon <i>Prof, JP</i>	A,B,C
Ms. Ko Sau Chee Grace	A,B,C
Mr. Ho Chi Wai	A,B,C
<b>Independent non-executive Directors</b>	
Mr. Sin Yat Kin <i>SBS, CSDSM</i>	A,B,C
Ms. Hung Lo Shan Lusan	A,B,C
Mr. Hung Wai Man <i>JP</i>	A,B,C

*Notes:*

- A: Attending relevant laws and regulations training
- B: Reading relevant materials
- C: Attending seminars and/or conference and/or forums

## BOARD COMMITTEES

The Board has established three committees, namely, the Nomination Committee, Remuneration Committee and Audit Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference. The terms of reference of the Board committees are posted on the Company's website and the Stock Exchange's website and are available to shareholders upon request. Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances at the Company's expense.



## NOMINATION COMMITTEE

The Nomination Committee currently comprises the following three Directors with two being Independent non-executive Directors:

Mr. Wong Kit Lung Simon *Prof, JP (Chairperson)*  
 Mr. Sin Yat Kin *SBS, CSDSM*  
 Mr. Hung Wai Man *JP*

The Nomination Committee is primarily responsible for reviewing the structure, size, composition and diversity of the Board and to make recommendations on any proposed changes to the Board to complement the corporate strategy of the Company; making recommendations to the Board on the appointment and succession planning of Directors; and assessing the independence of independent non-executive Directors.

The Board adopts a Board Diversity Policy which sets out its approach to achieve and maintain its diversity through consideration of a number of measurable objectives including skills, professional experience, cultural and educational background, gender, age, as well as other attributes and strengths that are required for the Company's business from time to time. Board appointments are made on a merit basis and candidates are considered against objective selection criteria, with due regard for the benefits of diversity on the Board.

The Nomination Committee is delegated by the Board to review the Board Diversity Policy on a regular basis, make recommendations on measurable objectives for achieving diversity of the Board as appropriate and monitor the progress on achieving the objectives. The Nomination Committee has also adopted specific procedures for nomination and appointment of director to the Board.

The Nomination Committee held one meeting during the Reporting Year. All members of the Nomination Committee attended the meeting.

The terms of reference of the Nomination Committee is available on the websites of the Company and the Stock Exchange.

The work performed by the Nomination Committee is summarised below:

- (a) reviewed the structure, size, composition and diversity of the Board to ensure that it has a balance of expertise, skills and experience appropriate for the requirements of the business of the Company;
- (b) developed the criteria for identifying and assessing the qualifications of and evaluating candidates for directorship;
- (c) assessed the independence of independent non-executive Directors;
- (d) made recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors; and
- (e) reviewed the Board's diversity policy, the measurable objectives that the Board had set for implementing the Board's diversity policy and the progress of achieving the objectives.

## **REMUNERATION COMMITTEE**

The Remuneration Committee consists of three Directors, two of whom are Independent non-executive Directors:

Mr. Sin Yat Kin *SBS, CSDSM (Chairperson)*

Mr. Wong Kit Lung Simon *Prof, JP*

Ms. Hung Lo Shan Lusan

The primary duties of the Remuneration Committee include: (i) making recommendations to the Directors regarding our policy and structure for the remuneration of all our Directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policies; (ii) making recommendations to the Board on the remuneration packages of our Directors and senior management; and (iii) reviewing and approving the management's remuneration proposals with reference to the Board's corporate goals and objectives.

The Remuneration Committee held one meeting during the Reporting Year. All members of the Remuneration Committee attended the meeting.

The terms of reference of the Remuneration Committee is available on the websites of the Company and the Stock Exchange.

The major work performed by the Remuneration Committee is summarised below:

- (a) made recommendations to the Board on the Company's policy and structure for remuneration of all directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policy;
- (b) reviewed and approved the management's remuneration proposals with reference to the Board's corporate goals and objectives;
- (c) made recommendations to the Board on the remuneration packages of individual executive Directors and senior management;

- (d) made recommendations to the Board on the remuneration of non-executive Directors;
- (e) considered salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group; and
- (f) ensured that no Director or any of his associates was involved in deciding his/her own remuneration.

## AUDIT COMMITTEE

The Audit Committee consists of three Independent non-executive Directors:

Ms. Hung Lo Shan Lusan (*Chairperson, with professional qualification in accountancy*)

Mr. Hung Wai Man *JP*

Mr. Sin Yat Kin *SBS, CSDSM*

The primary duties of the Audit Committee are to assist the Board by providing an independent view of the effectiveness of the financial reporting process, internal control and risk management system of our Group, to oversee the audit process and to develop and review our policies.

The Audit Committee held one meeting during the Reporting year. All members of the Audit Committee attended the meeting. The external auditors were also invited to attend the meeting.

The terms of reference of the Audit Committee is available on the websites of the Company and the Stock Exchange.

The major work performed by the Audit Committee is summarised below:

- (a) reviewed and monitored the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;
- (b) developed and implemented policy on engaging an external auditor to supply non-audit services;
- (c) monitored integrity of the Company's financial statements, the interim and annual report and reviewed significant financial reporting judgments contained in them;
- (d) reviewed the Company's financial controls, risk management and internal control systems;
- (e) discussed the risk management and internal control system with management to ensure that management has performed its duty to have effective systems;
- (f) considered major investigation findings on risk management and internal control matters as delegated by the Board or on its own initiative and management's response to these findings;
- (g) reviewed the Group's financial and accounting policies and practices;
- (h) reviewed the external auditor's management letter, any material queries raised by the auditor to management about accounting records, financial accounts or systems of control and management's response; and

- (i) acted as the key representative body for overseeing the Company's relations with the external auditor.

The Company's annual results for the Reporting Year have been reviewed by the Audit Committee.

## CORPORATE GOVERNANCE FUNCTIONS

The Board recognizes that corporate governance should be the collective responsibility of the Directors and their corporate governance duties include:

- (a) to develop and review the Company's policies and practices on corporate governance;
- (b) to review and monitor the training and continuous professional development of the Directors and senior management;
- (c) to review and monitor the policies and practices of the Company on compliance with legal and regulatory requirements;
- (d) to develop, review and monitor the code of conduct of employees and Directors; and
- (e) to review compliance with the CG Code and disclosure in the Corporate Governance Report.

During the Reporting Year, the above corporate governance function has been performed by the Board and the Board has reviewed the Company's compliance with the CG Code.

## AUDITORS' REMUNERATION

During the Reporting Year, the fees paid/payable to the auditor in respect of audit and non-audit services provided by the auditor of the Company were as follows:

	<b>Fees paid/ payable</b> <i>HK\$'000</i>
Audit services	2,347
Non-audit services	
— Taxation	550
Total	2,897

## JOINT COMPANY SECRETARIES

Ms. Chan Hui Yi is a joint company secretary of the Company. She is also the administration manager. She is primarily responsible for the overall administrative and company secretarial matters of the Group. Ms. Chan has more than 8 years of experience in the company secretarial position.

From June 2010 to present, Ms. Chan has served at LHG Catering Limited, where her last position was administration manager, having also carried out the same role at Lucky House Group (Management) Limited.

Ms. Chan is an associate member of both The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators in the United Kingdom. Ms. Chan obtained her Bachelor of Arts in Travel and Tourism Management degree from the University of Northumbria in the United Kingdom in July 2008 (by long distance learning) and obtained her Master of Corporate Governance degree from The Open University of Hong Kong in November 2017. Ms. Chan was granted a Certificate in Company Secretarial Practice — Part I: Company Secretarial Practice by The Hong Kong Management Association in July 2013. She was granted a Certificate in Company Secretarial Practice — Part II: Company Law by The Hong Kong Management Association in October 2013. She was subsequently granted a Certificate in Company Secretarial Practice — Part III: Public and Listed Companies by The Hong Kong Management Association in December 2013.

Ms. Yu Wing Sze is also a joint company secretary of the Company. She is primarily responsible for the overall company secretarial matters of the Group.

Ms. Yu is an associate member of both The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators in the United Kingdom. She holds a Bachelor Degree in Professional Accountancy from the Chinese University of Hong Kong. She has over 10 years of working experience in company secretarial profession. She is now working as a manager of the Listing Services Department of TMF Hong Kong Limited. The primary contact person at the Company is Ms. Chan Hiu Yi.

During the Reporting Year, Ms. Chan Hui Yi and Ms. Yu Wing Sze had confirmed that they undertook no less than 15 hours of relevant professional trainings to update the skills and knowledge in compliance with Rule 3.29 of the Listing Rules.

## **SHAREHOLDERS' RIGHTS**

### **Procedures for Shareholders to Convene an Extraordinary General Meeting (“EGM”)**

Pursuant to article 64 of the Articles of Association, extraordinary general meetings shall 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 Secretary for the purpose of requiring an EGM to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

### **Procedures for Raising Enquiries**

Shareholders may send their enquiries or comments to the following:

Address: Unit 03, L22, Tower 1, Enterprise Square Five, 38 Wang Chiu Road, Kowloon Bay, Hong Kong

Email: [ir.lhgroup@lhg.com.hk](mailto:ir.lhgroup@lhg.com.hk)

## **Procedures for Putting Forward Proposals at Shareholders' Meetings**

There are no provisions allowing shareholders to move new resolutions at the general meetings under the Companies Law (Revised) of Cayman Islands. However, pursuant to the Articles of Association, shareholders who wish to move a resolution may by means of requisition to convene an EGM following the procedures set out above.

## **COMMUNICATION WITH SHAREHOLDERS AND INVESTORS**

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company also recognises the importance of transparency and timely disclosure of corporate information, which will enable shareholders and investors to make the best investment decisions.

The general meetings of the Company provide a forum for communication between the Board and the shareholders. The Chairman of the Board as well as chairmen of the Nomination Committee, Remuneration Committee and Audit Committee or, in their absence, other members of the respective committees are available to answer questions at shareholder meetings.

The AGM of the Company will be held on Wednesday, 19 June 2019. The notice of AGM will be sent to shareholders at least 20 clear business days before the AGM.

To promote effective communication, the Company maintains a website at [www.lhgroup.com.hk](http://www.lhgroup.com.hk) where up-to-date information and updates on the Company's financial information, corporate governance practices and other information are posted.

## **CONSTITUTIONAL DOCUMENTS**

Pursuant to a special resolution of the Shareholders passed on 4 May 2018, the amended and restated Memorandum and Articles of Association ("**M&A**") were adopted with effect from the date of the Listing on 30 May 2018. The M&A are available on the websites of the Company and the Stock Exchange.

## **RISK MANAGEMENT AND INTERNAL CONTROL**

The Board has overall responsibility for the establishment, maintenance and review of the Group's risk management and internal control system to safeguard shareholder investments and the assets of the Group. The risk management and internal control system of the Group aims to facilitate effective and efficient operation which in turn minimises the risks to which the Group is exposed. The system can only provide reasonable but not absolute assurance against misstatement or losses.

The Board has reviewed the effectiveness of the risk management and internal control system of the Group for the year ended 31 December 2018, which included the implemented system and procedures, covering financial, operational and legal compliance controls and risk management functions. The Directors consider that the Group has implemented appropriate procedures safeguarding the Group's assets against unauthorised use or misappropriation, maintaining proper accounting records, execution with appropriate authority and compliance of the relevant laws and regulations.

The Board considered that the risk management and internal control system is adequate and effective. The Group recognises that good risk management is essential for the long-term development on the Group's business. Management is responsible for establishing, implementing, reviewing and evaluating the sound and effective internal control system underpinning the risk management framework. The management has formulated the risk management and control framework. All employees are committed to implement the risk management framework into the daily operation.

The Group acknowledges its responsibilities under the provisions of Part XIVA of SFO and the Listing Rules relating to the disclosure of inside information to the public. Policies, procedures and internal controls had been set out for the handling and dissemination of inside information to ensure inside information is kept confidential and disseminated to the public in a timely manner.

The Company does not have an internal audit function and is currently of the view that there is no immediate need to set up an internal audit function within the Group in light of the size, nature and complexity of the Group's business. It was decided that the Board would be directly responsible for internal control of the Group and for reviewing its effectiveness.

## **OBJECTIVES OF RISK MANAGEMENT AND INTERNAL CONTROL**

The Group has adopted a three-tier risk management approach to identify, assess, mitigate and handle risks. At the first line of defence, business units are responsible for identifying, assessing and monitoring risks associated with each business or deal. The management, as the second line of defence, defines rule sets and models, provides technical support, develops new systems and oversees portfolio management. It ensures that risks are within the acceptable range and that the first line of defence is effective. As the final line of defence, the audit committee of the Company ensures that the first and second lines of defence are effective through constant inspection and monitoring.

## **DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS**

The Directors acknowledge their responsibilities for preparing the financial statements of the Group for the year ended 31 December 2018. The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern.

The statement of the independent auditors of the Group about their reporting responsibilities on the financial statements is set out in the "Independent Auditor's Report" on pages 75 to 79 of this report.

There is no disagreement between the Board and the Audit Committee regarding the selection, appointment, resignation or dismissal of external auditors.

# Environmental, Social and Governance Report

## APPROACH

The Group is committed to maintaining a strong position as a leading restaurant group which serves quality, value-for-money delicacies, with a wide array of fine food, to the diversified customer segments seeking for enjoyable experiences as a gourmand.

The Group recognizes its responsibility to be accountable to all its stakeholders, including customers, shareholders and potential investors, employees, suppliers, non-governmental organizations (“**NGOs**”) and the local community, etc.. Understanding the needs and expectations of its stakeholders is the key to the Group’s success. As each stakeholder requires a different engagement approach, the Group has established a tailor-made communication method in order to better meet each stakeholder’s expectations.

Within the Group, we place a huge emphasis on monitoring the risks and exploring potential opportunities. For the sake of striking a balance among business needs, social demands and environmental impacts, we are committed to continuously monitoring the risks and opportunities which exist in our daily operations, and embracing transparent corporate culture to ensure that our sustainability strategies are well communicated to our employees, customers, suppliers, the communities and other stakeholders.

To implement sustainability strategies which apply to all levels of management and staff of the Group, the top-down approach is adopted for the following sustainability strategies:

1. To achieve environmental sustainability
2. To respect human rights and social culture
3. To support our employees
4. To sustain local communities

## Our Vision and Mission

We continuously adapt to the culinary tastes of our customers and set culinary trends through a spirit of innovation, paving the way for diversification and internationalization of our cuisine offering.

## **ABOUT THIS REPORT**

The Group is pleased to present its first ESG report to all of its stakeholders. The content contained herein focuses on providing an overview of the ESG performance of our major operations in Hong Kong for the Reporting Year. It helps us to keep a close eye on our current ESG performance as well as the opportunities to improve our ESG performance in the future.

### **Scope of the Report**

This report has been prepared in accordance with the “Environmental, Social and Governance Reporting Guide” in Appendix 27 to the Listing Rules on the Stock Exchange. The two ESG subject areas, namely Environmental and Social, are disclosed separately, highlighting the impacts of the operations of the Group in Hong Kong from 1 January 2018 to 31 December 2018.

For the Reporting Year, the material ESG issues are those which have or may have a significant impact on:

- Energy saving
- Food waste reduction
- Promotion of diversity at workplace
- Food safety
- Community investment

The data and information used in this report are referenced from our archived documents, records, statistics and research. Financial data are extracted from or calculated based on the Group’s audited annual financial statements for the year ended 31 December 2018.

### **Information and Feedback**

For the details in relation to our financial performance and corporate governance, please visit our website on <http://www.lhgroup.com.hk/> and our Annual Report. We also treasure your feedback and comments on our sustainability performance, please send your feedback and other sustainability enquiries to us at [esg@lhg.com.hk](mailto:esg@lhg.com.hk).





## OUR STAKEHOLDERS

We actively strive to better understand and engage our stakeholders to ensure continuous ESG improvements. We strongly believe that our stakeholders play a crucial role in sustaining the success of our business in the challenging catering market.

<b>Stakeholders</b>	<b>Probable issues of concern</b>	<b>Communication and responses</b>
HKEx	Compliance with Listing Rules, timely and accurate announcements.	Meetings, training, roadshows, workshops, programs, website updates and announcements.
Government	Compliance with laws and regulations, prevention of tax evasion, and social welfare.	Interaction and visits, government inspections, tax returns, and annual returns.
Suppliers	Payment schedule and stable demand.	Site visits.
Shareholders/Investors	Corporate governance mechanism, business strategies and performance, and investment returns.	Organizing and participating in seminars, interviews, shareholders' meetings, issue of financial reports and/or operation reports for investors, media and analysts.
Media & Public	Corporate governance, environmental protection, and human right.	Issue of newsletters on the Company's website.
Customers	Food and service quality, delivery time, reasonable prices, sanitary condition of restaurants and labour protection.	Issue of newsletters on the Company's website.
Employees	Employee rights and benefits, employee compensation, training and development, work hours, and working environment and industrial safety.	Union activities, training, employee satisfaction survey, interviews with employees, employee handbooks, internal memos, and employee suggestion boxes.
Community	Community environment, employment and community development, and charitable donations.	Community activities, employee voluntary activities, community welfare subsidies and charitable donations.

## Gaining Social Recognition for 2018

### Awards

### Organizers

Social Capital Builder (SCB) Awards 社會資本動力獎	Community Investment & Inclusion Fund and the Labor and Welfare Bureau of HKSAR
Happiness at Work 開心工作間	Promoting Happiness Index Foundation
Partner Employer Award 友商有良嘉許	The Hong Kong General Chamber of Small and Medium Business
Family-Friendly Employers — Special Mention (Gold) 家庭友善僱主特別嘉許(金獎)	Family Council and the Home Affairs Bureau of HKSAR
Best Chinese Restaurant — Wedding Banquet — Kowloon East 新人至愛酒樓婚宴(九龍東區)	Wedding.ESDlife
Tiptop Service Award — Outlet of the Quarter 天高服務獎 — 季度傑出分店	Tiptop Consultants Limited
Hong Kong Awards for Industries: Upgrading and Transformation — Certificate of Merit 香港工商業獎 — 升級轉型優異證書	Hong Kong Young Industrialists Council
Hong Kong Famous Brands — Five years award brands 五週年榮譽品牌大獎	Asia Brands Association
Premier Smoke-free Restaurant 星級無煙食肆	Hong Kong Council on Smoking and Health

**Awards**

**Organizers**

5 Years Plus Caring Company 商界展關懷5+	The Hong Kong Council of Social Service
Tenants Excellence Award 傑出商戶獎勵計劃	Link Asset Management Limited
Green LUCK — Gold Award 場地夥伴計劃 — 金獎	Green Monday
Green Champion Award	Green Monday
Best Ever Dining Award	Weekend Weekly
Best Japanese Restaurant	U Magazine
Best Japanese Hotpot Restaurant	U Magazine
Best Japanese Hotpot Restaurant	U Magazine
Best Korean Restaurant	U Magazine
Golden A' Design Award Winner for Interior Space and Exhibition Design Category	A' Design Award & Competition
Market Leadership in Outstanding PR Tactics	Hong Kong Institute of Marketing
Charter on External Lighting — Platinum Award	The Environment Bureau of HKSAR

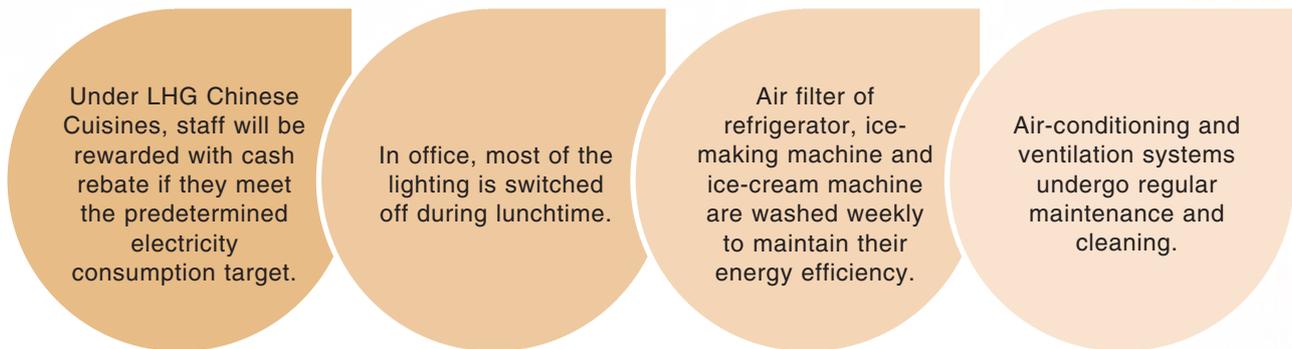
## **Environmental Matters**

We are committed to promoting environmental protection and conservation and we have been undertaking various initiatives in this respect.

### **Act Green**

#### *Energy Saving*

Together with our employees, we have been enhancing our environmental awareness by means of strengthening education on ESG good practice and encouraging our employees to make commitment towards building a healthier environment. We promote energy reduction and conservation by launching relevant environmental protection policies outlined below:



Knowing that natural resources is limited, we utilise natural resources in a more energy efficient way so as to sustain energy use for present and future operation. We cooperate with the Hong Kong and China Gas Company Limited to promote the use of a series of energy efficient kitchen appliances, ranging from food steamers, steam cabinets, Chinese wok range, cool kitchen stockpots to dishwashers.

By utilizing the exhaust heat, less fuel is consumed to produce heat energy, whilst the steaming effect of food steamer is further improved with the reduction of energy consumption by nearly 30%. This kind of heat recovery system is not only energy-saving, but also environmentally friendly. The indoor temperature of the kitchen is reduced by about 2 degrees Celsius due to the functioning of the heat recovery system which indirectly saves the electricity required for the air-conditioning.

Similarly, heat pump is installed in our restaurants to extract heat energy from a relatively cool medium and transfer it to a relatively hot medium to lower the temperature for cool medium and raise the temperature of hot medium. As such, heat pump is an energy efficient machine to provide heating and cooling effect in many applications, and to maximize the energy-efficient use and avoid energy loss from exhaust heat.

Our restaurants adopt LED lighting. The life span of a LED light bulb can last up to 15,000 hours so as to reduce frequent light bulb replacements and minimise the generation of waste. Moreover, using LED technology can save energy up to the level of 80% more than the case of traditional lighting, which, in turn, can reduce the greenhouse gas (“GHG”) emissions from purchased electricity.

## Energy Consumption, Emissions and GHGs Emissions

	Unit	Gaseous Fuel Consumption	Unit	Electricity Consumption
Consumption	Kilograms	3,183,073	kWh	10,640,611
Consumption intensity	Kilograms/HK\$ million revenue	3,170	kWh/HK\$ million revenue	10,597
Nitrogen oxides emissions	Kilograms	187	N.A.	
Sulphur oxides emissions	Kilograms	1	N.A.	
GHGs emissions	Kilograms	9,058,115	Kilograms	5,746,749
GHGs emissions intensity	Kilograms/HK\$ million revenue	9,021	Kilograms/HK\$ million revenue	5,723

### Recycling & Reduction

We set out an “Environmental Code” for all our staff, with some of the rules highlighted as follows:

#### Recycling box

- Appropriate signage is placed on the recycling box stating what type of wastes or recyclable materials should be put into the box.
- Staff are encouraged to sort the waste before putting it into the appropriate recycling boxes.

#### Printing practices

- Double-sided printing is set as the default setting on computers, single-sided printing has to be manually selected.
- Staff are encouraged to circulate documents through electronic means such as emails or encrypted universal serial buses.
- For any paper that has been used for single-sided printing, it should be reused when there is no confidential information shown on the printed side of the paper.
- Staff conduct meetings by circulating meeting materials through iPad to achieve paperless office environment.

#### Wastes trimming

- Bottled water is not used in office to reduce the generation of plastic waste.

With innovative and pioneering strategies, LH Group and “BottLess”, a social venture in Hong Kong, foster micro-behavioral change in the public and create low waste possibilities for our next generation. Plastic straws are distributed to our customers only upon their request with an aim to reduce the use of plastic materials. Our tissue paper and takeaway boxes are made of bamboo which is a sustainable material as it grows 50 times faster than trees and does not need to be re-planted after harvesting.

### **Generation of Packaging Materials**

<b>Source</b>	<b>Unit</b>	
Takeaway boxes	<i>kilogram</i>	11,051
Plastic bags	<i>kilogram</i>	3,357

Together with local NGO “Greeners Action”, LH Group encourages reuse and recycling of paper by distributing and collecting reusable red packets in our restaurants to save trees and reduce waste. According to a report published by “Greeners Action” in January 2016, only 41% of citizens reused their red packets; and 27% of citizens threw them into rubbish bin, which shows that there is room for improvement for citizens’ awareness of reducing waste. As a propeller to promote environmental protection, LH Group encourages citizens to practice recycling of materials in their daily lives to reduce waste.

### *Water Usage*

With the “Environmental Code” implemented in all of our outlets, we utilize water resources wisely. Although we do not have any issue in sourcing water and the existing supply of water does meet our daily operational needs, we still strive to reduce water usage and increase overall water usage efficiency.

Water is used in a wide variety of areas such as washing, dishwashing and ice-making. To avoid unnecessary use of water, defrosting of the ice from the inner wall of the refrigerator is adopted regularly to keep the temperature in the refrigerator at a sufficiently low level so that the bacterial growth is relatively low and the shelf life of food can also increase as a result. Apart from avoiding unnecessary use of water, we reduce water consumption by using the dishwasher which consumes one litre less water than other dishwashers available in the market for each usage.

During the Reporting Year, we consumed a total of 331,457.18 cubic meters of water, and the average water consumption per HKD million revenue was at 330.01 cubic meters. We also record water usage on a monthly basis, and are exploring practical and feasible ways to reduce water consumption.

## **Eat Green**

### *Green Meal*

## **Supporting Sustainable Seafood**

Being the second highest seafood consumer in the world, each of the Hong Kong people consumes approximately 65.5 kg of seafood in a year, which is more than three times higher than the global average. Therefore, as consumers, the food choices we provide are instrumental in supporting sustainable fisheries, and restoring depleted local fish stock. The Banqueting House was the first mover in introducing eco-friendly seafood wedding banquet menu with sustainable seafood and no shark fins are included in the menu in response to the “No Shark Fin” policy of WWF-Hong Kong.

## **Low-carbon Meal**

We are a market pioneer in launching “Green LUCK Banquet”, a vegan wedding banquet menu, with GreenMonday in Hong Kong. By offering vegetarian options for the customers who care for the earth and animals, we hope that low-carbon food culture can be promoted amongst the friends and relatives of the wedding couple at the banquets. Along the way, we take a big leap forward to practice environmental protection.

We also offer plant-based burger steaks and “Omnipork” in dim sum, dishes and hot pot dishes. Its unique vegan protein formula mainly comprises elements such as peas, non-genetically modified soybeans, mushrooms and rice which are rich in amino acids which are important to the human health.

### *Food Waste Reduction*

“The Banqueting House” has been cooperating with “Table for Two”, an international organization dedicated to addressing global food imbalance, to introduce a six-course menu for wedding banquets in order to reduce food waste; and it has also been collaborating with various NGOs such as “Food Angel” and “Foodlink Foundation” to collect the unconsumed food for the purpose of avoiding wastage of food.

At “Mou Mou Club”, coupons would be given to wise eaters. By finishing all food in the plates, customers will be awarded a coupon for their next visit, and we will donate \$5 to the World Green Organization to support environmental conservation.

Hong Kong is suffering a mounting waste disposal problem, aggravated by a throwaway culture. Food waste, at about 3,500 tonnes, now makes up as much as 40% of the materials dumped in the landfills in Hong Kong every day. Hence, some of our restaurants have been cooperating with the shopping malls that are installed with food waste processors which could recycle food waste into fertilizers, therefore, not only reducing land pollution, but also improving effectiveness of farming.

## **Waste Cooking Oil Recycling**

Proper recycling of waste cooking oil can not only convert it into industrial product such as biodiesel, and soap etc., but also avoid environmental pollution resulting from its improper handling; thereby, protecting the environment and, at the same time, preventing the waste cooking oil from re-entering the food chain. During the Reporting Year, we collected and recycled 25,984 litres of cooking oil.

## **Drive Green**

### *Vehicle Emission Standard*

Motor vehicle gas emissions are the major source of roadside pollution in Hong Kong. To improve roadside air quality, more stringent requirements for the quality of motor vehicles fuels should be adopted. In this regard, most of our vehicles are using Euro V motor vehicle fuel which has around 80% less of sulphur contents than the ultra-low sulphur diesel in the local market.

During the Reporting Year, we owned a fleet of 8 vehicles mainly for the delivery and transportation of food ingredients and other supplies from the central processing and logistic centre to our restaurants.

## **Use of Vehicles, Emissions and GHGs Emissions**

	<i>Unit</i>	
Total mileage travelled	<i>Kilometers</i>	195,569
Total fuel consumed	<i>Liters</i>	36,483
Nitrogen oxides emissions	<i>Grams</i>	309,350
Sulphur oxides emissions	<i>Grams</i>	583
Particulate matter	<i>Grams</i>	29,786
GHGs emissions <sup>1</sup>	<i>Kilograms</i>	98,878

## **Compliance**

We comply with all relevant laws and regulations that relate to environmental protection in Hong Kong, including, but not limited to, “Air Pollution Control Ordinance”, “Waste Disposal Ordinance” and “Water Pollution Control Ordinance”, which have a significant impact on us.

<sup>1</sup> Greenhouse gases include carbon dioxide, methane and nitrous oxide.

## SOCIAL – OUR PARTNERS

### Company Philosophy

We encourage our customers to compliment our employees whenever they appreciate the services delivered by our employees. In this respect, a card with personal email address and Facebook page link of the Chairman is placed on every table in our restaurants. This allows customers to express their appreciation of our employees' services. In this way, we aspire to increase our employees' job satisfaction and sense of achievement.

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*Many businesses consider employees as their "most valuable assets". However, we consider employees as our "partners". In LH Group, we strive to create an organisation culture in which appreciation and positive energy are the norms rather than expectations.*

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Internally, the Group has organised "Outstanding Staff Awards" to praise staff for their excellent performance and hard work. For the performance appraisal, we look into employees' attendance records, work performance and attitude, teamwork performance and corporate culture.

### Welfare and Benefits

We have offered different kinds of paid leave to our employees, including but not limited to the following:



### **Staff Meals**

As the old saying — “A well-fed team is a happy team” goes, we understand the importance of making our employees happy. In this respect, staff meals are offered to our employees to build empathy and happiness in the workplace. By offering free lunch and staff discounted meals, we strive to treat our employees well and bring everyone within the Company together as a team.

### **Education Sponsorship for Children of Employees**

Children are the pillars of our society. Accordingly, we believe that investing in children is one of the most effective means of facilitating and sustaining community development. We aspire to support children's education via offering education sponsorship for the children of our employees. Ultimately, we wish to ease part of the financial burden of our employees.

### **Re-employment of Retirees**

We consider re-employment of retirees as a mutually beneficial scheme to both of our employees and us. Therefore, we allow our employees to work beyond their retirement age until the age of 70.

### *Enhancing Bonding Among the Team*

Team bonding is vital in cultivating cohesive organizational culture and nurturing a positive work attitude which is crucial to employee engagement. Thus, we are devoted to enhancing trust and cohesion among our employees.

A Chinese New Year Dinner is arranged, aiming to share festive joy with our fellow employees. To express our sincere appreciation of our employees' efforts during the year, our top management has prepared and served sweet dumplings to every attendee of the Chinese New Year Dinner.

In addition, we organize various company activities, such as basketball matches and company trips, for our employees to mingle with each other during leisure time. These activities offer numerous networking and socializing opportunities to our employees and enhance bonding among our employees as a team.

*Motivating and Retaining Talents*

For effective personnel management, we offer rewards to our employees based on their performance in different key aspects. By this approach, we hope to motivate staff and boost morale. To appreciate the hard work of our employees, we offer monthly performance bonus with reference to multiple perspectives such as monthly revenue, operating costs, staff turnover, feedback from secret customers, and the number of cases of work-related injury.

*Promoting Diversity at Workplace*

During the Reporting Year, we were awarded with “Partner Employer Award 2018/19”. The award commends our efforts in building an inclusive society and promoting corporate social responsibilities.

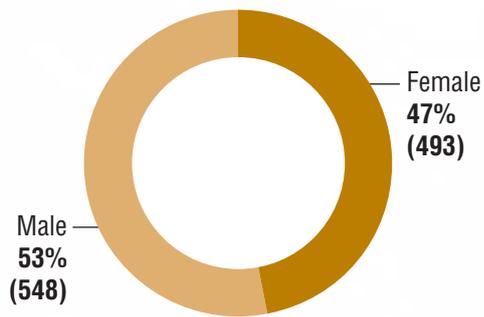
We believe that a diversified team is helpful to the success of our business. We strive to ensure that our recruitment process is fair and without any discrimination. Equal opportunities are offered to disabled and rehabilitated persons. As such, we aspire to promote disability inclusion, and demonstrate care and acceptance to enable rehabilitated people to reintegrate themselves into the society.

During the Reporting Year, we had been cooperating with The Salvation Army to offer mentoring program to the teenagers. Through the internship arrangement, we would like to enhance the employability, self-confidence and competitiveness of young people.

Moreover, we strive to promote gender equality in the workplace. To arouse awareness of gender-related issues, we have joined the Network of Gender Focal Point established by the Government and Women’s Commission. Our executive Director Ms. Ko Sau Chee Grace has been nominated as our representative of Gender Focal Point, who serves as the contact person for coordination of gender-related matters between the Government and us.

As at 31 December 2018, the Group had 1,041 employees all based in Hong Kong. The details by gender, employment type and age group shown as follows.

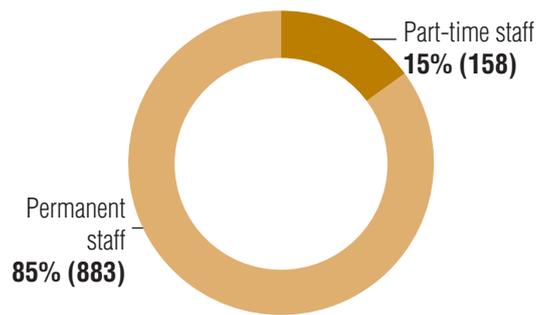
**BY GENDER**



**BY AGE GROUP**



**BY EMPLOYMENT TYPE**



During the Reporting Year, a total of 967 members of staff resigned or dismissed from their positions in Hong Kong. The statistics for staff turnover rates is as follows.

Age Group					Gender	
Below 25	25–29	30–39	40–49	Above 50	Male	Female
<b>Average monthly turnover rate</b>						
15%	9%	7%	6%	6%	8%	7%

Average monthly turnover rate is the number of leavers of each category of the year divided by the number of employees of that category at the end of the year, and divided by 12 months.

### **Compliance**

As a responsible employer, we comply with all relevant employment laws and regulations that have a significant impact on us, including but not limited to “Employment Ordinance”, “Mandatory Provident Fund Schemes Ordinance”, “Minimum Wage Ordinance”, “Sex Discrimination Ordinance” and “Employees’ Compensation Ordinance” in Hong Kong.

To avoid forced and child labour, Human Resources and Administration Department performs detailed interview screening procedures for each candidate. A thorough background check is conducted to verify the personal data stated on the application forms by examining the applicants’ original identity card and making detailed inquiries to ensure that we do not employ child labour.

If management discovered any child labour, we would immediately terminate the contract and investigate into the incident. Forced labour is strictly prohibited by the Group with zero tolerance. We are serious about child labour and shall take disciplinary actions against any staff members who are accountable for the causes of the incident.

## **SOCIAL – EMPLOYMENT AND LABOUR PRACTICE**

### **Developing Talent**

We consider employees as our partners. Thus, we place great emphasis on personal development of our employees. A wide range of training programs are provided to our employees to enhance their knowledge and capabilities. During the Reporting Year, 3,925 hours of training were recorded.

Our employees have the expertise and vast experience in their positions with adequate training provided. Meat planer operators must be trained and they have to obtain relevant certificate to prove that they are qualified and capable of operating the meat planer machines in order to ensure that the food quality is maintained. On other occasions, Japanese chefs were invited to demonstrate Japanese beef cutting skills so as to broaden the horizon of skills of our chefs and help them gain wider exposure.

Overseas training has been provided to employees who are passionate and willing to learn various skills from other countries, and bring back the technology and skills so acquired to their working environment.

### **“Cool” Kitchen**

Kitchen is commonly perceived as a place full of hidden hazards. We strive to minimize potential kitchen hazards and make kitchen a “cool” place to work. During the Reporting Year, no record of work-related fatality was recorded.

Meat Slicer Training are provided to our newly recruited meat slicers. Upon completion of the training, “Authorized Slicer Certification” would be granted to the relevant employees. Moreover, the name of our “Certified Meat Slicers” are displayed on every Meat Slicing Machine. With this precautionary measure, we ensure that only the staff holding the certification are allowed to operate the Meat Slicers.

We have made use of various “Green Energy-Efficient Catering Equipment”, including but not limited to “Highly Efficient Low Noise Wok Range” and “Highly Efficient Cool Kitchen Stockpot”. The equipment offers a number of features, which helps make our kitchen “cool”.

- Pre-mix Burner  
Minimizes heat loss and noise level for achieving a more comfortable working environment.
- Preinstalled Flame Failure Device, “Hybrid Flame Ionization Detection” (HFID)  
Offers fast response cut-off time, which further enhances occupational safety.

Moreover, we have adopted the use of dishwashers and mesh belt cleaners to automate the work processes of dishwashing and mesh-cleaning. Through the application of automation of some kitchen work processes, we aim to reduce employee workload and ease employees' burden at workplace.

### **Care About Well-being of Employees**

Full health is a state of complete physical, mental and social well-being and not merely the absence of disease or infirmity. Not only do we care about our employees' health and physical safety, but we also pay attention to their mental well-being so as to help realize their potential capacity.

#### *Physical Well-being*

We focus on creating a team of healthy and well-motivated employees. Therefore, we have made every effort to improve the physical well-being of our employees.

To reduce the risk of our employees suffering from flu-associated diseases, we have launched the company-wide Influenza Vaccine Scheme since 2014. Under the Scheme, all of our full-time employees and their immediate families are eligible for flu injections free of charge.

Moreover, written guidelines and training sessions related to occupational health and safety are provided to our employees to make sure that they fully understand the risk factors involved and the corresponding protective measures. Protective accessories such as protective gloves and safety shoes are also provided to our employees who are told to wear them when performing work.

- Fire escape route map is posted in prominent position.
- Suitable kits should be used to prevent burns when touching hot objects.
- When carrying out high-risk duties such as using meat planers and burners, operators are reminded to pay special attention to industrial safety.
- Before cleaning and inspection of the kitchen machines, power should be switched off to ensure occupational safety.
- When carrying/transferring loads heavier than 5 kg, another employee/other employees should be present for offering assistance.
- When lifting objects to a position above eye level, ladder should be used.
- When handling chemicals including bleach and detergent, appropriate safety goggles and gloves should be used.

To raise occupational safety awareness among employees, we have participated in "Occupational Safety Sponsored Walk" since 2014. Apart from supporting the fund-raising initiatives of the Hong Kong Federation of Trade Unions Occupational Safety and Health Association, we also provide opportunities to our employees to do exercise and walk for good health through participation of the event.

### *Mental Well-being*

LH Group and Kabushikigaisha Limited were honoured as the “Happy Company 2018” which was organized by the Promoting Happiness Index Foundation. We recognize happy workplace and promote happy working environment in order to ensure positive mental well-being among our employees. By this way, we would like to attract and retain more talents to join us together to build this happy and motivative atmosphere inside the Group.

To unlock employees' potential, we encourage and sponsor them in joining different kinds of interest classes. Full-time employees who have served for 12 months or above are eligible to apply for subsidies for interest classes which need not to be job-related such as flower arrangement, painting and ball game. We hope that our employees can realize their own potential so as to cope with the normal stresses of life, and work productively and fruitfully in a relaxed manner.

Interest classes are one of the most effective means for employees to relieve tension, develop interests and expand their social circles. Therefore, we strongly encourage our employees to attend interest classes through company sponsorship.

### **Flexible Working Hours**

We value the well-being of our employees. Therefore, we strive to offer greater autonomy of employees over their work so as to improve work-life balance and cater for their needs. In LH Group, both office and frontline employees are allowed to decide their own working schedules, and they may work on a part-time or full-time basis upon their choice.

We understand that many housewives have the desire to work, and yet the desire is restrained by the heavy household workload in taking care of their children. Our flexible working schedules are especially fit for housewives known as “housewives shift” which is offered to housewives in order to allow them to strike a balance between work and family matters. In fact, some of our employees are even allowed to work for 2 hours per day.

### **Compliance**

We are dedicated to providing a pleasant and safe working environment for all of our employees. Occupational health and safety of our employees are of our top priority. We strictly comply with all relevant laws and regulations regarding workplace safety that have a significant impact on us, including but not limited to “Occupational Safety and Health Ordinance” and “Factories and Industrial Undertakings Ordinance”.

## **SOCIAL – OPERATING PRACTICES**

### **Supply Chain Management**

The Group places great emphasis on supply chain management. We support the purchases of environmentally-friendly and socially responsible products to minimize the environmental impact caused by our business operations, and thus enhance our service quality and performance standard. During the Reporting Year, we had cooperated with approximate 278 Hong Kong based suppliers.

### **Environmentally Responsible**

Environmental costs, eco-feature and eco-performance are taken into consideration by management prior to each of our purchase transactions. To achieve sustainable procurements, various measures are implemented:

#### **Purchases of Ingredients**

Our Priority: Organic, fresh, locally-produced, sustainable, hydroponic and environmentally-certified ingredients

#### **Purchases of Cleaning Supplies**

Our Priority: Bio-degradable garbage bags and environmentally friendly detergent, as well as towels made of organic cotton and green tissue paper

#### **Purchases of Catering Equipment**

Our Priority: Catering equipment with eco-labels (including but not limited to Green Specifications specified by Environmental Protection Department, and Energy Efficiency Labels issued by Electrical and Mechanical Services Department)

### **Socially Responsible**

We cooperate closely with our suppliers to ensure the quality of our products and services provided to our customers and to fulfil our social responsibility. We have been purchasing from socially responsible suppliers who comply with the requirements of ISO 22000 “Food Safety Management System” to uphold the food safety standard along the supply chain.

Besides, annual appraisal of our major suppliers is done to ensure the abovementioned quality performance, and in this regard, we request the suppliers to provide documents for verifying the sources of supplies, such as certificates of origin.

Before accepting of deliveries of supplies, we conduct quality inspection in accordance with our standards for different ingredients. If there is any discrepancy found, we will return them to the suppliers and request re-delivery, failing which we will take further actions as appropriate.

### Striving to Create Great Customer Experience

The Group strictly complies with the relevant laws and regulations relating to product responsibility that have a significant impact on us, including but not limited to the “Trade Descriptions Ordinance” and “Sale of Goods Ordinance” in Hong Kong. All photos of the menu are captured from the original dishes to avoid misinterpretation, and descriptions are detailed on the menu regarding the components of food.

The Group strictly complies with the advertising requirements. All kinds of advertisements shown on leaflets or company websites are carefully drafted to avoid the use of false or misleading descriptions. All final drafts of the advertisements must be approved by our management before their bulk printing or uploading on websites.

We have registered trademarks which are important to our business. We regularly monitor our trademarks to prevent them from being infringed. We are committed to protecting intellectual property rights with great care during our daily operations, while we carry on our business operations.

Having witnessed the popularity of Japanese specialty dishes, we extended our footprints to the Asian cuisine market by setting up Kabushikigaisha Limited in 2008 to develop and maintain our Asian cuisine brands by establishing our self-owned renowned brands including “Mou Mou Club (牛涮鍋)” and introducing famous franchised brands including “Gyu-Kaku (牛角)” in 2010 which have gained lots of support and positive feedback from our customers.

Kabushikigaisha Limited is innovative to explore and develop different means in order to enhance customer experience of our customers in different sectors. By launching the “Kabu App”, we are dedicated to connecting with our customers and delivering to them a pleasant dining experience.

	<b>i-Queue</b> Use your mobile phone to pick up tickets anytime and anywhere, while physical presence is not required.
	<b>Member Area</b> Get your exclusive discounts and e-coupons without bringing your physical card.
	<b>Latest News</b> Keep you updated with our latest promotion and menu.

Customers’ opinions and feedback help to drive continuous improvement and are vital to our pursuit of excellence. Various communication channels such as emails and customer service hotline have been established with the aim to better address our customers’ concerns. We make every effort to promptly investigate and resolve all disputes and complaints lodged by the customers. Upon receipt of a complaint, the responsible personnel will investigate into the matter and appropriate action will then be taken in a timely manner.

### **Striving to Provide Excellent Quality**

We work our best to ensure that our customers can consistently enjoy good quality food, and standardized food recipes are provided to our chefs who are required to work out the time of the relevant cooking procedures for preparing the food in seconds, with an aim to treat each dish on the food recipes in an accurate way.

#### **Storage Quality Control**

- The shelf lives of different food ingredients vary. We regularly assess the freshness of seafood, frozen meat and canned food which have shelf lives ranging generally from one day to one week, one to six months, and one to two years, respectively.
- We keep record of the delivery and expiry dates of each batch of food ingredients, conduct monthly inventory count and monitor the quality of inventory on a daily basis to ensure that the food ingredients are used well before their expiry dates.

#### **Logistics Quality Control**

- We deliver food ingredients with our own trucks from our central processing and logistic centre to our restaurants at least once every day to ensure their freshness.
- We have formulated requirements of the hygienic condition and temperature of the refrigerated trucks.

#### **Restaurant Quality Control**

- We have formulated standard recipes and cooking procedures for our dishes.
- We conduct spot-checks of our restaurants with respect to their ambience, service quality, food quality and restaurant management.
- We hold performance evaluation meetings regularly as for food and service quality.
- We have engaged an independent consulting company to send secret customers to evaluate our restaurants' ambience, service quality, food quality and restaurant management.

### **Striving to Enhance Customer Privacy**

We have launched "TimD Card" and "Kabu Pass" to recruit members of LH Group and Kabushikigaisha Limited respectively in order to build customer trust and loyalty. In this respect, we strictly comply with all laws and regulations regarding data privacy and protection, including but not limited to, "Personal Data (Privacy) Ordinance" in Hong Kong.

We handle members' personal information with great care. Accordingly, measures have been established to reduce the risk of leaking confidential information to outsiders. Members' data are stored in a separate server which is protected by firewall. Proper authorization is needed for any access to the server, and regular data backup is done to protect the members' data.

### **Striving to Ensure Food Safety**

A substantial portion of the food ingredients used in our restaurants is initially delivered to our central processing and logistic centre in Yau Tong. Our quality and safety department oversees the quality of food during the transportation process from the central processing and logistic centre to our restaurants and that stored at our restaurants.

Quality and safety department is responsible for handling and addressing food quality and safety issues, formulating and reviewing food safety policies and guidelines, and managing our central processing and logistic centre to ensure our compliance with ISO 9001 and ISO 22000 standards, and provide food safety training to our employees.

We comply with all relevant laws and regulations regarding food safety that have a significant impact on us, including but not limited to, “Food Safety Ordinance” in Hong Kong.

#### *Traceable Food Sourcing*

Apart from the vendor assessment as mentioned above, we also trace the source of food to ensure its quality. To uphold a high hygienic standard of food, certificate of country of origin is obtained from our vendors with the certificate issued by the relevant issuing authority of the country of origin which accompanies the imports for certifying that the food products concerned are fit for human consumption. Inspectors also keep track of the expiry dates of food to ensure that our customers are served with fresh food in respect of which it is safe to eat.

#### *Personal Hygiene*

Personal hygiene is the key requirement for all our employees especially for those who are responsible to handle food directly. We stipulate operating procedures on personal hygiene for employees to understand the importance of personal hygiene, by which we ensure that we can provide our customers with assurance of the quality of meals served in our restaurants.

Hand hygiene is the primary measure proven to be effective in preventing the spread of antimicrobial resistance. In this regard, every frontline staff member has been well trained with the proper hand washing procedures.

#### *Food Processing*

We have stipulated an internal quality control procedures and requirements for frontline staff to follow when handling food. For instance, staff are told to use particular chopping boards, knives and towels for handling raw meat, cooked vegetable, ready-to-eat vegetable and cooked meat respectively to avoid cross-contamination.

To ensure preservation of food safety, we look into each piece of equipment and appliances used. Regular cleaning of refrigerators, chopping boards, meat chopper machines and ice-cream machines is done in order to attain a high food safety standard. Regular monitoring of the temperature of the refrigerators is made for ensuring that food is kept in good condition under a constant temperature range. Equipment is routinely calibrated, inspected and checked with proper records kept to ensure proper functioning of the relevant equipment.

With all the effort spent, we got an average score of 94.3 out of 100 for all the food safety inspections done by independent third party for our restaurants. The inspections were focused on several areas: Escherichia coli and Salmonella concentration on food samples; aerobic plate count; Escherichia coli and Staphylococcus aureus concentration on knives, chopping boards, fridge door handles, food storage containers and staff's hands.

### **Corporate Integrity**

We comply with all relevant laws and regulations that have a significant impact on us including but not limited to the "Prevention of Bribery Ordinance". During the Reporting Year, no concluded legal cases regarding corrupt practices brought against the Group or our employees were noted.

The Group does not tolerate any form of corruption (including the giving and receiving of bribes) and we take the most serious view of any attempt to commit corrupt practices by members of staff, contractors, agents and business partners. Cases of suspected corruption will be properly investigated and appropriate actions, including disciplinary measures, reporting to the appropriate authorities, prosecution and active pursuit of recovery will be taken.

We encourage all management and employees to report violations or suspected violations to the Group when they have serious concerns about possible improprieties in the matters of finance and accounting or other matters of suspected irregularities in the Group. Some of our employees attended seminar that was organised by the Independent Commission Against Corruption ("**ICAC**").

We are committed to engaging in numerous voluntary works and social service activities as well as cooperating with NGOs to help the young and the underprivileged.

## **Caring About People**

### **Cooperating with "Commission on Poverty (扶貧委員會)"**

We have been engaging in charitable and social work activities to help the young and underprivileged. We have been supporting the "Future Stars (明日之星)" programme launched by the Commission on Poverty since 2015, offering working opportunities and training to underprivileged youths to enhance their work experience and upward social mobility while at the same time attracting talented new blood to join the Group, and we made contributions to the "Upward Mobility Scholarship (上游獎學金)" for underprivileged students demonstrating resilience in adversity and maintaining a positive attitude towards life and learning.

### **"After school Learning Support Scheme"**

Together with the Salvation Army, we have participated in the "Afterschool Learning Support Scheme" to provide free tutorials for children in need.

### **Cooperating with “Children’s Home (兒童之家)”**

To offer the children at Children’s Home, who are in need of proper care due to various kinds of family difficulties and miseries such as child abuse or neglect, an unforgettable day with our love and care, we offered the children with entertainment activities such as bowling and free meals at “Gyu-Kaku” restaurants.

### **Mid-Autumn Festival Themed Volunteering**

The Group organised a number of events in order to share the joy with the elderly. For example, a group of employees spent a day at the Bliss District Elderly Community Centre in Kwun Tong for a Mid-Autumn Festival themed volunteering day, with activities including lunch gathering and distributing mooncakes to the elderly.

## **Caring About the Environment**

### **Clean up the Lei Yue Mun Coast**

In response to the WWF’s Coastal Watch Programme, a team of employees was formed to participate in a clean-up at the Lei Yue Mun Coast. The Group is planning to participate in more similar activities in the future.

### **Tie-dyed Fabric Trash Reuse Workshop**

The Group promotes the reducing waste lifestyle towards its employees through holding workshops, such as “Tie-dyed Fabric Trash Reuse Workshop”. During the Workshop, our employees were able to DIY their own tote bag by reusing coffee grounds with tie-dyed artistry.

### **Reuse and Recycling of Lai See Envelopes**

The Group was involved in the “Lai See Packet Recycle and Reuse Programme” run by the “Greener’s action”. We encourage reuse and recycling of lai see envelopes by distributing reused lai see envelopes in our restaurants.

Year ended 31  
December 2018

Charitable donations (in HK\$)	1,621,000
Corporate charitable activities:	
Aggregate hours spent on charitable activities by employee volunteers	219
Number of employee volunteers	39

## HKEX Environmental, Social and Governance Guide Content Index

Aspect	Description	Chapter
<b>A1 Emissions</b>		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Environmental Matters – Compliance
KPI A1.1	The types of emissions and respective emissions data.	Act Green – Energy Saving Drive Green – Vehicle Emission Standard
KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Act Green – Energy Saving Drive Green – Vehicle Emission Standard
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Not Applicable
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Eat Green – Food Waste Reduction

Aspect	Description	Chapter
KPI A1.5	Description of measures to mitigate emissions and results achieved.	Act Green
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Eat Green — Food Waste Reduction
<b>A2 Use of Resources</b>		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Act Green
KPI A2.1	Direct and/ or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Act Green – Energy Saving Drive Green – Vehicle Emission Standard
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Act Green – Recycling & Reduction
KPI A2.3	Description of energy use efficiency initiatives and results achieved.	Act Green – Recycling & Reduction Act Green – Energy Saving
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Act Green – Recycling & Reduction
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Act Green – Recycling & Reduction

<b>Aspect</b>	<b>Description</b>	<b>Chapter</b>
<b>A3 The Environment and Natural Resources</b>		
General Disclosure	Policies on minimizing the issuer's significant impact on the environment and natural resources.	Eat Green
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Eat Green
<b>B1 Employment</b>		
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.	Social – Our Partners – Compliance
KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	Promote Diversity at Workplace
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Promote Diversity at Workplace

Aspect	Description	Chapter
<b>B2 Health and Safety</b>		
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.	"Cool" Kitchen Social – Employment and Labour Practice – Compliance
KPI B2.1	Number and rate of work-related fatalities.	"Cool" Kitchen
KPI B2.2	Lost days due to work injury.	Not Disclose
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Care About Well-being of Employees
<b>B3 Development and Training</b>		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Developing Talent
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Not Disclose
KPI B3.2	The average training hours completed per employee by gender and employee category.	Not Disclose

<b>Aspect</b>	<b>Description</b>	<b>Chapter</b>
<b>B4 Labour Standards</b>		
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.	Social – Our Partners – Compliance
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Social – Our Partners – Compliance
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Social – Our Partners – Compliance
<b>B5 Supply Chain Management</b>		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Supply Chain Management
KPI B5.1	Number of suppliers by geographical region.	Supply Chain Management
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Supply Chain Management Environmentally Responsible Socially Responsible

Aspect	Description	Chapter
<b>B6 Product Responsibility</b>		
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.	Striving to Create Great Customer Experience Striving to Ensure Food Safety Striving to Enhance Customer Privacy
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Not Disclose
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	Not Disclose
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Striving to Create Great Customer Experience
KPI B6.4	Description of quality assurance process and recall procedures <sup>2</sup> .	Striving to Provide Excellent Quality Striving to Ensure Food Safety
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Striving to Enhance Customer Privacy

<sup>2</sup> Recall procedures are not applicable.

<b>Aspect</b>	<b>Description</b>	<b>Chapter</b>
<b>B7 Anti-corruption</b>		
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.	Corporate Integrity
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Corporate Integrity
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Corporate Integrity
<b>B8 Community Investment</b>		
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.	Caring About People Caring About the Environment
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Caring About People Caring About the Environment
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	Caring About People Caring About the Environment

# Independent Auditor's Report

**TO THE SHAREHOLDERS OF LH GROUP LIMITED**  
(incorporated in the Cayman Islands with limited liability)

## OPINION

### What we have audited

The consolidated financial statements of LH GROUP LIMITED (the “**Company**”) and its subsidiaries (the “**Group**”) set out on pages 80 to 145, which comprise:

- the consolidated statement of financial position as at 31 December 2018;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

### Our opinion

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 2018, 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 (“**HKSA**s”) 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

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.

## 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 period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter identified in our audit is related to impairment assessment of the Group's underperforming restaurant outlets.

Key Audit Matter	How our audit addressed the Key Audit Matter
<p><b>Impairment assessment of the Group's underperforming restaurant outlets</b></p> <p>Refer to notes 2.8 and 13 to the consolidated financial statements for the Group's accounting policy on impairment of non-financial assets and note on property, plant and equipment ("<b>PPE</b>").</p> <p>The Group operates restaurant outlets on leased properties. Management considered that each restaurant outlet constitutes a cash generating unit ("<b>CGU</b>") and assessed impairment indicators in accordance with HKAS 36 on that basis. Certain of the Group's restaurant outlets were loss making which require assessment of impairment of the relevant outlets' PPE. As at 31 December 2018, provision for impairment of PPE amounted to HK\$6.0 million has been made.</p> <p>Management's judgement is required to identify those outlets subject to provision for impairment of PPE, including the identification of impairment indicators. Management conducted the impairment assessment by estimating the recoverable amounts of the relevant CGUs, using the higher of value in use calculation and fair value less costs of disposal. The determination of the recoverable amount for PPE involved the use of key assumptions in a discounted cash flow forecast model (the "<b>Forecast</b>") including estimated revenue growth rate, operating costs and discount rate.</p> <p>We focused on this area because the impairment assessment requires the use of significant estimates and judgements by management in the forecast of revenue growth, operating costs and discount rate.</p>	<p>In respect of management's impairment assessment of PPE, we carried out the following audit procedures:</p> <ul style="list-style-type: none"> <li>• obtained an understanding of and evaluated management's procedures in identifying the relevant CGUs having impairment indicators and preparing the Forecast for impairment testing;</li> <li>• compared the Group's budgets of the relevant CGUs with the historical financial information upon which the Forecast is based;</li> <li>• assessed the reasonableness of key assumptions used in the Forecast: <ul style="list-style-type: none"> <li>— for estimated revenue growth rate and operating costs, reconciling the key input data to the Group's business development plans and budgets, historical financial information of the relevant CGUs and made reference to our understanding and knowledge of the Group's business as well as other available external data in the market; and</li> <li>— for discount rate, made reference to the comparable external information in the industry;</li> </ul> </li> <li>• evaluated management's sensitivity analysis around the key assumptions adopted to assess the potential adverse impact of a range of possible outcomes; and</li> <li>• tested the mathematical accuracy of the Forecast.</li> </ul>

Based on our audit procedures performed, we found the significant judgements and assumptions used by management in the assessment were supportable with evidence obtained.

## **OTHER INFORMATION**

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

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 this other information, we are required to report that fact. We have nothing to report in this regard.

## **RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE 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.

Those charged with governance are responsible 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. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs 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.

## *Independent Auditor's Report*

As part of an audit in accordance with HKSAAs, 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 risks, 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 those charged with governance 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 those charged with governance 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 those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period 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 partner on the audit resulting in this independent auditor's report is Chan Kam Chiu, Raymond.

**PricewaterhouseCoopers**  
*Certified Public Accountants*

Hong Kong, 27 March 2019

# Consolidated Statement of Comprehensive Income

For the year ended 31 December 2018

	Note	2018 HK\$'000	2017 HK\$'000
Revenue	5(a)	1,004,105	829,152
Other income	6	3,853	2,577
Cost of food and beverages		(287,937)	(228,601)
Staff costs	9	(303,899)	(259,487)
Depreciation and amortisation		(50,658)	(43,513)
Property rentals and related expenses		(181,510)	(152,522)
Fuel and utility expenses		(28,583)	(24,576)
Advertising and marketing expenses		(12,982)	(9,616)
Other operating expenses		(87,302)	(65,234)
Provision for impairment of property, plant and equipment		(4,157)	—
Provision for impairment of financial assets		(1,854)	—
Listing expenses		(8,027)	(16,143)
Finance income	7	2,686	187
Profit before taxation	8	43,735	32,224
Income tax expense	10	(8,575)	(8,227)
Profit and total comprehensive income for the year		35,160	23,997
Attributable to:			
Shareholders of the Company		35,211	22,391
Non-controlling interests		(51)	1,606
		35,160	23,997
Basic and diluted earnings per share (HK cents)	12	4.90	3.73

# Consolidated Statement of Financial Position

As at 31 December 2018

	Note	31 December 2018 HK\$'000	31 December 2017 HK\$'000
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	13	130,567	125,789
Investment property	14	720	745
Intangible assets	15	7,227	3,530
Rental and utilities deposits	18	45,532	57,800
Prepayments for purchase of property, plant and equipment	18	1,414	—
Deferred income tax assets	23	17,192	12,768
		202,652	200,632
<b>CURRENT ASSETS</b>			
Inventories	16	26,144	25,884
Trade receivables	17	13,045	12,682
Prepayments, deposits and other receivables	18	38,733	33,527
Tax recoverable		2,894	4,244
Short term bank deposits	20	148,000	—
Cash and cash equivalents	20	142,289	69,990
		371,105	146,327
<b>Total assets</b>		573,757	346,959
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to shareholders of the Company</b>			
Share capital	28	80,000	—
Share premium	24	122,781	—
Reserves	24	207,716	201,502
		410,497	201,502
Non-controlling interests		49	—
<b>Total equity</b>		410,546	201,502
<b>NON-CURRENT LIABILITIES</b>			
Provision for reinstatement costs	22	13,227	14,825
Deferred income tax liabilities	23	2,572	2,141
		15,799	16,966

## Consolidated Statement of Financial Position

As at 31 December 2018

		<b>31 December 2018</b>	31 December 2017
	<i>Note</i>	<b>HK\$'000</b>	<i>HK\$'000</i>
<b>CURRENT LIABILITIES</b>			
Trade payables	21	<b>42,327</b>	35,787
Contract liabilities, other payables and accruals	22	<b>98,048</b>	87,755
Tax payable		<b>7,037</b>	4,949
		<b>147,412</b>	128,491
<b>Total liabilities</b>		<b>163,211</b>	145,457
<b>Total equity and liabilities</b>		<b>573,757</b>	346,959

# Consolidated Statement of Changes In Equity

For the year ended 31 December 2018

	Attributable to shareholders of the Company			Non-	Total
	Share capital (Note 28) HK\$'000	Reserves (Note 24) HK\$'000	Total HK\$'000	controlling Interests HK\$'000	
At 1 January 2017	—	219,547	219,547	40,168	259,715
Profit and total comprehensive income for the year	—	22,391	22,391	1,606	23,997
<b>Transactions with shareholders</b>					
Dividends (Note 11)	—	(35,247)	(35,247)	—	(35,247)
Dividend declared to non- controlling interests	—	—	—	(5,778)	(5,778)
Investment from non-controlling interests	—	—	—	1,980	1,980
Acquisition of non-controlling interests	—	(27,064)	(27,064)	(34,246)	(61,310)
Deemed distributions to the then shareholders of the operating subsidiaries	—	(78,115)	(78,115)	(3,730)	(81,845)
Capital contribution by the then shareholders of the operating subsidiaries	—	99,990	99,990	—	99,990
At 31 December 2017 and 1 January 2018	—	201,502	201,502	—	201,502
Profit and total comprehensive income for the year	—	35,211	35,211	(51)	35,160
<b>Transactions with shareholders</b>					
Dividends (Note 11)	—	(28,997)	(28,997)	—	(28,997)
Capitalisation issue	60,000	(60,000)	—	—	—
Share issued pursuant to the initial public offerings (“IPO”)	20,000	200,000	220,000	—	220,000
Transactions costs attributable to the IPO	—	(17,219)	(17,219)	—	(17,219)
Investment from non-controlling interests	—	—	—	100	100
At 31 December 2018	80,000	330,497	410,497	49	410,546

# Consolidated Statement of Cash Flows

For the year ended 31 December 2018

	Note	2018 HK\$'000	2017 HK\$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash generated from operations	25(a)	108,980	64,946
Interest received		14	126
Hong Kong profits tax paid, net		(9,130)	(10,416)
Net cash flows generated from operating activities		99,864	54,656
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchases of property, plant and equipment		(55,074)	(73,338)
Proceeds from disposal of property, plant and equipment	25(b)	—	359
Payment for obtaining tradename		(3,945)	—
Repayment from a shareholder		—	1,068
Interest received		1,355	63
Increase in short term bank deposits		(148,000)	—
Net cash flows used in investing activities		(205,664)	(71,848)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Listing expenses paid		(13,004)	(4,196)
Proceeds from issuance of shares under the IPO		220,000	—
Repayments to shareholders		—	(42,770)
Dividend paid	11	(28,997)	(35,247)
Dividend paid to non-controlling interests		—	(5,778)
Investment from non-controlling interests		100	1,980
Acquisition of non-controlling interests	24	—	(61,310)
Deemed distribution to the then shareholders of the operating subsidiaries	24	—	(81,845)
Capital contribution by shareholders of the operating subsidiaries	24	—	99,990
Net cash flows generated from/(used in) financing activities		178,099	(129,176)
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>			
		72,299	(146,368)
Cash and cash equivalents at the beginning of the year		69,990	216,358
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>			
	20	142,289	69,990

# Notes to the Consolidated Financial Statements

## 1 GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 9 June 2017 as an exempted company with limited liability under the Companies Law (Cap. 22, Law 3 of 1961 as consolidated and revised) of the Cayman Islands. The address of the Company's registered office is Cayman Corporate Centre, 27 Hospital Road, George Town, Grand Cayman KY1-9008, Cayman Islands.

The Company is an investment holding company and its subsidiaries are principally engaged as full-service restaurants operator serving Chinese and Asian cuisine including Japanese and Korean cuisine in Hong Kong (the "**Business**").

Prior to the incorporation of the Company and the completion of a reorganisation (the "**Reorganisation**") in preparation for the listing of the Company's share on the Main Board of The Stock Exchange of Hong Kong Limited ("**the Main Board**"), management directed the economic activities of the Business as a single business through the subsidiaries which were mainly the then subsidiaries of Lucky House Group (Management) Limited, King Dragon International Investment Limited and Lucky House Restaurant Group Co. Ltd, which are all companies incorporated in Hong Kong and controlled by Mr. Wong Kit Lung, Simon, Mr. Wong Yiu Hung, Mr. Ko Cheuk Kuen, Mr. Liu Chi Hung, Peter, Mr. Kiu Cheung, Mr. Lau Kwong Kwan, Hop Kwan Holdings Limited, Ms. Ko Sau Chee, Grace and Draconis Investment Limited, (together "**the Controlling Shareholders**"). The Reorganisation was completed on 21 June 2017 and since then, the Company became the holding company of the operating subsidiaries and all other companies now comprising the Group.

The Company's shares were successfully listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 30 May 2018.

These consolidated financial statements are presented in Hong Kong Dollar ("**HK\$**"), unless otherwise stated.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal 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 and periods presented, unless otherwise stated.

### 2.1 Basis of preparation

The principal accounting policies applied in the preparation of the consolidated financial statements of the Group which are in accordance with the Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the HKICPA are set out below and disclosure requirements of the Hong Kong Companies Ordinance Cap. 622. These consolidated financial statements have been prepared under the historical cost convention.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.1 Basis of preparation (continued)

Immediately prior to the Reorganisation, the Group's business was primarily conducted through the subsidiaries. Pursuant to the Reorganisation, the Group's business were transferred to and held by the Company. The Company has not been involved in any other business prior to the Reorganisation and does not meet the definition of a business. The Reorganisation is merely a reorganisation of the Group's business with no change in management and the ultimate owners of the Group's business remain substantially the same.

The Group resulting from the Reorganisation is regarded as a continuation of the Group's business under the operating subsidiaries. Accordingly, the consolidated financial statements have been prepared and presented as a continuation of the Group's business as if the Group structure has existed as at 1 January 2017.

The preparation of these 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 these consolidated financial statements are disclosed in Note 4.

#### (a) **New standards and amendments to standards adopted by the Group**

The Group has applied the following new and amended standards, improvements and interpretation for the first time for their annual reporting period commencing 1 January 2018:

HKAS 40 (Amendment)	Transfers of investment property
HKFRS 2 (Amendment)	Classification and measurement of share-based payment transactions
HKFRS 4 (Amendment)	Applying HKFRS 9 financial instruments with HKFRS 4 insurance contracts
HKFRS 9	Financial instruments
HKFRS 15	Revenue from contracts with customers
HKFRS 15 (Amendment)	Clarifications to HKFRS 15
HK (IFRIC) Int 22	Foreign currency transactions and advance consideration
Annual improvements project (Amendment)	Annual improvements 2014–2016 cycle

Saved as disclosed in Note 2.1(c), the adoption of these new and amended standards, improvements and interpretation did not have any impact on the amounts recognised in prior periods and will also not affect the current or future periods.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.1 Basis of preparation (continued)

#### (b) New standards and amendments to HKFRS in issue but not yet effective

		<b>Effective for annual periods beginning on or after</b>
Annual improvements project (Amendment)	Annual improvements 2015–2017 cycle	1 January 2019
HKAS 28 (Amendment)	Long-term interests in associates and joint venture	1 January 2019
HKFRS 9 (Amendment)	Prepayment features with negative compensation	1 January 2019
HKFRS 16	Leases	1 January 2019
HKAS 19 (Amendment)	Plan amendment, curtailment or settlement	1 January 2019
HK (IFRIC) — Int 23	Uncertainty over income tax treatments	1 January 2019
Conceptual framework for financial reporting 2018	Revised conceptual framework for financial reporting	1 January 2020
HKFRS 17	Insurance contracts	1 January 2021
HKFRS 10 and HKAS 28 (Amendment)	Sale or contribution of assets between an investor and its associate or joint venture (amendments)	To be determined

The Group will adopt the new and amended standards when they become effective. The Group has already commenced an assessment of the related impact of adopting the above new and amended standards and new interpretations, none of which is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

#### *HKFRS 16 “Leases”*

##### Nature of change

HKFRS 16 was issued in May 2016. It will result in almost all leases being recognised on the statement of financial position by lessees, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.1 Basis of preparation (continued)

#### (b) **New standards and amendments to HKFRS in issue but not yet effective** (continued)

##### *HKFRS 16 “Leases”* (continued)

##### Impact

As at the reporting date, the Group has non-cancellable operating lease commitments of HK\$327,290,000. Of these commitments, approximately HK\$22,630,000 relate to short-term leases which will be recognised on a straightline basis as expense in profit or loss.

For the remaining lease commitments the group expects to recognise right-of-use assets and lease liabilities of approximately HK\$280,000,000 on 1 January 2019. In addition, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above.

The group’s activities as a lessor are not material and hence the group does not expect any significant impact on the financial statements. However, some additional disclosures will be required from next year.

##### Date of adoption by the Group

The Group will apply the standard from its mandatory adoption date of 1 January 2019. The Group intends to apply the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in retained earnings as of 1 January 2019 and that comparatives will not be restated.

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.1 Basis of preparation (continued)

#### (c) Changes in accounting policies

The Group elects to adopt HKFRS 9 and HKFRS 15 without restating comparatives. The reclassification and the adjustments arising from the adoption of HKFRS 9 and HKFRS 15 are therefore not reflected in the consolidated statement of financial position as at 31 December 2017, but are recognised in the opening of the consolidated statement of financial position on 1 January 2018.

The following table shows the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. As a result, sub-totals and totals disclosed cannot be recalculated from the numbers provided. The adjustments are explained in more details by standard below.

Consolidated statement of financial position (extract)	31 December 2017		1 January 2018
	As originally presented HK\$'000	HKFRS 15 reclassification HK\$'000	Restated HK\$'000
Current liabilities			
Contract liabilities, other payables and accruals			
— Advances from customers	14,802	(14,802)	—
— Deferred revenue	10,043	(10,043)	—
— Contract liabilities	—	24,845	24,845
— Others	62,910	—	62,910
	<u>87,755</u>	<u>—</u>	<u>87,755</u>

#### (i) HKFRS 9 Financial Instruments

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. The adoption of HKFRS 9 Financial Instruments from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the consolidated financial statements. In accordance with the transitional provisions in HKFRS 9 (7.2.15) and (7.2.26), comparative figures have not been restated.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.1 Basis of preparation (continued)

#### (c) Changes in accounting policies (continued)

##### (i) HKFRS 9 Financial Instruments (continued)

- (1) Classification and measurement of financial instruments on adoption of HKFRS 9

The financial assets currently held by the Group include financial instruments previously classified as loans and receivables which continue to be measured at amortised cost under HKFRS 9. Accordingly, there is no impact on the classification and measurement of its financial assets. There will be no impact on the Group's accounting for financial liabilities, as the HKFRS 9 only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from HKAS 39 and have not been changed.

- (2) Impairment of financial assets

The Group was required to revise its impairment methodology under HKFRS 9 for each of these classes of assets. The impact of the change in impairment methodology on the Group's retained earnings and equity was immaterial.

##### (ii) HKFRS 15 Revenue from contracts with customers

The Group has adopted HKFRS 15 Revenue from Contracts with Customers from 1 January 2018, which resulted in changes in accounting policies and adjustments to the amounts recognised in the consolidated financial statements. In accordance with the transition provisions in HKFRS 15, comparative figures have not been restated. The adoption of HKFRS 15 did not result in significant changes to the Group recognition policies. The Group has voluntarily changed the presentation of certain amounts in the consolidated statement of financial position to reflect the terminology of HKFRS 15. As such, advances from customers and deferred revenue which were previously included in other payables and accruals, amounting to HK\$24,845,000 as at 1 January 2018, are now recognised as contract liabilities (as included in other payables and accruals) to reflect the terminology of HKFRS 15.

## **2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **2.2 Subsidiaries**

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, 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. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

#### **2.2.1 Business combinations**

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former shareholders of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRSs.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

## **2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **2.2 Subsidiaries (continued)**

#### **2.2.2 Separate financial statements**

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

### **2.3 Foreign currency translation**

#### **(a) Functional and presentation currency**

Items included in the 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 HK\$, which is the Company's functional and the Group's presentation currency.

#### **(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 profit or loss.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.4 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 directors of the Company, who make strategic decisions.

### 2.5 Property, plant and equipment

Land and buildings comprise mainly central processing and logistic centre and offices. Leasehold land classified as finance lease and all other property, plant and equipment are stated at historical cost less 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 statements of comprehensive income during the financial period in which they are incurred.

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

— Land and buildings	Over the lease term
— Leasehold improvements	Over the shorter of lease term or 10 years
— Restaurant and kitchen equipment	Over the shorter of lease term or 5 years
— Furniture and fixtures	Over the shorter of lease term or 5 years
— Office equipment	5 years
— Motor vehicles	5 years

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

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 (Note 2.8).

Gains and losses on disposals of property, plant and equipment are determined by comparing the proceeds with the carrying amount and are recognised within 'other operating expenses' in the consolidated statements of comprehensive income.

## **2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **2.6 Investment property**

Investment property, principally comprising leasehold land and buildings, is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group.

Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs. After initial recognition, investment properties are carried at cost less accumulated depreciation and accumulated impairment losses (Note 2.8). The cost of investment property comprises its purchase price and any directly attributable expenditure. Depreciation is calculated using the straight-line method to allocate the depreciable amounts over the lease term. The residual value and useful life of the investment property is reviewed, and adjusted as appropriate, at the end of each reporting period. The effect of any revision is included in the consolidated statements of comprehensive income when the change arises.

### **2.7 Intangible assets**

#### **(a) Franchises**

Separately acquired franchises are shown at historical cost. Franchises have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of franchises over the franchise term of 10 years.

#### **(b) Tradename**

Acquired tradename is shown at historical cost. Tradename has finite useful lives and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of trademark over its estimated useful life.

## **2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **2.8 Impairment of non-financial assets**

Assets that are subject to amortisation or depreciation 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 to sell 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 other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

### **2.9 Financial assets**

#### **2.9.1 Classification**

The Group classifies its financial assets in the following categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss); and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

## **2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **2.9 Financial assets (continued)**

#### **2.9.2 Measurement**

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

##### *Debt instruments*

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. The Group classifies its debt instruments as amortised cost. Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses), net, together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

##### *Equity instruments*

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.9 Financial assets (continued)

#### 2.9.3 Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

### 2.10 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statements 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.

### 2.11 Impairment of financial assets

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Impairment on other financial assets at amortised cost is measured as either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

### 2.12 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. The cost comprises invoiced cost less purchase rebates. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

## **2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **2.13 Trade and other receivables**

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

### **2.14 Cash and cash equivalents**

Cash and cash equivalents include cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

### **2.15 Share capital**

Ordinary shares are classified as equity.

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

### **2.16 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 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.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.17 Current and deferred income tax

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

#### (a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet 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 income tax

##### *Inside basis differences*

Deferred income 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 statements of financial position. However, the deferred income 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 income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income 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.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.17 Current and deferred income tax (continued)

#### (b) **Deferred income tax** (continued)

##### *Outside basis differences*

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

#### (c) **Offsetting**

Deferred income 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 income 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.

### 2.18 Employee benefits

#### (a) **Pension obligations**

In Hong Kong, the Group contributes to the mandatory provident fund scheme for eligible employees, the assets of which are held in a separate trustee-administered funds. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due.

#### (b) **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 end of the reporting period.

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

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.18 Employee benefits (continued)

#### (c) Long service payments

In Hong Kong, employees who have completed a required number of years of service to the Group are eligible for long service payments under the Hong Kong Employment Ordinance in the event of the termination of their employment, provided that such termination meet the circumstances specified in the Hong Kong Employment Ordinance.

#### (d) Provision for bonus plans

Bonus payments to employees are discretionary to management. Bonus payments are recognised in profit or loss in the period when the Group has formally announced the bonus payments to employees.

### 2.19 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

### 2.20 Customer loyalty programme

Sales of catering services that result in award credits for customers, under the customer membership programme of the Group, are accounted for as multiple element revenue transaction and the fair value of the consideration received or receivable is allocated between the catering services provided and the awards for which they could be redeemed/entitled. Such consideration is not recognised as revenue at the time of the initial sales transaction, but is deferred and recognised as revenue when the awards are redeemed or the Group's obligations have been fulfilled.

## **2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **2.21 Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts, returns and value added taxes. If contracts involve the sale of multiple services, the transaction price will be allocated to each performance obligation based on their relative stand-alone selling prices. If the stand-alone selling prices are not directly observable, they are estimated based on expected cost plus a margin or adjusted market assessment approach, depending on the availability of observable information.

Revenues are recognised when or as the control of the good 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. Control of the good or service is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- 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 asset. Specific criteria where revenue is recognised are described below.

#### **(a) Restaurant operations**

##### *(i) Sale of catering services*

The Group operates a chain of restaurants. Sales is recognised at a point time when catering services have been provided to the customers. Payment of the transaction price is due immediately after dining.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.21 Revenue recognition (continued)

#### (a) **Restaurant operations** (continued)

##### (ii) *Sale of membership*

As part of the Group's ordinary activities, memberships (which is a package with coupons and future discount) are sold to customers in its Asian cuisine restaurants. The receipts in respect of the coupon element are deferred and recognised as "deferred revenue" in the consolidated statement of financial position based on the expected future redemption as at year end. The Group implements a contractual expiry policy for the membership under which any unutilised coupons are fully recognised as revenue in the consolidated statement of comprehensive income upon their expiry. The receipts in respect of the discount element are recognised as revenue in the consolidated statement of comprehensive income over the term of the membership.

#### (b) **Sale of food ingredients**

Sales is recognised on the transfer of risks and rewards of ownership, being when the products are delivered to the customer. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer. A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

#### (c) **Interest income**

Interest income is recognised using the effective interest method, on a time-proportion basis.

### 2.22 Leases

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 statements of comprehensive income on a straight-line basis over the period of the lease. Contingent rental arising under operating leases are recognised as an expense in the period in which they are incurred.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight line basis over the lease term. The respective leased assets are included in the balance sheet based on their nature.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.23 Dividend distribution

Dividend distribution to the shareholders is recognised as a liability in the consolidated financial statements in the period in which the dividends are approved by the entity's shareholders or directors, where appropriate.

Dividend proposed or declared after the reporting period but before the financial statements are authorised for issue, are disclosed as a non-adjusting event and are not recognised as a liability at the end of the reporting period.

## 3 FINANCIAL RISK MANAGEMENT

### 3.1 Financial risk factors

The Group's activities expose it to variety financial risks: market risk (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. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner. Because of the simplicity of the financial structure and the current operations of the Group, no hedging activities are undertaken by management.

#### (a) Interest rate risk

The Group has no significant interest-bearing assets except for bank deposits, which are at variable interest rate and subject to cash flow interest rate risk. Fixed deposits are subject to fixed rates which expose the Group to fair value interest rate risk.

As at 31 December 2018, if interest rates on all interest-bearing bank deposits had been 100 basis-points higher/lower with all other variables held constant, profit after taxation would have increased/decreased by approximately HK\$2,035,000 (2017: Nil) respectively, mainly as a result of higher/lower interest income on variable rate bank deposits.

#### (b) Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group. The Group's exposure to credit risk mainly arises from granting credit to customers in the ordinary course of its operations.

The credit risk of the Group's financial assets, which mainly comprise cash and cash equivalents, short term bank deposit and trade and other receivables, arises from potential default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

### 3 FINANCIAL RISK MANAGEMENT (continued)

#### 3.1 Financial risk factors (continued)

##### (b) Credit risk (continued)

All of the Group's trade and other receivables have no collateral. The Group assessed the credit quality of the counterparties by taking into account their financial position, credit history, forward looking information and other factors. Management also regularly reviews the recoverability of these receivables and follow up the disputes or amounts overdue, if any.

##### *Cash and cash equivalents and short term bank deposit*

As at 31 December 2018, the credit risk on cash at banks and short term bank deposits is limited because the counterparties are reputable and creditworthy banks, which management believes are of high-credit-quality without significant credit risk.

##### *Trade receivables*

The Group applies the simplified approach to providing for expected credited losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics.

Trade receivables mainly represent receivables from reputable and creditworthy financial institutions in relation to the payment settled by credit cards by customers of which the settlement is normally within 3 days from transaction date. For the remaining customers in relation to sale of food ingredients, credit quality of the customers is assessed based on their historical settlement record. There is no concentration of credit risk as these are receivables from various counterparties.

For the trade receivables from financial institutions, the counterparties primarily reputable and creditworthy financial institutions and has strong financial position and management considers the credit risk is not high.

For trade receivables from sale of food ingredients, the Group maintains frequent communications with the counterparties. Management has closely monitored the credit qualities and the collectability of these receivables and consider that the expected credit risks of them are minimal in view of the history of cooperation with them and forward looking information.

The expected credit loss from these trade receivables is considered as immaterial and loss allowance provision recognised for these balances for the year is close to zero.

### 3 FINANCIAL RISK MANAGEMENT (continued)

#### 3.1 Financial risk factors (continued)

##### (b) Credit risk (continued)

###### *Deposits and other receivables*

The directors of the Group consider the probability of default upon initial recognition of asset and whether there has been significant increase in credit risk on an ongoing basis. To assess whether there is a significant increase in credit risk the Group compares risk of a default occurring on the assets as at 31 December 2018 with the risk of default as at the date of initial recognition. Especially the following indicators are incorporated.

- actual or expected significant adverse changes in business, financial economic conditions that are expected to cause a significant change to the company's ability to meet its obligations;
- actual or expected significant changes in the operating results of the company;
- significant changes in the expected performance and behavior of the company, including changes in the payment status of the third party.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment/repayable demanded.

A default on a financial asset is when the counterparty fails to make contractual payments/repayable demanded within 90 days of when they fail due.

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. The Group categories a loan or receivable for write off when a debtor fails to make contractual payments/repayable demanded greater than 365 days past due. Where financial assets have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss. The Group reviews regularly the recoverable amount of each individual receivable to ensure that adequate impairment losses are made for irrecoverable amounts. Over the term of the financial assets, the Group accounts for its credit risk by appropriately providing for expected credit losses on a timely basis. In calculating the expected credit loss rates, the Group considers historical loss rates for each category of debtors, and adjusts for forward looking macroeconomic data.

### 3 FINANCIAL RISK MANAGEMENT (continued)

#### 3.1 Financial risk factors (continued)

##### (b) Credit risk (continued)

###### *Deposits and other receivables (continued)*

As at 31 December 2018, management consider other receivables as low credit risk as counterparties have a strong capacity to meet its contractual cash flow obligations in the near term. The Group has assessed that the expected credit losses for these receivables are immaterial under 12 months expected losses method. Thus, the loss allowance provision recognised for the year for these balances is immaterial.

##### (c) Liquidity risk

The Group's policy is to maintain sufficient cash to meet its liquidity and working capital requirements.

Management monitors rolling forecasts of the Group's liquidity reserve which comprises cash and cash equivalents (Note 20) on the basis of expected cash flows. The Group's policy is to regularly monitor current and expected liquidity requirements, to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

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

	<b>Less than one year</b>	
	<b>As at 31 December 2018 HK\$'000</b>	As at 31 December 2017 HK\$'000
Trade payables	42,327	35,787
Other payables and accruals	45,133	41,915
	<b>87,460</b>	<b>77,702</b>

### **3 FINANCIAL RISK MANAGEMENT (continued)**

#### **3.2 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.

#### **3.3 Fair value estimation**

The carrying values of the Group's financial assets, including trade receivables, deposits and other receivables and cash and cash equivalents, and financial liabilities, including trade and other payables, approximate to their fair values due to their short-term maturities. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments, unless the discounting effect is insignificant.

#### **3.4 Offsetting financial assets and financial liabilities**

There is no material offsetting, enforceable master netting arrangement and similar agreements as at 31 December 2018.

## **4 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 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) Current income taxes and deferred income taxes**

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. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current income tax and deferred tax provisions in the period in which such determination is made.

Deferred income tax assets relating to certain temporary differences and tax losses are recognised as management considers it is likely that future taxable profits will be available against which the temporary differences or tax losses can be utilised. Where the expectation is different from the original estimates, such differences will impact the recognition of deferred income tax assets and income tax charges in the period in which such estimates are changed.

### **(b) Impairment of property, plant and equipment, investment property and intangible assets**

Property, plant and equipment, investment property and intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. 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 value of an asset can be supported by the recoverable amount, being the higher of fair value less costs to sell or 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 operations.

## 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

### (c) Deferred revenue of customer loyalty programme

The membership fee in respect of the coupons and discount element and dining income in respect of loyalty points and renewal membership element are deferred and recognised as “deferred revenue” at the year end.

Significant management judgement is required in determining the fair value and expected redemption rate of loyalty points, coupons and discount and the fair value of each membership and expected renewal rate. Changing the assumptions selected by management in assessing the utilisation of membership elements may affect the Group’s financial position and results of operations.

## 5 REVENUE AND SEGMENT INFORMATION

### (a) Revenue

Revenue, which is also the Group’s turnover, represents amounts received and receivable from the operation of restaurants and sales of food ingredients in Hong Kong, net of discount. An analysis of revenue is as follows:

	2018 HK\$’000	2017 HK\$’000
Recognised at a point in time:		
Restaurant operations	987,989	808,897
Sale of food ingredients	16,116	20,255
	1,004,105	829,152

### (b) Segment information

The Directors, who are the CODM of the Group, review the Group’s internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on reports reviewed by the Directors that are used to make strategic decisions.

The Group is principally engaged in the operation of restaurant chains and sales of food ingredients in Hong Kong. Management reviews the operating results of the business by major cuisine and sale of food ingredients which the Group operates to make decisions about resources to be allocated.

## 5 REVENUE AND SEGMENT INFORMATION (continued)

### (b) Segment information (continued)

The Group has the following reporting segments:

- |     |                                       |  |
|-----|---------------------------------------|--|
| (a) | Cantonese cuisine — self-owned brands | — Operation of Cantonese restaurants under the self-established “The Banqueting House”, “China Hall”, “Pot Master” and “LHGrand” brands, offering Cantonese cuisine and wedding reception services |
| (b) | Asian cuisine — franchised brands     | — Operation of Asian cuisine restaurants under the franchised “Gyu-Kaku”, “On-Yasai”, “Gyu-Kaku Jinan-Bou” and “Yoogane” brands  |
| (c) | Asian cuisine — self-owned brands     | — Operation of Asian cuisine restaurants under self-owned brands, including “Mou Mou Club”, “Hotpot PNP”, “Peace Cuisine” and “Goolo”  |
| (d) | Sale of food ingredients              | — Sale of food ingredients to related parties (Note 19) and external third parties   |

Segment revenue and segment profit were the measures reported to the Directors for the purpose of resources allocation and performance assessment. Segment profit, which is a measure of adjusted profit before tax, was measured consistently with the Group’s profit before tax except that finance income and unallocated cost were excluded from this measurement.

Segment assets consist primarily of property, plant and equipment, intangible assets, inventories, trade receivables, prepayments, deposits and other receivables. They exclude property, plant and equipment and prepayments, deposits and other receivables and cash and cash equivalents for general use, investment property, deferred income tax assets and tax recoverable.

Segment liabilities consist primarily of trade payables and other payables and accruals. They exclude other payables and accruals for general use, tax payables and deferred income tax liabilities.

The major operating entities of the Group were domiciled in Hong Kong. All revenue of the Group was derived in Hong Kong. As at 31 December 2018, all non-current assets of the Group were located in Hong Kong.

During the year, management realigned the Group’s business strategy and has classified the “Peace Cuisine” brand from Cantonese cuisine — self-owned brands to Asian cuisine — self-owned brands and certain comparatives have been reclassified to conform with current year presentation.

## 5 REVENUE AND SEGMENT INFORMATION (continued)

### (b) Segment information (continued)

An analysis of the Group's revenue, profit before taxation and depreciation and amortisation for the years ended 31 December 2018 and 2017 and segment assets and liabilities as at 31 December 2018 and 2017 is as follows:

	For the year ended 31 December 2018				
	Cantonese restaurants — self-owned brands HK\$'000	Asian cuisine — franchised brands HK\$'000	Asian cuisine — self-owned brands HK\$'000	Sale of food ingredients HK\$'000	Total HK\$'000
<b>Segment revenue</b>					
Revenue	273,624	474,329	240,036	158,664	1,146,653
Inter-segment revenue	—	—	—	(142,548)	(142,548)
External revenue	273,624	474,329	240,036	16,116	1,004,105
<b>Segment profit</b>	11,730	70,137	15,613	3,349	100,829
Depreciation and amortisation	(10,488)	(24,841)	(14,129)	—	(49,458)
<b>Segment profit</b>					100,829
Unallocated depreciation and amortisation					(1,200)
Unallocated cost					(58,580)
Unallocated finance income					2,686
<b>Profit before taxation</b>					43,735
<b>Segment assets</b>	67,309	115,695	66,204	35,131	284,339
<b>Segment liabilities</b>	(23,369)	(69,638)	(26,755)	(12,944)	(132,706)

## 5 REVENUE AND SEGMENT INFORMATION (continued)

### (b) Segment information (continued)

	For the year ended 31 December 2017				
	Cantonese restaurants — self-owned brands HK\$'000	Asian cuisine — franchised brands HK\$'000	Asian cuisine — self-owned brands HK\$'000	Sale of food ingredients HK\$'000	Total HK\$'000
<b>Segment revenue</b>					
Revenue	272,060	319,694	217,143	142,783	951,680
Inter-segment revenue	—	—	—	(122,528)	(122,528)
External revenue	272,060	319,694	217,143	20,255	829,152
<b>Segment profit</b>	15,401	41,960	29,185	3,178	89,724
Depreciation and amortisation	(9,575)	(17,648)	(12,359)	—	(39,582)
<b>Segment profit</b>					89,724
Unallocated depreciation and amortisation					(3,931)
Unallocated cost					(53,756)
Unallocated finance income					187
<b>Profit before taxation</b>					32,224
<b>Segment assets</b>	87,967	70,082	60,018	35,757	253,824
<b>Segment liabilities</b>	(37,922)	(38,542)	(19,453)	(12,569)	(108,486)

## 5 REVENUE AND SEGMENT INFORMATION (continued)

### (b) Segment information (continued)

A reconciliation of segment assets to the Group's total assets is as follows:

	<b>As at 31 December 2018 HK\$'000</b>	As at 31 December 2017 HK\$'000
Segment assets	284,339	253,824
Unallocated assets	289,418	93,135
	<b>573,757</b>	346,959

A reconciliation of segment liabilities to the Group's total liabilities is as follows:

	<b>As at 31 December 2018 HK\$'000</b>	As at 31 December 2017 HK\$'000
Segment liabilities	132,706	108,486
Unallocated liabilities	30,505	36,971
	<b>163,211</b>	145,457

### (c) Contract liabilities

The Group recognised the following revenue-related contract liabilities:

	<b>As at 31 December 2018 HK\$'000</b>	As at 31 December 2017 HK\$'000
Advances from customers	9,266	14,802
Deferred revenue	16,645	10,043
Total contract liabilities	<b>25,911</b>	24,845

Advances from customers represents the payments received from customers for reserving banqueting services. Deferred revenue represents the fair value of outstanding loyalty points, coupons and discount and expected renewal of membership in respect of customer loyalty programme as at year end.

## 5 REVENUE AND SEGMENT INFORMATION (continued)

### (c) Contract liabilities (continued)

The following table shows the revenue recognised related to carried forward contract liabilities.

	2018 HK\$'000	2017 HK\$'000
Restaurant operations	24,845	27,843

Due to the short-term nature of our related revenue, all the contract liabilities balance at the year end would be recognised into revenue in the next financial year. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

## 6 OTHER INCOME

	2018 HK\$'000	2017 HK\$'000
Forfeiture of deposits received from customers	526	654
Rental income	134	105
Management fee income (Note 19(a))	—	531
Sponsorship income	427	561
Promotion income from a credit card company	2,000	—
Sundry income	766	726
	<b>3,853</b>	<b>2,577</b>

## 7 FINANCE INCOME

	2018 HK\$'000	2017 HK\$'000
Interest income from bank deposits	2,686	187

## 8 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting) the followings:

	Note	2018 HK\$'000	2017 HK\$'000
Depreciation of property, plant and equipment	13	50,385	43,266
Depreciation of investment property	14	25	25
Amortisation of intangible assets	15	248	222
Lease payments under operating leases in respect of land and buildings:			
— Minimum lease payments		129,706	111,135
— Contingent rental		10,935	6,195
		<b>140,641</b>	<b>117,330</b>
Auditors' remuneration:			
— Audit services		2,347	750
— Non-audit services		550	350
Gain on disposal of property, plant and equipment		—	(170)
Foreign exchange differences, net		3	89

## 9 EMPLOYMENT COSTS

	2018 HK\$'000	2017 HK\$'000
Wages and salaries	257,864	222,098
Discretionary bonuses	15,001	9,703
Directors' remuneration (Note 32)	7,004	8,582
Retirement benefit scheme contributions	12,736	10,964
Staff welfare	9,309	8,389
Provision for untaken annual leave	101	425
Provision for/(reversal of provision for) long service payment	1,884	(674)
	<b>303,899</b>	<b>259,487</b>

## 9 EMPLOYMENT COSTS (continued)

### (a) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group include three (2017: three) directors whose emoluments are reflected in Note 32. The emoluments payable to the remaining two (2017: two) individuals are as follows:

	2018 HK\$'000	2017 HK\$'000
Salaries, allowances and benefits on kind	1,968	1,787
Discretionary bonuses	478	528
Retirement benefit scheme contribution	36	36
	2,482	2,351

The emoluments of the remaining individuals fell within the following bands:

	2018	2017
Nil to HK\$1,000,000	—	1
HK\$1,000,001 to HK\$2,000,000	2	1
HK\$2,000,001 to HK\$3,000,000	—	—

## 10 INCOME TAX EXPENSE

Hong Kong profits tax has been provided on the estimated assessable profits at a rate of 16.5% for the year ended 31 December 2018 (2017: 16.5%).

The major components of the income tax expense are as follows:

	2018 HK\$'000	2017 HK\$'000
Hong Kong profits tax		
Current income tax	13,046	11,248
Over provision in prior year	(478)	—
Deferred income tax (Note 23)	(3,993)	(3,021)
	8,575	8,227
Total tax charge for the year		

## 10 INCOME TAX EXPENSE (continued)

The tax on the Group's profit before taxation differs from the theoretical amount that would arise using the tax rate of Hong Kong as follows:

	<b>2018</b> <b>HK\$'000</b>	2017 HK\$'000
Profit before taxation	<b>43,735</b>	32,224
Tax at the statutory tax rates of 16.5%	<b>7,216</b>	5,317
Income not subject to tax	<b>(443)</b>	(81)
Expenses not deductible for tax	<b>3,000</b>	3,471
Tax rebate	<b>(720)</b>	(480)
Over provision in prior year	<b>(478)</b>	—
Income tax expense	<b>8,575</b>	8,227

The weighted average applicable tax rate was 19.6% (2017: 25.5%). The decrease in weighted average applicable tax rate was mainly due to the non-deductible listing expenses of HK\$8,027,000 (2017: HK\$16,143,000).

## 11 DIVIDENDS

	<b>2018</b> <b>HK\$'000</b>	2017 HK\$'000
Dividends paid	<b>28,997</b>	35,247

Dividends paid during the years ended 31 December 2018 and 2017 represented dividends declared by the companies now comprising the Group to the then owners of the companies, after eliminating intra-group dividends. The rates for dividend and the number of shares ranking for dividends are not presented as such information is not considered meaningful for the purpose of this report.

A final dividend in respect of the year ended 31 December 2018 of HK5.4 cents per ordinary share, totalling HK\$43,200,000, was proposed by the Board on 27 March 2019 which is subject to the approval of shareholders at the forthcoming annual general meeting. The proposed dividend is not reflected as dividend payable in the consolidated statement of financial position.

## 12 EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

### (a) Basic

Basic earnings per share is calculated by dividing the profit attributable to shareholders of the Company by the weighted average number of ordinary shares in issue during the year.

	2018	2017
Profit attributable to shareholders of the Company (HK\$'000)	35,211	22,391
Weighted average number of shares in issue	718,356,164	600,000,000
Basic earnings per share (HK cents)	4.90	3.73

The weighted average number of shares in issue for the years ended 31 December 2018 and 2017 for the purpose of earnings per share computation has been retrospectively adjusted for the effect of the 1 share issued on 9 June 2017 (the date of incorporation), 9 new shares from 1:10 subdivision on 22 August 2017 under the Reorganisation in preparation for listing and the 599,999,990 shares issued under the capitalisation issue on 4 May 2018 (Note 28).

### (b) Diluted

Diluted earnings per share are the same as the basic earnings per share as there were no potentially dilutive ordinary shares issued.

### 13 PROPERTY, PLANT AND EQUIPMENT

	Land and buildings HK\$'000	Leasehold improvements HK\$'000	Restaurant and kitchen equipment HK\$'000	Furniture and fixtures HK\$'000	Office equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
<b>At 1 January 2017</b>							
Cost	28,855	137,378	92,513	14,616	2,204	3,337	278,903
Accumulated depreciation	(6,847)	(88,339)	(68,877)	(12,401)	(1,569)	(2,385)	(180,418)
Accumulated impairment	—	(925)	(893)	(2)	—	—	(1,820)
Net carrying amount	22,008	48,114	22,743	2,213	635	952	96,665
<b>Year ended 31 December 2017</b>							
Opening net carrying amount	22,008	48,114	22,743	2,213	635	952	96,665
Additions	—	45,071	24,087	1,539	117	1,765	72,579
Disposals	—	—	—	—	—	(189)	(189)
Depreciation	(747)	(26,473)	(13,564)	(1,218)	(752)	(512)	(43,266)
Closing net carrying amount	21,261	66,712	33,266	2,534	—	2,016	125,789
<b>At 31 December 2017</b>							
Cost	28,855	171,074	105,497	13,850	2,321	4,230	325,827
Accumulated depreciation	(7,594)	(103,437)	(71,338)	(11,314)	(2,321)	(2,214)	(198,218)
Accumulated impairment	—	(925)	(893)	(2)	—	—	(1,820)
Net carrying amount	21,261	66,712	33,266	2,534	—	2,016	125,789
<b>Year ended 31 December 2018</b>							
Opening net carrying amount	21,261	66,712	33,266	2,534	—	2,016	125,789
Additions	—	35,865	22,651	804	—	—	59,320
Depreciation	(748)	(31,071)	(16,639)	(1,228)	—	(699)	(50,385)
Provision for impairment	—	(2,957)	(1,148)	(52)	—	—	(4,157)
Closing net carrying amount	20,513	68,549	38,130	2,058	—	1,317	130,567
<b>At 31 December 2018</b>							
Cost	28,855	189,353	115,940	13,415	2,321	4,228	354,112
Accumulated depreciation	(8,342)	(119,389)	(76,842)	(11,305)	(2,321)	(2,911)	(221,110)
Accumulated impairment	—	(1,415)	(968)	(52)	—	—	(2,435)
Net carrying amount	20,513	68,549	38,130	2,058	—	1,317	130,567

**14 INVESTMENT PROPERTY**

	<b>Land and building</b> <i>HK\$'000</i>
<b>At 1 January 2017</b>	
Cost	1,005
Accumulated depreciation	(235)
Net carrying amount	770
<b>Year ended 31 December 2017</b>	
Opening net carrying amount	770
Depreciation	(25)
Closing net carrying amount	745
<b>At 31 December 2017</b>	
Cost	1,005
Accumulated depreciation	(260)
Net carrying amount	745
<b>Year ended 31 December 2018</b>	
Opening net carrying amount	745
Depreciation	(25)
Closing net carrying amount	720
<b>At 31 December 2018</b>	
Cost	1,005
Accumulated depreciation	(285)
Net carrying amount	720

## 14 INVESTMENT PROPERTY (continued)

- (a) Amounts recognised in the consolidated statement of comprehensive income for investment property

	<b>2018</b> <b>HK\$'000</b>	2017 <i>HK\$'000</i>
Rental income	<b>134</b>	105
Direct operating expenses from property that generated rental income	<b>(18)</b>	(14)
	<b>116</b>	91

- (b) The Group had no unprovided contractual obligations for future repairs and maintenance.
- (c) The Group's investment property was valued at 31 December 2018 by management of the Company using the direct comparison approach with reference to market price per square foot of comparable properties in close proximity.

### **Fair value hierarchy**

The following table analyses the investment property carried at fair value, by valuation method.

	<b>Fair value measurement using significant other observable inputs (Level 2)</b>	
	<b>As at 31 December 2018 HK\$'000</b>	As at 31 December 2017 <i>HK\$'000</i>
<b>Recurring fair value measurements</b>		
Investment property	<b>4,180</b>	4,400

## 15 INTANGIBLE ASSETS

	Franchises HK\$'000	Tradename HK\$'000	Total HK\$'000
<b>At 1 January 2017</b>			
Cost	4,505	—	4,505
Accumulated amortisation	(753)	—	(753)
Net carrying amount	3,752	—	3,752
<b>Year ended 31 December 2017</b>			
Opening net carrying amount	3,752	—	3,752
Amortisation	(222)	—	(222)
Closing net carrying amount	3,530	—	3,530
<b>At 31 December 2017</b>			
Cost	4,505	—	4,505
Accumulated amortisation	(975)	—	(975)
Net carrying amount	3,530	—	3,530
<b>Year ended 31 December 2018</b>			
Opening net carrying amount	3,530	—	3,530
Addition (Note (i))	—	3,945	3,945
Amortisation	(248)	—	(248)
Closing net carrying amount	3,282	3,945	7,227
<b>At 31 December 2018</b>			
Cost	4,505	3,945	8,450
Accumulated amortisation	(1,223)	—	(1,223)
Net carrying amount	3,282	3,945	7,227

- (i) On 2 August 2018, the Group acquired a tradename named "Wing Wah Noodles", recipe and other assets of minimal value at HK\$3,945,000.

## 16 INVENTORIES

	<b>As at 31 December 2018 HK\$'000</b>	As at 31 December 2017 HK\$'000
Food and consumables for restaurant operations and sale of food ingredients	<b>26,144</b>	25,884

The cost of food and consumables for restaurant operations and sale of food ingredients recognised as expense and included in cost of food and beverages amounted to approximately HK\$287,937,000 (2017: HK\$228,601,000) for the year ended 31 December 2018.

## 17 TRADE RECEIVABLES

The Group's trade receivables are denominated in HK\$. The carrying value of trade receivables approximate their fair values due to their short-term maturities.

An ageing analysis of the trade receivables as at 31 December 2018, based on the invoice date, is as follows:

	<b>As at 31 December 2018 HK\$'000</b>	As at 31 December 2017 HK\$'000
Within 30 days	<b>11,904</b>	8,882
31 — 60 days	<b>34</b>	1,856
61 — 180 days	<b>1,107</b>	1,944
	<b>13,045</b>	12,682

Trade receivables mainly represent receivables from financial institutions in relation to the payment settled by credit cards by customers of which the settlement period is normally within 3 days from transaction date. Generally, there is no credit period granted to customers, except for certain corporate customers in relation to sales of food ingredients, which credit period of 30 days is granted by the Group, and therefore are all classified as current.

The maximum exposure to credit risk at 31 December 2018 and 2017 is the carrying value of trade receivables mentioned above. The Group does not hold any collateral as security.

**18 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES**

	<b>As at 31 December 2018 HK\$'000</b>	As at 31 December 2017 HK\$'000
Prepayments	<b>14,286</b>	13,702
Prepaid listing expenses	—	5,449
Rental and utilities deposits	<b>68,014</b>	72,006
Other receivables	<b>3,379</b>	170
	<b>85,679</b>	91,327
Less: non-current portion		
— Rental and utilities deposits	<b>(45,532)</b>	(57,800)
— Prepayments for purchase of property, plant and equipment	<b>(1,414)</b>	—
Current portion	<b>38,733</b>	33,527

At 31 December 2018, the balances of deposits and other receivables were neither past due nor impaired. Financial assets included in the above balances relate to receivables for which there was no recent history of default.

The maximum exposure to credit risk as at 31 December 2018 and 2017 was the carrying value of each class of receivable mentioned above. The Group did not hold any collateral as security. The carrying amounts of deposits and other receivables approximate to their fair values and are denominated in HK\$.

## 19 RELATED PARTY TRANSACTIONS

### (a) Related party transactions

The Group had the following transactions with related parties in the ordinary course of business:

	2018 HK\$'000	2017 HK\$'000
<b>Interest income receivable from (Note (i))</b>		
— Mr. Lau Kwong Kwan	—	32
<b>Motor vehicle rental expenses paid and payable to (Note (ii))</b>		
— Cheong Fat Industrial Limited	—	120
<b>Purchases of food ingredients from (Note (iii))</b>		
— Hop Kwan Cold Meat Company Limited	—	141
— Hop Kwan Enterprises Limited	—	149
<b>Management fee income received and receivable from (Note (iv))</b>		
— Gainlot Industrial Limited	—	203
— Wise Voice Investments Limited	—	74
— Others	—	254
<b>Sales of food ingredients to (Note (v))</b>		
— Fortune Eagle Enterprises Limited	—	1,199
— Long Capital Catering Limited	—	338
— Rich Hero International Enterprises Limited	—	6
— You Me, You Me (International) Limited	—	65
— Others	—	175

- (i) Interest income was received in accordance with interest rates mutually agreed by the relevant parties.
- (ii) Motor vehicle rental expenses were paid in accordance with terms mutually agreed by the relevant parties.
- (iii) Purchases of food ingredients were conducted at terms mutually agreed by the relevant parties.
- (iv) Management fee income was received in relation to administrative services provided by employees of the Group to related companies.
- (v) Sales of food ingredients were conducted at terms mutually agreed by the relevant parties.

**19 RELATED PARTIES TRANSACTION (continued)****(b) Key management compensation**

Key management includes executive directors and the senior management of the Group.

Compensation of key management personnel of the Group, including directors' remuneration as disclosed in Note 32 to these consolidated financial statements, is as follows:

	<b>2018</b> <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Salaries and other short-term employee benefits	<b>6,926</b>	9,236
Discretionary bonuses	<b>1,999</b>	2,561
Retirement benefit scheme contribution	<b>141</b>	194
	<b>9,066</b>	11,991

**20 CASH AND CASH EQUIVALENTS AND SHORT TERM BANK DEPOSITS**

	<b>As at</b> <b>31 December</b> <b>2018</b> <i>HK\$'000</i>	As at 31 December 2017 <i>HK\$'000</i>
Cash on hand	<b>5,025</b>	4,748
Cash at banks	<b>137,264</b>	65,242
Cash and cash equivalents	<b>142,289</b>	69,990
Short term bank deposits — time deposits with initial maturity period over three months	<b>148,000</b>	—

All of the Group's cash and cash equivalent are solely denominated in HK\$.

The maximum exposure to credit risk of the Group is cash at banks and short term bank deposit amounting to HK\$285,264,000 (2017: HK\$65,242,000).

Cash at banks and short term bank deposit earn interest at floating rates based on daily bank deposit rates. The balances are deposited with creditworthy banks with no recent history of default.

## 21 TRADE PAYABLES

	<b>As at 31 December 2018 HK\$'000</b>	As at 31 December 2017 HK\$'000
External suppliers	<b>42,327</b>	35,787

An ageing analysis of the trade payables as at 31 December 2018 and 2017, based on the invoice date, is as follows:

	<b>As at 31 December 2018 HK\$'000</b>	As at 31 December 2017 HK\$'000
Within 30 days	<b>31,798</b>	26,238
31–60 days	<b>10,294</b>	8,025
61–180 days	<b>24</b>	877
Over 180 days	<b>211</b>	647
	<b>42,327</b>	35,787

The trade payables are non-interest-bearing with payment terms of 30–60 days in general. The carrying amounts of trade payables approximate to their fair values and are denominated in HK\$.

## 22 CONTRACT LIABILITIES, OTHER PAYABLES AND ACCRUALS

	<b>As at 31 December 2018 HK\$'000</b>	As at 31 December 2017 HK\$'000
Rent payable	1,835	707
Provision for effective rental	13,598	11,628
Accrued employee benefit expenses	21,530	20,016
Provision for long service payment	3,029	1,657
Provision for untaken annual leave	4,149	4,071
Provision for reinstatement costs (Note (a))	19,455	18,464
Accrued listing expenses	77	5,670
Contract liabilities (2017: Advances from customers and deferred revenue)	25,911	24,845
Other accrued expenses	13,812	10,367
Payables for purchase of property, plant and equipment	7,820	5,086
Others payables	59	69
	<b>111,275</b>	<b>102,580</b>
Less: non-current portion		
— Provision for reinstatement costs (Note (a))	<b>(13,227)</b>	<b>(14,825)</b>
Current portion	<b>98,048</b>	<b>87,755</b>

The carrying amounts of other payables and accruals approximate to their fair values, as the impact of discounting is not significant, and are mainly denominated in HK\$.

### (a) Provision for reinstatement costs

Movements in the Group's provision for reinstatement costs are as follows:

	<b>As at 31 December 2018 HK\$'000</b>	As at 31 December 2017 HK\$'000
At the beginning of the year	18,464	14,893
Additional provision during the year	3,626	4,928
Settlements	<b>(2,635)</b>	<b>(1,357)</b>
At the end of the year	<b>19,455</b>	<b>18,464</b>

## 23 DEFERRED INCOME TAX

The movement in the deferred income tax account is as follows:

	<b>As at 31 December 2018 HK\$'000</b>	As at 31 December 2017 HK\$'000
At the beginning of the year	10,627	7,606
Credited to the consolidated statement of comprehensive income (Note 10)	<u>3,993</u>	<u>3,021</u>
At the end of the year	<u>14,620</u>	10,627

The movements in deferred income tax assets and liabilities for each of the years ended 31 December 2018 and 2017 without taking into consideration the offsetting of balances within the same jurisdiction, are as follows:

### Deferred income tax assets

	<b>Decelerated tax depreciation HK\$'000</b>	<b>Tax losses HK\$'000</b>	<b>Total HK\$'000</b>
At 1 January 2017	3,973	6,984	10,957
Credited to the consolidated statement of comprehensive income	<u>780</u>	<u>1,031</u>	<u>1,811</u>
At 31 December 2017	<u>4,753</u>	<u>8,015</u>	<u>12,768</u>
At 1 January 2018	<b>4,753</b>	<b>8,015</b>	<b>12,768</b>
Credited to the consolidated statement of comprehensive income	<u>2,184</u>	<u>3,011</u>	<u>5,195</u>
At 31 December 2018	<u>6,937</u>	<u>11,026</u>	<u>17,963</u>

**23 DEFERRED INCOME TAX (continued)****Deferred income tax liabilities**

	<b>Accelerated tax depreciation</b> <i>HK\$'000</i>
At 1 January 2017	3,351
Credited to the consolidated statement of comprehensive income	<u>(1,210)</u>
At 31 December 2017	<u>2,141</u>
At 1 January 2018	<b>2,141</b>
Charged to the consolidated statement of comprehensive income	<b><u>1,202</u></b>
At 31 December 2018	<b><u>3,343</u></b>

There is no significant unrecognised deferred income tax. Deferred income tax assets are recognised for tax loss carry-forwards to the extent that realisation of the related tax benefit through future taxable profits is probable. Tax losses amounting to HK\$66,824,000 (2017: HK\$48,582,000) as at 31 December 2018, have no expiry date.

## 24 RESERVES

	Share premium <i>HK\$'000</i>	Retained earnings <i>HK\$'000</i>	Other reserves <i>(Note (iv)) HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2017	—	186,739	32,808	219,547
Profit and total comprehensive income for the year	—	22,391	—	22,391
Dividends <i>(Note 11)</i>	—	(35,247)	—	(35,247)
Acquisition of non-controlling interests <i>(Note (i))</i>	—	—	(27,064)	(27,064)
Deemed distributions to the then shareholders of the operating subsidiaries <i>(Note (ii))</i>	—	—	(78,115)	(78,115)
Capital contribution by the then shareholders of the operating subsidiaries <i>(Note (iii))</i>	—	—	99,990	99,990
At 31 December 2017 and 1 January 2018	—	173,883	27,619	201,502
Profit and total comprehensive income for the year	—	35,211	—	35,211
Dividends <i>(Note 11)</i>	—	(28,997)	—	(28,997)
Capitalisation issue <i>(Note 28)</i>	(60,000)	—	—	(60,000)
Shares issued pursuant to the IPO <i>(Note 28)</i>	200,000	—	—	200,000
Transactions costs attributable to the IPO <i>(Note 28)</i>	(17,219)	—	—	(17,219)
At 31 December 2018	122,781	180,097	27,619	330,497

- (i) The movement during the year ended 31 December 2017 represented the difference between the fair value of the consideration paid and the carrying amount of net assets attributable to the additional interest in subsidiaries acquired from non-controlling interests.
- (ii) It represented the considerations paid by the Group to shareholders in acquiring partial net assets of Tremendous Luck Restaurant Limited and Triple Brilliant Development Limited which have been consolidated into the Group before Reorganisation and the net assets of excluded operations attributable to the shareholders.
- (iii) It represented the shareholders' fund provided by the shareholders of the Group.
- (iv) As at 31 December 2018 and 2017, other reserves mainly represented the excess of the aggregated capital of the companies now comprising the Group over the deemed distribution in respect of the non-controlling interest acquired during Reorganisation.

## 25 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

### (a) Cash generated from operations

	Note	2018 HK\$'000	2017 HK\$'000
Profit before taxation		43,735	32,224
Adjustments for:			
Depreciation of property, plant and equipment	13	50,385	43,266
Depreciation of investment property	14	25	25
Provision for impairment of property, plant and equipment		4,157	—
Amortisation of intangible assets	15	248	222
Gain on disposal of property, plant and equipment (Note (b))		—	(170)
Finance income	7	(2,686)	(189)
		<b>95,864</b>	<b>75,378</b>
Changes in working capital			
Inventories		(260)	(6,048)
Trade receivables		(363)	(1,206)
Prepayments, deposits and other receivables		2,930	(24,512)
Trade payables		6,540	6,299
Contract liabilities, other payables and accruals		4,269	14,117
Balances with related companies		—	1,368
Balances with non-controlling interests		—	(450)
Cash generated from operations		<b>108,980</b>	<b>64,946</b>

### (b) In the consolidated statement of cash flows, proceeds from sale of property, plant and equipment comprise:

	2018 HK\$'000	2017 HK\$'000
Net carrying amount (Note 13)	—	189
Gain on disposal of property, plant and equipment (Note 8)	—	170
Proceeds from disposal of property, plant and equipment	—	359

### (c) Reconciliation of liabilities arising from financing activities was not presented as there was no change in liabilities arising from financing activities during the year.

## 26 OPERATING LEASE AND CAPITAL COMMITMENTS

### (a) Operating lease rental payables — as lessee

The Group leases certain of its restaurants, office premises and warehouses under operating lease arrangements. Leases for these properties are negotiated for terms ranging from one to five years.

The Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	<b>As at 31 December 2018 HK\$'000</b>	As at 31 December 2017 HK\$'000
<b>As lessees</b>		
Within one year	117,819	119,915
In the second to fifth years, inclusive	207,539	200,897
Beyond five years	1,932	4,559
	<b>327,290</b>	<b>325,371</b>

In addition, the operating lease rentals for certain restaurants are based on the higher of a fixed rental and contingent rent based on the sales of these restaurants pursuant to the terms and conditions as set out in the respective rental agreements. The relevant contingent rent has not been included above and only the minimum lease commitments have been included in the above table.

### (b) Operating lease rental receivables — as lessor

The future minimum lease receivables under non-cancellable operating lease are as follows:

	<b>As at 31 December 2018 HK\$'000</b>	As at 31 December 2017 HK\$'000
<b>As lessor</b>		
Within one year	108	117
In the second to fifth years, inclusive	—	108
	<b>108</b>	<b>225</b>

**26 OPERATING LEASE AND CAPITAL COMMITMENTS (continued)****(c) Capital commitments**

The Group had the following capital expenditure contracted but not yet incurred and provided for as follows:

	<b>As at 31 December 2018 HK\$'000</b>	As at 31 December 2017 HK\$'000
<b>Leasehold improvements</b>		
Contracted but not provided for	10,248	3,490

**27 FINANCIAL INSTRUMENTS BY CATEGORY**

	<b>As at 31 December 2018 HK\$'000</b>	As at 31 December 2017 HK\$'000
<b>Assets as per consolidated statement of financial position</b>		
Financial assets at amortised cost:		
— Trade receivables	13,045	12,682
— Deposits and other receivables	71,393	72,176
— Short term bank deposits	148,000	—
— Cash and cash equivalents	142,289	69,990
Total	374,727	154,848
<b>Liabilities as per consolidated statement of financial position</b>		
Financial liabilities at amortised cost:		
— Trade payables	42,327	35,787
— Other payables and accruals	45,133	41,915
Total	87,460	77,702

## 28 SHARE CAPITAL

### (a) Authorised:

	2018 Number of shares	Nominal value HK\$'000	2017 Number of shares	Nominal value HK\$'000
At beginning of the year/9 June 2017 (date of incorporation)	3,800,000	380	380,000	380
Increase in authorised share capital (Note (i))	3,996,200,000	399,620	3,420,000	—
At end of the year	4,000,000,000	400,000	3,800,000	380

### (b) Issued and fully paid:

	2018 Number of shares	Nominal value HK\$'000	2017 Number of shares	Nominal value HK\$'000
At beginning of the year/9 June 2017 (date of incorporation)	10	—	1	—
Effect on share subdivision (Note (ii))	—	—	9	—
Capitalisation issue of shares (Note (iii))	599,999,990	60,000	—	—
Shares issued pursuant to the global offering (Note (iv))	200,000,000	20,000	—	—
At end of the year	800,000,000	80,000	10	—

- (i) On 4 May 2018, the authorised share capital of the Company was increased from HK\$380,000 divided into 3,800,000 shares of HK\$0.1 each to HK\$400,000,000 divided into 4,000,000,000 shares of HK\$0.1 each through the creation of an additional 3,996,200,000 shares.
- (ii) Pursuant to a resolution passed on 22 August 2017, every one share of the Company's issued shares with nominal value of HK\$1 per share have been subdivided into 10 shares with nominal value of HK\$0.1 with effect from 22 August 2017.
- (iii) Pursuant to the written resolution passed by the shareholders on 4 May 2018 and conditional upon the share premium account of the Company being credited as a result of the share offer, the directors of the Company are authorised to capitalise an amount of HK\$59,999,990 standing to the credit of the share premium account of the Company by applying such sum in paying up in full at par of 599,999,990 shares for allotment and issue to the then shareholders (the "Capitalisation").
- (iv) On 30 May 2018, the Company issued 200,000,000 ordinary shares of HK\$0.1 each at a price of HK\$1.1 per share pursuant to the initial public offering and listing of the Company's shares on the Main Board of the Stock Exchange.

## 29 AMOUNTS DUE FROM/(TO) SUBSIDIARIES

Amounts due from/(to) subsidiaries are unsecured, interest-free and repayable on demand. The amounts due from subsidiaries were neither past due nor impaired. The carrying amounts of the amounts due from/(to) subsidiaries approximate to their fair values and are denominated in HK\$.

## 30 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

### (a) Statement of financial position of the Company

	Note	As at 31 December 2018 HK\$'000	As at 31 December 2017 HK\$'000
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Investments in subsidiaries		93	93
Amounts due from subsidiaries	29	190,194	190,194
		190,287	190,287
<b>CURRENT ASSET</b>			
Prepayment		1,599	5,449
Cash and cash equivalents		206,414	—
Total assets		398,300	195,736
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to shareholders of the Company</b>			
Share capital		80,000	—
Share premium		122,781	—
Accumulated losses		(22,744)	(16,143)
Capital reserve		159,267	188,264
<b>Total equity</b>		<b>339,304</b>	<b>172,121</b>
<b>CURRENT LIABILITIES</b>			
Accruals and other payables		77	5,670
Amounts due to subsidiaries	29	58,919	17,945
<b>Total liabilities</b>		<b>58,996</b>	<b>23,615</b>
<b>Total equity and liabilities</b>		<b>398,300</b>	<b>195,736</b>

### 30 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (continued)

#### (b) Reserve movement of the Company

	Share premium <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Capital reserves <i>(Note (i))</i> <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 11 May 2017 (date of incorporation)	—	—	—	—
Loss and total comprehensive loss for the period	—	(16,143)	—	(16,143)
Contribution surplus	—	—	189,764	189,764
Dividends ( <i>Note 11</i> )	—	—	(1,500)	(1,500)
At 31 December 2017 and 1 January 2018	—	(16,143)	188,264	172,121
Loss and total comprehensive loss for the year	—	(6,601)	—	(6,601)
Dividends ( <i>Note 11</i> )	—	—	(28,997)	(28,997)
Capitalisation issue ( <i>Note 28</i> )	(60,000)	—	—	(60,000)
Shares issued pursuant to the IPO	200,000	—	—	200,000
Transactions costs attributable to the IPO	(17,219)	—	—	(17,219)
At 31 December 2018	122,781	(22,744)	159,267	259,304

- (i) Capital reserve of the Company represents the excess of the aggregate net assets values of the subsidiaries acquired by the Company over the nominal consideration payable by the Group for the acquisition pursuant to the Reorganisation netting off of the dividend distribution.

### 31 SUBSIDIARIES

Details of the principal subsidiaries as at 31 December 2018 are as follows:

Name	Place of incorporation and kind of legal entity	Issued and fully paid share capital	Effective interest held as at		Principal activities
			31 December 2018	31 December 2017	
<b>Directly held subsidiaries:</b>					
KABUSHIKIGAISHA HOLDINGS LIMITED	BVI	US\$11,990	100%	100%	Investment holding
LHG CHINESE CATERING LIMITED	BVI	US\$1	100%	100%	Investment holding
LHG MANAGEMENT LIMITED	BVI	US\$1	100%	100%	Investment holding
LHG PROCUREMENT LIMITED	BVI	US\$1	100%	100%	Investment holding
<b>Indirectly held subsidiaries:</b>					
AB CATERING LIMITED	BVI	US\$1	100%	N/A	Investment holding
BRIDGE CEDAR LIMITED	Hong Kong	HK\$1	100%	N/A	Restaurant operation in Hong Kong
BRIDGE PINE LIMITED	Hong Kong	HK\$1,000,000	100%	N/A	Inactive
FAMECO (H.K.) LIMITED	Hong Kong	HK\$1,000	100%	100%	Restaurant operation in Hong Kong
FIRST BENEFIT (SHA TIN) LIMITED	Hong Kong	HK\$500,000	100%	100%	Restaurant operation in Hong Kong
GOAL YIELD LIMITED	Hong Kong	HK\$1	100%	100%	Restaurant operation in Hong Kong
HERITAGE CAPITAL LIMITED	Hong Kong	HK\$1	100%	100%	Restaurant operation in Hong Kong
HONG KONG FOOD CULTURE LIMITED	Hong Kong	HK\$1	100%	100%	Inactive
HOTPOT PNP HOLDINGS LIMITED	BVI	US\$1	100%	100%	Investment holding
KABU (DEVELOPMENT) LIMITED	Hong Kong	HK\$1	100%	100%	Property holding

### 31 SUBSIDIARIES (continued)

Name	Place of incorporation and kind of legal entity	Issued and fully paid share capital	Effective interest held as at		Principal activities
			31 December 2018	31 December 2017	
KABU (HR) LIMITED	Hong Kong	HK\$1	100%	100%	Provision of management service in Hong Kong
KABU (NEW SHOP) LIMITED	Hong Kong	HK\$1	100%	100%	Inactive
KABU KOWLOON BAY LIMITED (formerly known as LH GROUP LIMITED)	Hong Kong	HK\$1	95%	100%	Restaurant operation in Hong Kong
KABU LEGEND LIMITED	BVI	US\$1	100%	N/A	Investment holding
KABU ONE LIMITED	BVI	US\$1	100%	N/A	Investment holding
KABUSHIKIGAISHA LIMITED	Hong Kong	HK\$28,000,000	100%	100%	Provision of management service in Hong Kong
KEEN WISE (MONG KOK) LIMITED	Hong Kong	HK\$1	100%	100%	Restaurant operation in Hong Kong
KOREAN CATERING LIMITED	Hong Kong	HK\$10,000	100%	100%	Investment holding
LHG CATERING LIMITED	Hong Kong	HK\$1	100%	100%	Provision of management service in Hong Kong
LUCKY HOUSE GROUP LIMITED	Hong Kong	HK\$2	100%	100%	Provision of management service in Hong Kong
MAX FLOW (EAST CITY) LIMITED	Hong Kong	HK\$1	100%	100%	Restaurant operation in Hong Kong
MAX GRANDS LIMITED	Hong Kong	HK\$500,000	100%	N/A	Restaurant operation in Hong Kong
MAX MAX LIMITED	Hong Kong	HK\$1	100%	N/A	Restaurant operation in Hong Kong
MOU MOU CLUB (FANLING) LIMITED	Hong Kong	HK\$1	100%	100%	Restaurant operation in Hong Kong

## 31 SUBSIDIARIES (continued)

Name	Place of incorporation and kind of legal entity	Issued and fully paid share capital	Effective interest held as at		Principal activities
			31 December 2018	31 December 2017	
MOU MOU CLUB (HH) LIMITED	Hong Kong	HK\$1	100%	100%	Restaurant operation in Hong Kong
MOU MOU CLUB (KB) LIMITED	Hong Kong	HK\$1	100%	100%	Restaurant operation in Hong Kong
MOU MOU CLUB (KF) LIMITED	Hong Kong	HK\$2	100%	100%	Restaurant operation in Hong Kong
MOU MOU CLUB (LF) LIMITED	Hong Kong	HK\$1	100%	100%	Restaurant operation in Hong Kong
MOU MOU CLUB (No 9) LIMITED	Hong Kong	HK\$1	100%	100%	Restaurant operation in Hong Kong
MOU MOU CLUB (PRINCE EDWARD) LIMITED	Hong Kong	HK\$300,000	100%	100%	Restaurant operation in Hong Kong
MOU MOU CLUB (SSW) LIMITED	Hong Kong	HK\$1	100%	100%	Restaurant operation in Hong Kong
MOU MOU CLUB (TST) LIMITED	Hong Kong	HK\$300,000	100%	100%	Restaurant operation in Hong Kong
MOU MOU CLUB (TW) LIMITED	Hong Kong	HK\$1	100%	100%	Restaurant operation in Hong Kong
MOU MOU CLUB LIMITED	Hong Kong	HK\$1	100%	100%	Restaurant operation in Hong Kong
MOU MOU HOLDINGS LIMITED	BVI	US\$1	100%	100%	Investment holding
MULTI PROSPECTS LIMITED	Hong Kong	HK\$500,000	100%	100%	Restaurant operation in Hong Kong
MULTI SUCCESS (KOWLOON TONG) LIMITED	Hong Kong	HK\$1,000,000	100%	100%	Restaurant operation in Hong Kong

### 31 SUBSIDIARIES (continued)

Name	Place of incorporation and kind of legal entity	Issued and fully paid share capital	Effective interest held as at		Principal activities
			31 December 2018	31 December 2017	
MULTI VICTORIES LIMITED	Hong Kong	HK\$1	100%	N/A	Restaurant operation in Hong Kong
NEKKETSU ICHIRYU LIMITED	Hong Kong	HK\$10,000,000	100%	100%	Investment holding
PEACE CUISINE (YT) LIMITED	Hong Kong	HK\$1	100%	100%	Restaurant operation in Hong Kong
SHABUSHABU (CAUSEWAY BAY) LIMITED	Hong Kong	HK\$1	100%	100%	Restaurant operation in Hong Kong
SHABUSHABU LIMITED	Hong Kong	HK\$10,000	100%	100%	Investment holding
TAMASHII (WK) LIMITED	Hong Kong	HK\$1	100%	100%	Restaurant operation in Hong Kong
THE BANQUETING HOUSE (TST) CO. LIMITED	Hong Kong	HK\$12,000,000	100%	100%	Restaurant operation in Hong Kong
THE CHINA HOUSE (KF) LIMITED	Hong Kong	HK\$1	100%	100%	Restaurant operation in Hong Kong
TREMENDOUS LUCK RESTAURANT LIMITED	Hong Kong	HK\$1	100%	100%	Restaurant operation in Hong Kong
TRIPLE BRILLIANT DEVELOPMENT LIMITED	Hong Kong	HK\$10,000	100%	100%	Provision of procurement and logistics services and trading of ingredients in Hong Kong
UPRISE BENEFIT (TSUEN WAN) LIMITED	Hong Kong	HK\$1,000,000	100%	N/A	Restaurant operation in Hong Kong
WEALTHY PRAISE LIMITED	Hong Kong	HK\$1	100%	N/A	Inactive
WEALTHY (TIN SHUI WAI) LIMITED	Hong Kong	HK\$1	100%	100%	Restaurant operation in Hong Kong
YAKINIKU (ABERDEEN) LIMITED	Hong Kong	HK\$1	100%	100%	Restaurant operation in Hong Kong

## 31 SUBSIDIARIES (continued)

Name	Place of incorporation and kind of legal entity	Issued and fully paid share capital	Effective interest held as at		Principal activities
			31 December 2018	31 December 2017	
YAKINIKU (CB) LIMITED	Hong Kong	HK\$1	100%	100%	Restaurant operation in Hong Kong
YAKINIKU (HK) LIMITED	Hong Kong	HK\$1,000,000	100%	100%	Investment holding
YAKINIKU (KB) LIMITED	Hong Kong	HK\$1	100%	100%	Restaurant operation in Hong Kong
YAKINIKU (MK) LIMITED	Hong Kong	HK\$1	100%	100%	Restaurant operation in Hong Kong
YAKINIKU (TAI PO) LIMITED	Hong Kong	HK\$1	100%	100%	Restaurant operation in Hong Kong
YAKINIKU (TM) LIMITED	Hong Kong	HK\$1	100%	100%	Restaurant operation in Hong Kong
YAKINIKU (TW) LIMITED	Hong Kong	HK\$1	100%	100%	Restaurant operation in Hong Kong
YAKINIKU (YL) LIMITED	Hong Kong	HK\$1	100%	100%	Restaurant operation in Hong Kong

### 32 BENEFITS AND INTERESTS OF DIRECTORS (DISCLOSURE REQUIRED BY SECTION 383 OF THE HONG KONG COMPANIES ORDINANCE (CAP. 622), COMPANIES (DISCLOSURE OF INFORMATION ABOUT BENEFITS OF DIRECTORS) REGULATION (CAP. 622G) AND HONG KONG LISTING RULES)

The remuneration of every director for each of the years ended 31 December 2018 and 2017 were as follows:

	Fees HK\$'000	Salaries HK\$'000	Discretionary bonuses HK\$'000	Retirement benefit scheme contributions HK\$'000	Total HK\$'000
<b>Year ended 31 December 2018</b>					
<i>Chairman</i>					
Mr. Wong Kit Lung, Simon <i>Prof, JP</i>	—	2,102	820	38	2,960
<i>Executive directors</i>					
Ms. Ko Sau Chee, Grace	—	1,942	590	49	2,581
Mr. Ho Chi Wai	—	914	111	18	1,043
<i>Independent non-executive directors</i>					
Ms. Hung Lo Shan Lusan ( <i>Note (viii)</i> )	140	—	—	—	140
Mr. Hung Wai Man <i>JP</i> ( <i>Note (viii)</i> )	140	—	—	—	140
Mr. Sin Yat Kin <i>SBS, CSDSM</i> ( <i>Note (viii)</i> )	140	—	—	—	140
	<b>420</b>	<b>4,958</b>	<b>1,521</b>	<b>105</b>	<b>7,004</b>

#### Year ended 31 December 2017

<i>Executive directors</i>					
Mr. Wong Kit Lung, Simon <i>Prof, JP</i>	—	2,931	917	38	3,886
Ms. Ko Sau Chee, Grace	—	2,288	654	49	2,991
Mr. Ho Chi Wai	—	796	199	18	1,013
<i>Non-executive director</i>					
Mr. Liu Chi Hung, Peter ( <i>Note (vii)</i> )	—	420	250	22	692
	—	6,435	2,020	127	8,582

### 32 BENEFITS AND INTERESTS OF DIRECTORS (DISCLOSURE REQUIRED BY SECTION 383 OF THE HONG KONG COMPANIES ORDINANCE (CAP. 622), COMPANIES (DISCLOSURE OF INFORMATION ABOUT BENEFITS OF DIRECTORS) REGULATION (CAP. 622G) AND HONG KONG LISTING RULES) (continued)

- (i) The remuneration shown above represents remuneration received and receivable from the Group by these directors in their capacity as employees to the subsidiaries and no directors waived and agreed to waive any emolument during each of the years ended 31 December 2018 and 2017.
- (ii) No director fees were paid to these directors in their capacity as directors of the Company or the subsidiaries and no emoluments were paid by the Company or the subsidiaries to the directors as an inducement to join the Company or the subsidiaries, or as compensation for loss of office during each of the years ended 31 December 2018 and 2017.
- (iii) During each of the years ended 31 December 2018 and 2017, no retirement benefits, payments or benefits in respect of termination of directors' services were paid or made, directly or indirectly, to the directors; nor are any payable. No consideration was provided to or receivable by third parties for making available directors' services.
- (iv) During each of the years ended 31 December 2018 and 2017, other than those disclosed in Note 19, no significant transactions, agreements 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 material interest, whether directly or indirectly, subsisted at the end of each of the years ended 31 December 2018 and 2017.
- (v) During each of the years ended 31 December 2018 and 2017, other than those disclosed in Note 19, there were no loans, quasi-loans and other dealing arrangements in favour of the directors, or controlled body corporates and connected entities of such directors.
- (vi) Mr. Ho Chi Wai, Ms. Ko Sau Chee, Grace, Mr. Liu Chi Hung, Peter and Mr. Wong Kit Lung, Simon *Prof, JP* were appointed as the Company's directors on 20 June 2017. The directors' emoluments are presented as if the directors had been appointed throughout the year ended 31 December 2017.
- (vii) Mr. Liu Chi Hung, Peter resigned on 25 August 2017 as non-executive director of the Company. He has confirmed that there is no disagreement between himself and the Board.
- (viii) Ms. Hung Lo Shan Lusan, Mr. Hung Wai Man *JP* and Mr. Sin Yat Kin *SBS, CSDSM* were appointed as Independent non-executive directors of the Company on 30 May 2018.

### 33 SUBSEQUENT EVENTS

On 14 March 2019, LHG Procurement Limited, a direct wholly-owned subsidiary of the Company, entered into a provisional sale and purchase agreement to acquire the entire issued shares of Way Sure Limited (the "**Target Company**"), and all debts owing by the Target Company to the vendors and their respective associates (if any) as at 17 June 2019 at a consideration of HK\$35,000,000.

The Target Company is a company incorporated in Hong Kong with limited liability and is principally engaged in property holding and property leasing business. The principal asset of the Target Company is a property located at Workshop Part 1, Ground Floor, Wah Fai Industrial Building, No. 4 Sze Shan Street, Kowloon, Hong Kong. The property is a commercial property with a saleable area of approximately 5,559 square feet.

## Summary Financial Information

A summary of the consolidated results of the Group for the years ended 31 December 2015, 2016, 2017 and 2018 and the consolidated assets, liabilities and non-controlling interests of the Group as at 31 December 2015, 2016, 2017 and 2018 as extracted from the Company's published audited financial statements is set out below:

### RESULTS

	Year ended 31 December			
	2018 HK\$'000	2017 HK\$'000	2016 HK\$'000	2015 HK\$'000
Revenue	1,004,105	829,152	743,046	771,168
Profit before taxation	43,735	32,224	49,153	55,802
Income tax expense	(8,575)	(8,227)	(8,602)	(9,120)
Profit for the year	35,160	23,997	40,551	46,682
Profit attributable to:				
Shareholders of the Company	35,211	22,391	36,281	41,913
Non-controlling interests	(51)	1,606	4,270	4,769
	35,160	23,997	40,551	46,682

### ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December			
	2018 HK\$'000	2017 HK\$'000	2016 HK\$'000	2015 HK\$'000
TOTAL ASSETS	573,757	346,959	428,867	399,407
TOTAL LIABILITIES	(163,211)	(145,457)	(169,152)	(173,363)
	410,546	201,502	259,175	226,044
EQUITY				
Equity attributable to shareholders of the Company	410,497	201,502	219,547	187,721
Non-controlling interests	49	—	40,168	38,323
	410,546	201,502	259,175	226,044