太興集團控股有限公司

TAI HING GROUP HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock code: 6811

2019

Annual Report

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Chan Wing On *(Chairman)*
Mr. Yuen Chi Ming
Mr. Lau Hon Kee
Ms. Chan Shuk Fong

Non-Executive Director

Mr. Ho Ping Kee

Independent Non-Executive Directors

Mr. Mak Ping Leung
(alias: Mak Wah Cheung)
Mr. Wong Shiu Hoi Peter
Dr. Sat Chui Wan

AUDIT COMMITTEE

Dr. Sat Chui Wan *(Chairman)*
Mr. Mak Ping Leung
(alias: Mak Wah Cheung)
Mr. Wong Shiu Hoi Peter

REMUNERATION COMMITTEE

Mr. Mak Ping Leung *(Chairman)*
(alias: Mak Wah Cheung)
Mr. Chan Wing On
Ms. Chan Shuk Fong
Mr. Wong Shiu Hoi Peter
Dr. Sat Chui Wan

NOMINATION COMMITTEE

Mr. Chan Wing On *(Chairman)*
Ms. Chan Shuk Fong
Mr. Mak Ping Leung
(alias: Mak Wah Cheung)
Mr. Wong Shiu Hoi Peter
Dr. Sat Chui Wan

COMPANY SECRETARY

Mr. Wong Kin Pong Edmond

AUDITOR

Ernst & Young
Certified Public Accountants
22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

LEGAL ADVISERS

As to Hong Kong law:
Deacons

As to Cayman Islands law:
Conyers Dill & Pearman

COMPLIANCE ADVISER

BOCOM International (Asia) Limited

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
Hang Seng Bank Limited
The Hongkong and Shanghai Banking Corporation Limited

REGISTERED OFFICE

Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

13/F, Chinachem Exchange Square
1 Hoi Wan Street
Quarry Bay
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

STOCK CODE

6811

WEBSITE

www.taihing.com

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board of Directors (the "Board"), I am pleased to present the annual results of Tai Hing Group Holdings Limited, together with its subsidiaries ("Tai Hing Group" or the "Group"), for the year ended 31 December 2019 (the "Review Year" or the "FY2019"), which is the first annual results reported since the Group's listing on the Main Board of The Stock Exchange of Hong Kong Limited on 13 June 2019 (the "Listing").

A YEAR TO REMEMBER

Over the past year, two highly significant milestones were reached by the Group: the aforementioned Listing in June and our 30th anniversary since inception. With respect to the latter, the occasion was particularly meaningful as it highlights the deep roots that the "Tai Hing" brand has established in Hong Kong – now stretching three decades, while roots are also spreading in Mainland China, having entered the market back in 2004. By no means content, we have continued to examine potential markets to promote our unique interpretation of the Hong Kong and Asian cuisine culture. Among the fruits of such labor is the opening of our first Tai Hing restaurant in Taiwan in May 2019, which received favorable market response, and paved the way for the opening of a second restaurant in November, which serves as our Taiwan flagship.

BRANDS TO SUIT EVERY TASTE

We are also encouraged by developments pertaining to our multi-brand strategy. A reflection of our goal to provide customers with a diverse spectrum of cuisine under different brands, we launched the "Men Wah Bing Teng" back in 2017, which, in just two years, has made clear market inroads. Given that traditional bing teng-style restaurant are also highly welcomed in the Greater Bay Area, we established a "Men Wah Bing Teng" in Guangzhou last July, which quickly substantiated our positive assessment of the region with two more stores opened in the region last year. We will continue to expand the "Men Wah Bing Teng" network in the Greater Bay Area, as well as other potential markets, if and when favorable opportunities arise.

Our multi-brand strategy has also led to the introduction of three more brands during the Review Year, namely, "Hot Pot Couple", "King Fong Bing Teng", and "Asam Chicken Rice", which specialize in Taiwanese hotpot, sophisticated cha chaan teng cuisine, and Southeast Asian delights, respectively.

Having operated in the catering industry for 30 years, we have amassed substantial knowledge and experience in identifying business opportunities in the markets where we operate and exploring new markets with huge growth potentials. Underpinned by such attributes, we are confident that we can introduce still more unique brands that capitalize on local customers' tastes and dining preferences in the region at opportune time, all the while consolidating our market presence.

CHAIRMAN'S STATEMENT

TOWARDS 2020

The arrival of 2020 will invariably bring new as well as ongoing challenges to the Group and the catering industry as a whole, including social unrest in Hong Kong that began in early June 2019, and the outbreak of the novel coronavirus (COVID-19) all over the world recently. Both of which may continue to affect the Hong Kong and Mainland China economies in varying degrees in 2020. In view of this, we are actively initiating various cooperative approaches and negotiations with our business partners, landlords and government authorities, with an aim to work as one as we face the obstacles ahead.

It is certainly worth noting that the Group has faced numerous challenges with different economic cycles in the past three decades. Nonetheless, we have been able to overcome all of these temporary difficulties and setbacks because of the strength of our people and dedicated team spirit. Facing the difficult operating environment, we have established a "Committee on Emergency Management" in the beginning of 2020 specialised to address challenges resulting from the COVID-19 outbreak. If anything, the syndrome will present us with the opportunity to determine any shortcomings that we might have, and take prompt action. Given that in good times and bad, quality food and services are always essential, we will continue to strive for excellence, all the while honoring our value structure of People Oriented (以人為本); Customer First (以客為先); Quality Prioritised (重視品質); and Innovation for Development (創新求變).

DIVIDENDS

Despite the hardships that have ensued, the Group remains committed to sharing fruits with its stakeholders. The Board has recommended the payment of a final dividend of HK1.80 cents per ordinary share for the year ended 31 December 2019. Together with an interim dividend of HK3.24 cents paid during the year, total dividend will amount to HK5.04 cents, representing approximately 65% of its net profit for the financial year.

APPRECIATION

I would like to take this opportunity to extend my gratitude to the entire Tai Hing workforce for their dedication and contributions to the Group. I wish to also express my sincere gratitude to our Board of Directors, business partners and customers for their unwavering support, many of whom have grown along with Tai Hing Group over the past three decades. I remain confident in the Group's prospects and its ability to expand its business development continuously in the future.

Mr. Chan Wing On
Chairman

Hong Kong, 26 March 2020

FINANCIAL HIGHLIGHTS

	2019	2018	Change
Revenue (HK$'000)	3,252,250	3,126,053	4.0%
Hong Kong, Macau and Taiwan	2,581,312	2,428,111	6.3%
Mainland China	670,938	697,942	(3.9%)
Gross profit margin (%)	71.3%	71.6%	(0.3) percentage point
Profit attributable to owners of the Company *(Note 1)* **(HK$'000)**	76,864	304,934	(74.8%)
Adjusted profit *(Note 2)* **(HK$'000)**	135,018	153,293	(11.9%)
Adjusted profit margin (%)	4.2%	4.9%	(0.7) percentage point
Basic earnings per share (HK cents)	8.65	40.66	(78.7%)
Number of restaurants			
Hong Kong	139	122	17
Mainland China	63	62	1
Macau	1	1	–
Taiwan	2	–	2
Total	205	185	20

Notes:

(1) Excluding the effect of non-recurring and non-cash items, the adjusted profit in 2019 is HK$135.0 million, decrease by 11.9% compared to the adjusted profit in 2018.

(2) Adjusted profit for the year is a non-HKFRS financial measurement which is calculated by eliminating the effect of the following non-recurring and non-cash items that affect our reported profit, including (i) listing expenses (2019: HK$18.0 million, 2018: HK$11.0 million); (ii) Gain on disposal of non-current assets classified as held for sale recognised in 2018 of HK$162.6 million; and (iii) Impact on adoption of HKFRS 16 Leases in 2019 of HK$39.8 million. The adjusted profit is solely for reference and does not include the above mentioned items that impact the profit or loss for the relevant periods.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERALL PERFORMANCE

The Board of Directors ("Board") of Tai Hing Group Holdings Limited, together with its subsidiaries ("Tai Hing Group" or the "Group"), are pleased to announce the annual results for the year ended 31 December 2019 (the "Review Year" or "FY2019").

The year 2019 was significant to Tai Hing Group, besides the celebration of its 30th anniversary, the Group was successfully listed on the Main Board of the Stock Exchange of Hong Kong Limited on 13 June 2019 ("Listing"), marking an important milestone in its development. Overall, the Review Year closed encouragingly, with the Group recording revenue of HK$3,252.3 million (FY2018: HK$3,126.1 million), representing a year-on-year increase of 4.0%. This increase was primarily due to the rising revenue generated from the restaurant operation in its major markets, along with the steady performance from both signature "Tai Hing" brand, and younger brands within the portfolio, such as "Men Wah Bing Teng" and "Phở Lê" in particular. Gross profit amounted to HK$2,319.7 million (FY2018: HK$2,239.0 million), with gross profit margin remaining at a stable level of 71.3% (FY2018: 71.6%). Profit attributable to owners of the Company was HK$76.9 million (FY2018: HK$304.9 million) mainly due to various extraordinary one-off items recorded during the Review Year and FY2018. If an one-off gain on disposal of non-current assets classified as held for sale, one-off listing expenses, and implementation of a new accounting policy (HKFRS 16 Leases), which was effective for the period beginning on or after 1 January 2019, were excluded, the Group would have recorded profit of HK$135.0 million for the year. Basic earnings per share were HK8.65 cents (FY2018: HK40.66 cents).

To share the Group's achievements with shareholders, the Board has resolved to propose a final dividend of HK1.80 cents per ordinary share for the year ended 31 December 2019. Together with an interim dividend of HK3.24 cents paid during the year, total dividend will amount to HK5.04 cents.

OPERATING COST

Cost of Materials Consumed

The cost of materials consumed amounted to HK$932.5 million (FY2018: HK$887.1 million). Its percentage to revenue increased by 0.3 percentage point to 28.7% (FY2018: 28.4%). With the operation of a Mainland China Food Factory since October 2018, coupled with contributions from the Hong Kong Food Factory, the Group was able to mitigate fluctuations in the cost of different food ingredients during the Review Year. Furthermore, food costs were effectively controlled through centralised purchasing and food processing.

Staff Costs

During the Review Year, the Group adopted a prudent approach towards recruitment, and implemented workflow optimisation to further control staff costs. Consequently, the staff costs to revenue ratio remained relatively stable at 33.7% (FY2018: 33.1%). Staff costs, excluding the impact of non-cash equity-settled share option expenses, increased by 5.9% from HK$1,033.3 million in FY2018 to HK$1,094.3 million in FY2019.

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATING COST *(Continued)*

Rental and Related Expenses/Amortisation of Right-of-use Assets

As a result of the adoption of a new accounting standard, i.e. HKFRS 16 Leases, lease expenses in the consolidated statement of profit or loss have been reflected by amortisation of right-of-use assets and related finance costs starting from 1 January 2019. During the Review Year, the Group's amortisation of right-of-use assets amounted to HK$355.2 million (FY2018: Nil), with related finance costs of HK$40.4 million (FY2018: Nil). Rental and related expenses were HK$131.8 million (FY2018: HK$453.6 million). If the impact from the adoption of HKFRS 16 Leases was excluded, rental and related expenses in FY2019 would have amounted to HK$513.7 million and accounted for approximately 15.8% (FY2018: 14.5%) of the Group's revenue.

INDUSTRY REVIEW

The challenging environment for the catering industry in 2019 was underscored by slackened economic growth of Hong Kong coupled with protracted civil social unrest and Sino-US trade tensions. Recently, the outbreak of Novel Coronavirus (COVID-19) has been causing a great impact all over the world and the consumption sentiment is further devastated. Food and beverage and retail industries are especially suffering from the economic downturn. In 2019, the value of total receipts of the restaurants sector of Hong Kong was provisionally estimated at HK$112.5 billion, decreased by 5.9% in value and 8.0% in volume compared with the whole year of 2018[1].

In Mainland China, despite that the intermittent Sino-US trade tension and the outbreak of the COVID-19 before year end have brought great uncertainty to the economy, the GDP of the PRC in 2019 was RMB99,086.5 billion, representing a slower yet still meaningful increase of 6.1%, as compared with the previous year. Moreover, the catering services in 2019 gained RMB4,672.1 billion, up by 9.4% year-on-year demonstrating the resilience of the industry even in the face of international pressure[2].

GEOGRAPHICAL ANALYSIS

Tai Hing is a multi-brand casual dining restaurant group rooted in Hong Kong for 30 years. Apart from its flagship "Tai Hing" brand, the Group continues to expand its brand portfolio comprising self-developed brands and acquired and licensed brands, including "TeaWood (茶木)", "Trusty Congee King (靠得住)", "Men Wah Bing Teng (敏華冰廳)", "Phở Lê (錦麗)", "Tokyo Tsukiji (東京築地食堂)", "Fisher & Farmer (漁牧)", "Rice Rule (飯規)", "Hot Pot Couple (夫妻沸片)", "King Fong Bing Teng (瓊芳冰廳)" and "Asam Chicken Rice (亞參雞飯)", the latter three of which were newly opened in FY2019, bringing more choices of cuisines to customers. This also marked a major milestone in 2019 of the Group by expanding its business presence in Taiwan, in which the Group opened two "Tai Hing" restaurants in Taiwan during the Review Year. Currently, the Group has a network of 205 restaurants (as at 31 December 2018: 185 restaurants) in Hong Kong, Mainland China, Macau and Taiwan.

1 Provisional statistics of restaurant receipts and purchases for fourth quarter of 2019 and for whole year of 2019
https://www.censtatd.gov.hk/press_release/pressReleaseDetail.jsp?charsetID=1&pressRID=4609

2 National Bureau of Statistics
http://www.stats.gov.cn/english/PressRelease/202001/t20200119_1723651.html

BUSINESS SEGMENT ANALYSIS

Tai Hing

As the signature brand of the Group, and one that has three decades of history in Hong Kong as well as over 15 years of operation in Mainland China, "Tai Hing" remains the key revenue generator of the Group. During the Review Year, Tai Hing restaurants generated HK$1,931.8 million (FY2018: HK$2,022.6 million) in revenue and accounted for 59.4% (FY2018: 64.7%) of the Group's total revenue. To capitalise on the strength of this renowned brand, the Group established its first Tai Hing restaurant in Taiwan in May 2019, which received favourable response. Subsequently, a second restaurant was opened in November 2019.

Men Wah Bing Teng

During the Review Year, the "Men Wah Bing Teng" restaurant chain was warmly welcomed by the market, resulting in a significant 148.6% year-on-year rise in revenue to HK$299.5 million (FY2018: HK$120.5 million). The restaurant chain also achieved satisfactory same-store sales growth of 3.2% and an outstanding seat turnover rate of 15. Since the first Men Wah Bing Teng was opened in Guangzhou in July 2019, 2 more stores have been opened in Mainland China, which has significantly strengthened the brand's presence in the Greater Bay Area. Specifically, the operation opened 10 and 3 stores in Hong Kong and Mainland China respectively – the highest number of store openings among the Group's brands. As a testament to the successful positioning of Men Wah Bing Teng as a traditional bing teng, it has been awarded "Popular Food Restaurant" by "Shanghai on the tip of the tongue" Column group. To maintain its outstanding performance, the Group will further promote Men Wah Bing Teng in the Greater Bay Area, as well as other high potential markets, thus allow the Group to share Hong Kong's traditional bing sutt featuring Western-style fast food snacks to customers across the country.

Other Subsidiary Brands

The Group's other subsidiary brands have also performed favourably during the Review Year. Among them, "TeaWood" continued to deliver considerable revenue amounting to HK$521.5 million, accounting for 16.0% of the Group's total revenue. With respect to "Phở Lê", a restaurant chain specialising in Vietnamese beef noodles that was launched by the Group in 2017, it recorded a 43.9% year-on-year rise in revenue to HK$138.4 million, benefiting in part to the introduction of an expanded menu. As for the "Trusty Congee King" brand, the Group opened 1 and 2 stores in Hong Kong and Mainland China, respectively, during the Review Year. Revenue from the operation increased by 12.8% year-on-year to HK$235.5 million. In driving revenue growth, the Group introduced a new promotional campaign which aimed at increasing customer traffic during dinner hours, as well as launched a more diverse menu to appeal to the varied tastes of customers.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS SEGMENT ANALYSIS *(Continued)*

Other Subsidiary Brands *(Continued)*

Indicative of the Group's desire to continuously enhance its offerings to customers through multi-brand strategy, three new sub-brands were launched during the Review Year. In January, it opened the first Taiwanese hotpot restaurant under the "Hot Pot Couple" brand in Mongkok, Hong Kong. This was followed by the launch of the classy "cha-chaan-teng" brand – "King Fong Bing Teng" in October, located in Elements, Tsim Sha Tsui; combining great food with a relaxing ambience. By December, the Group celebrated another opening, this time in Central, Hong Kong, with the introduction of the "Asam Chicken Rice" brand. Among the Southeast Asian delights on offer include Hainan Chicken Rice, Singapore Laksa, Penang shrimp noodles, and Beef Rendang.

As 2019 marked the 30th anniversary of the Group, it celebrated this special milestone with the implementation of a variety of cross-brand marketing campaigns and promotions. One campaign of particular note involved the introduction of cross-brand dining vouchers which achieved strong take-up. In view of its success, the Group will consider launching similar promotions or other cross-brand campaigns in the near future to enhance customer loyalty.

Prospects

The past financial year was highly challenging owing to social unrest and the uncertainty arising from the trade relations between China and the U.S. One after another, the outbreak of the novel coronavirus, coupled with the local social incidents in Hong Kong and slowdown of growth in the Chinese economy, may continue to affect both Hong Kong and Mainland China economies in varying degrees in 2020. Consequently, a further deterioration of the F&B sector can be expected.

Despite the aforementioned concerns, Hong Kong will remain the Group's principal market – presently accounting for approximately 80% of its business, having performed stably even amid the challenges. Such stability can be attributed to the long history it shares with the Hong Kong people, particularly the "Tai Hing" brand which local residents have enjoyed for the past 30 years, through good times and bad. Moreover, the Group has been effectively targeting the mass market customers, with the majority of restaurants located in neighbour-hood malls, where business is more resilient and stable. To maintain its stable business operation, the Group is also actively working alongside with third-party vendors to further enhance its delivery business, as well as launching various marketing promotions to attract customers.

BUSINESS SEGMENT ANALYSIS *(Continued)*

Prospects *(Continued)*

In Mainland China, the Group's top priority will be to ensure the safety of customers and staff in the wake of the novel coronavirus outbreak, hence certain restaurants were closed during the Lunar New Year. It will continue to co-operate with the Chinese government, landlords and business partners, all of whom have a mutual consent to work side by side in confronting various hardships. Although the novel coronavirus has negatively impacted on business, the Group remains optimistic about its operation in Mainland China in the long run, hence it will consider introducing new brands tailored for its target customers in the country in future. Meanwhile, the Group will also explore potential partnerships in tapping the overseas markets which it sees huge growth potentials, as well as the provision of different cuisine to meet the tastes and preferences of global customers; ultimately facilitating overseas business expansion and sustaining its growth momentum.

While the Group is committed to driving business growth, including through network expansion, it will nonetheless take a prudent approach in view of the current economic and geopolitical climate. To enable the Group to develop in a stable manner, several strategies will be employed, including developing more canned food and beverage products by leveraging its factory, occupying approximately 253,430 sq. ft. in Dongguan, which commenced operation in October 2018. In doing so, the Group will be able to achieve the dual goals of expanding income streams and fully utilising the factory. Concurrently, the Group will continue to develop and improve its high-growth brands, including "Men Wah Bing Teng", "Phở Lệ" and "Trusty Congee King" and at the same time to review the positioning of its mature brands to adjust strategies based on different market requirements.

The Group will also continue to co-operate with leading third-party food ordering platforms, both in Hong Kong and Mainland China, to increase its stake in the food delivery business. The Group's enhanced efforts to bolster its delivery operation starting from 2019 highlights its optimism towards such business, and in particular, its ability to cater for the rise in takeout food orders driven by the coronavirus outbreak in the first quarter of 2020. In addition, the Group is also working hands-in-hands with various food ordering platforms to raise its brands awareness with linkage with their respective signature products, so that various distinguished brands under the Group come immediately to mind when customers want fine cuisine delivered to their home. Further driving the takeaway food business will be the Group's "T-Factory" mobile application, which offers convenience, as well as builds customer loyalty. The technology also allows the Group to collect data on customers, which in turn enables it to promptly determine the latest market trends, leading to relevant adjustments to menus and marketing campaigns.

Though the business environment is expected to remain challenging in the coming year, the Group is committed to developing an effective omnichannel business which, with the support of its well-established business foundation, an experienced and resourceful management team, diligent workforce, and sound production capabilities will allow it to overcome the headwinds and facilitate its long-term growth.

MANAGEMENT DISCUSSION AND ANALYSIS

USE OF NET PROCEEDS FROM LISTING

The Company successfully listed its shares on the Stock Exchange on 13 June 2019 and issued a total of 250,000,000 ordinary shares of the Company by way of share offer at the offer price of HK$3.00 on Listing. The net proceeds from the share offer in association with the Listing amounted to HK$694.5 million.

The use of the net proceeds from the Listing Date to 31 December 2019 was as follows:

Use of net proceeds	Percentage of net proceeds	Net proceeds (in HK$ million)	Amount utilised (in HK$ million)	Amount remaining (in HK$ million)
Opening new restaurants in Hong Kong and Mainland China	44.0%	305.6	71.4	234.2
Enhancement and expansion of food factories in Hong Kong and Mainland China	35.0%	243.0	31.6	211.4
Renovation of existing restaurants in Hong Kong and Mainland China	11.0%	76.4	18.3	58.1
Additional working capital and other general corporate purposes	10.0%	69.5	69.5	0.0
Total	100.0%	694.5	190.8	503.7

As of the date of this announcement, the Directors are not aware of any material change to the planned use of the proceeds as disclosed in the section under "Future Plans and Use of Proceeds" in the Prospectus.

FINANCIAL RESOURCES, BORROWINGS, CAPITAL STRUCTURE, EXPOSURES TO FLUCTUATIONS IN EXCHANGE RATES AND OTHERS

Liquidity and Financial Resources

The principal sources of funds for the Group are through a combination of internally generated cash flows, bank borrowings and proceeds received from Listing. As at 31 December 2019, the Group's cash and cash equivalents were approximately HK$711.1 million (2018: approximately HK$242.2 million), representing an increase of approximately 193.6%. Majority of the bank deposits and cash were denominated in Hong Kong dollars and Renminbi. The additional funds raised from Listing would be used for implementing the future expansion plan.

As at 31 December 2019, the Group's total current assets and current liabilities were approximately HK$925.5 million (2018: approximately HK$416.7 million) and approximately HK$1,137.0 million (2018: approximately HK$532.6 million), respectively, while the current ratio of the Group (calculated by dividing total current assets by total current liabilities at the end of respective periods) was approximately 0.8 times (2018: approximately 0.8 times).

The Group had interest-bearing bank borrowings of approximately HK$307.5 million as at 31 December 2019 (2018: approximately HK$537.2 million). The interest-bearing bank borrowings were secured, denominated in Hong Kong dollars and subject to floating rate basis. During the year ended 31 December 2019, there were no financial instruments used for hedging purposes.

As at 31 December 2019, the gearing ratio of the Group (calculated by dividing the interest-bearing bank borrowings by equity attributable to owners of the Company) was approximately 31.8% (2018: approximately 146.7%).

Foreign Currency Risk

The Group's revenue and costs are mostly denominated in Hong Kong dollars and Renminbi. The change in value of the Renminbi against the Hong Kong dollars may fluctuate and is affected by changes in China's political and economic conditions. The appreciation or devaluation of the Renminbi against Hong Kong dollars may affect the Group's results. The Group does not have any currency hedging policy and has not entered into any hedging or other instrument to reduce currency risks. The Group will continue to closely monitor the foreign currency exposure and take appropriate measures to minimize the risk when necessary.

Contingent Liabilities

As at 31 December 2019, the Group had contingent liabilities of approximately HK$23.6 million (2018: approximately HK$15.7 million) in respect of bank guarantees given in favour of the landlords in lieu of rental deposits.

MANAGEMENT DISCUSSION AND ANALYSIS

CHARGE ON GROUP ASSETS

As at 31 December 2019, the Group had certain property, plant and equipment and right-of-use assets with an aggregate net carrying value of approximately HK$262.6 million (31 December 2018: HK$272.2 million) were pledged to secure the bank borrowings granted to the Group.

MATERIAL ACQUISITIONS AND DISPOSAL

Save as disclosed herein, throughout the period from Listing to 31 December 2019, the Group did not make any material acquisitions and disposal of subsidiaries, significant investments nor capital commitment.

EMPLOYEES

The Group had approximately 7,000 employees as at 31 December 2019 (31 December 2018: approximately 6,900). The Group ensures that its employees are remunerated in line with market conditions and individual performance and the remuneration policies are reviewed on a regular basis.

SHARE OPTION SCHEMES

The Pre-IPO Share Option Scheme and Post-IPO Share Option Scheme of the Company (the "Share Option Schemes") were approved and conditionally adopted pursuant to the resolutions passed by the Shareholders on 22 May 2019 (the "Adoption Date") for the purpose of providing incentives and rewards to eligible participants for their contributions to the Group.

The principal terms of the Share Option Schemes are set out in "Appendix V (Statutory and General Information – D. Share Option Schemes)" to the Prospectus. Since the Adoption Date and up to 31 December 2019, no share options of the Company were granted, exercised, cancelled or lapsed under the Post-IPO Share Option Scheme, and there were 6,375,000 outstanding share options of the Company under the Pre-IPO Share Option Scheme as at 31 December 2019.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Chan Wing On, aged 61, was appointed as our executive Director on 11 December 2017 and has acted as the Chairman of our Group since July 1989. Mr. Chan is one of the founders of our Group and is primarily responsible for the overall strategic planning and major decision making of our Group. Mr. Chan is the chairman of our Nomination Committee and a member of our Remuneration Committee.

Mr. Chan has over 30 years of experience in the food and beverage industry. He founded our Group and opened our first restaurant in 1989 in Sai Wan Ho, Hong Kong. Mr. Chan is instrumental in our business expansion and has successfully implemented a multi-brand strategy to develop our Group from a siu mei style restaurant under the "Tai Hing" brand to a multi-brand restaurant group with presence in Hong Kong, Mainland China, Macau and Taiwan offering Chinese (including Cantonese, Sichuan, Beijing and Taiwanese), Japanese and Vietnamese cuisines. Mr. Chan strongly believes in maintaining high food quality while ensuring our food and services offer good value for money, as well as providing a pleasant and hygienic environment for customers. Under Mr. Chan's leadership, our Group is constantly creating new and innovative dishes, often incorporating different ingredients and cooking methods, striving to offer an enjoyable dining experience to diners at our restaurants. Prior to establishing our Group, Mr. Chan worked in the meat trading industry in Hong Kong.

Mr. Chan obtained a Bachelor of Business Administration Management degree at the Macau Institute of Management in April 2006 and was admitted as an honorary fellow at the Professional Validation Centre of Hong Kong Business Sector in July 2017. He has been a fellow of the Hong Kong Institute of Marketing since November 2018.

Mr. Chan actively serves both the community and the catering service industry including, among others, currently serving as president of the Hong Kong Federation of Restaurants and Related Trades, vice chairman of the Council of the Occupational Safety and Health Council in Hong Kong, chairman of the publicity committee and chairman of the Catering Safety and Health Steering Committee of the Occupational Safety and Health Council in Hong Kong. In addition, he was the chairman of the Governing Council of the Quality Tourism Services Association in Hong Kong and has been re-designated as adviser since 2 December 2019. Mr. Chan has also been a member of the Election Committee of Hong Kong since 2006, having been elected in the 2006, 2011 and 2016 Election Committee subsector elections (Catering Subsector).

Mr. Chan is a cousin of Ms. Chan Shuk Fong (our executive Director) and the father of Mr. Chan Ka Keung (a member of our senior management).

Mr. Chan is currently a director of our various subsidiaries.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Yuen Chi Ming, aged 66, one of the founders of our Group, was appointed as our executive Director on 14 December 2018. Mr. Yuen is mainly responsible for overall strategic planning and implementing the 5-S method and overseeing our Group's food safety and occupational safety standards.

During his services, Mr. Yuen has worked in various functional departments including operation of our restaurants and Food Factories. Under his leadership, our Group has adopted the 5-S (Structurise, Systematise, Sanitise, Standardise and Self-discipline) workplace management philosophy to enhance environmental hygiene, food quality and operational efficiency. Our Group has won many external safety-related recognitions with Mr. Yuen's guidance, including the 5-S Grand Prize Winner (Catering Group) awarded by the HK 5-S Association in November 2017, the Food Safety Excellence Award by the International Food Safety Association in November 2017 and the 2018/2019 Catering Industry Safety Award Scheme Group Safety Performance Gold Award in the Cha Chaan Teng Category by the Labour Department in November 2018.

Mr. Yuen obtained the 5-S Assessor Gold Belt and Black Belt Certificate by the HK 5-S Association in June 2008 and February 2005, respectively.

Mr. Yuen is currently a director of our various subsidiaries.

Mr. Lau Hon Kee, aged 62, joined our Group in April 1990 and was appointed as our executive Director on 14 December 2018. He is mainly responsible for overall strategic planning and overseeing the project management of our Group.

Mr. Lau worked in different departments including audit, operations and engineering. He has contributed to the upgrade of work facilities, improvement of work safety and various energy-saving projects in our Group. Under Mr. Lau's leadership, our Group has received numerous industry recognitions, including the Eco Challenger and 3 Year+ Eco Pioneer Award by the Bank of China and Federation of Hong Kong Industries and the 2017 Hong Kong Awards for Environmental Excellence Certificate of Merit and the Hong Kong Green Organisation Certification awarded by the Environmental Campaign Committee.

Mr. Lau obtained the 5-S Lead Auditor Certificate awarded by the HK 5-S Association in January 2003.

Mr. Lau is currently a director of our various subsidiaries.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Ms. Chan Shuk Fong, aged 55, joined our Group in October 2012 and was appointed as our executive Director on 14 December 2018. She is mainly responsible for overall strategic planning, including capital financing, investor relations, compliance management, corporate communications and marketing strategies as well as talent management and administration. Ms. Chan is a member of our Remuneration Committee and Nomination Committee.

Prior to joining our Group, she served in Hong Kong Wing On Travel Service Limited from December 1994 to February 2012 and her last position was director and general manager.

Ms. Chan obtained her master's degree in Business Administration from Asia International Open University (Macau) in November 1995 and a postgraduate diploma in Training from the Faculty of Social Sciences from the University of Leicester in the United Kingdom in July 2000. In September 2018, she was awarded an honorary doctorate of law from Lincoln University and fellow and title of FMBA, chartered manager from the Canadian Chartered Institution of Business Administration.

Ms. Chan was awarded Asian Outstanding Leaders Awards for Women by the Asian College of Knowledge Management in July 2018, 矚目非凡領袖大獎 2017 (Outstanding Leader Award 2017*) by Weekend Weekly and Economic Digest magazines in March 2018 and the Leaders of Excellence Award by Capital Magazine in 2014. Ms. Chan is currently a member of the board of directors of the Hong Kong Federation of Restaurants and Related Trades, a committee member of the Industry Advisory Committee on Long Term Business of the Insurance Authority in Hong Kong, a member of the Solicitors Disciplinary Tribunal Panel in Hong Kong and a member of the Advisory Board of Continuing and Professional Studies of The Chinese University of Hong Kong. She was previously a member of the Consumer Council in Hong Kong from January 2013 to December 2018, the Griffith Business School's Bachelor of Business (Hong Kong) Industry Advisory Committee from October 2013 to September 2016 and a member of the Advisory Committee on Cruise Industry in Hong Kong from August 2010 to January 2014.

Ms. Chan is a cousin of our Chairman and an aunt of Mr. Chan Ka Keung (a member of our senior management).

Ms. Chan is currently a director of 台灣太興餐飲股份有限公司 Tai Hing Catering Management (Taiwan) Limited*.

NON-EXECUTIVE DIRECTOR

Mr. Ho Ping Kee, aged 62, was appointed as our non-executive Director on 14 December 2018. He joined our Group in 2001 and since then he has been mainly responsible for overall strategic planning, supervising the management of our Group and providing advices on site selection.

Mr. Ho has accumulated years of experience in the retail pharmacy industry, during which he gained substantial understanding of the market of retail business in Hong Kong and knowledge in site selection. Since September 1992, Mr. Ho has been the director of Target Spot Limited, which operates six pharmacies in Hong Kong.

Mr. Ho is currently supervisory chairman of the Hong Kong General Chamber of Pharmacy Limited, president of the Southern District Recreation and Sports Association, executive committee chairman of the Apleichau North District Women's Joint Association, vice president of the council of The Association of Industries and Commerce of N.E. New Territories Limited and life president of The Hong Kong Southern District Community Association Limited. He was also previously the president of the Southern District Arts and Culture Association Limited in 2016.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Mak Ping Leung (alias: Mak Wah Cheung), aged 70, was appointed as our independent non-executive Director on 22 May 2019. Mr. Mak is the chairman of our Remuneration Committee and a member of our Audit Committee and Nomination Committee.

Mr. Mak is one of the founders of Hong Kong Economic Times Holdings Limited ("HKET"), publisher of the Hong Kong Economic Times and Sky Post and a company listed on the Main Board of the Stock Exchange (stock code: 423), and has been its managing director and an executive director since April 2005. He is responsible for formulating business strategies and oversees publishing, recruitment advertising and printing production at HKET. He was the Bureau Chief of the European Bureau of Wen Wei Po in London from October 1981 to October 1985, before being promoted to Deputy General Manager and Standing Committee Member of the Management Committee of the newspaper from November 1985 to November 1987.

In October 1988, Mr. Mak was elected as one of the Ten Outstanding Young Persons of Hong Kong organised by Junior Chamber International Hong Kong (formerly known as Hong Kong Junior Chamber). In August 2012, Mr. Mak won the Outstanding Entrepreneurship Award at the Asia Pacific Entrepreneurship Awards 2012 organised by Enterprise Asia. Mr. Mak was an honorary advisor of Hong Kong Institute of Marketing from 2014 to 2018.

Mr. Mak has been the managing director and an executive director of HKET (stock code: 423) since 29 April 2005 and an independent non-executive director of Clifford Modern Living Holdings Limited (stock code: 3686) since 21 October 2016, both listed companies on the Main Board of the Stock Exchange.

Mr. Mak obtained a Bachelor of Arts degree from the University of Hong Kong in November 1973.

Mr. Wong Shiu Hoi Peter, aged 79, was appointed as our independent non-executive Director on 22 May 2019. Mr. Wong is a member of our Audit Committee, Nomination Committee and Remuneration Committee.

Mr. Wong possesses over 40 years of experience in the financial services industry. He was an executive director, managing director, deputy chairman and chief executive officer of Haitong International Securities Group Limited (stock code: 0665) from May 1996 to April 2011. He has been a consultant of Halcyon Capital Limited since May 2013.

He is currently a council member and was the past chairman of the Hong Kong Institute of Directors from July 2006 to July 2009, and a former member of each of the Standing Committee of Company Law Reform from February 2000 to January 2006 and the Listing Committee of the Stock Exchange from November 1998 to May 2006.

Mr. Wong has served as an independent non-executive director of the following companies listed on the Main Board of the Stock Exchange in the past three years:

Company Name	Stock Code	Period
Target Insurance (Holdings) Limited	6161	Since 1 November 2014
Agile Group Holdings Limited	3383	Since 27 June 2014
Tianjin Development Holdings Limited	882	Since 21 December 2012
High Fashion International Limited	608	Since 19 July 2004

Mr. Wong obtained a Master of Business Administration degree from the University of East Asia (now known as the University of Macau) in October 1986.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Dr. Sat Chui Wan, aged 51, was appointed as our independent non-executive Director on 22 May 2019. Dr. Sat is the chairman of our Audit Committee and a member of our Remuneration Committee and Nomination Committee.

Dr. Sat has been an executive director of Human Health Holdings Limited, a listed company on the Main Board of the Stock Exchange (stock code: 1419) ("HHH"), since 22 October 2015. She has also served as the chief financial officer of HHH since September 2013 and is responsible for overseeing the financial, compliance, risk and human resources management of HHH. She has extensive working experience in accounting, finance, management and strategic planning in different industries prior to joining HHH.

Dr. Sat has been a member of the Hong Kong Institute of Certified Public Accountants since September 1996. She was admitted as an associate of the Association of Chartered Certified Accountants in July 1996 and has been a fellow of the Association of Chartered Certified Accountants since July 2001.

Dr. Sat obtained a Bachelor of Arts degree of Accountancy from the Hong Kong Polytechnic University in October 1992 and a Master's degree of Business Administration from the University of Lancaster in the United Kingdom in November 2000. She completed the International Study Program (ISP) at the University of St. Gallen in December 2000, and the City University of Hong Kong Advanced Management Programme at the University of California, Berkeley in August 2010. In February 2018. Dr. Sat obtained a Doctor of Business Administration degree from the City University of Hong Kong.

SENIOR MANAGEMENT

Mr. Ho Siu Fung, aged 57, joined our Group in November 1999 and was appointed as our general manager and director of Chinese Gourmet in September 2018. He is mainly responsible for operations and overall development of our Group's Chinese cuisine catering, among which, the management of various brands, including brand management of "Tai Hing", "Trusty Congee King", "Men Wah Bing Teng", "King Fong Bing Teng", "Asam Chicken Rice" and "Rice Rule".

In recent years, Mr. Ho has been constantly enhancing operation management and strategies of our Group. He spearheaded the extensive implementation of various automation systems for food production, in the respective production departments of our restaurants. Mr. Ho's valuable knowledge also contributed to his successful customisation of our automated wok which was subsequently patented by us. These efforts are instrumental as the systems provide a sustainable platform for the long-term expansion of our business with standardised food quality and production efficiency, as well as reduced repetitive motion in prevention of occupational diseases. Mr. Ho also strived to modernise our frontline teams with new operation standards, set up our internal qualification framework to promote our employees' upward mobility and introduced talent pipelines with comprehensive training programmes.

Prior to joining our Group, Mr. Ho served in several catering groups holding operational and management roles. He has over 30 years' experience in catering management.

Mr. Ho graduated from the Hong Kong Polytechnic (now known as The Hong Kong Polytechnic University) with a diploma in Business Management in 1993. He obtained a Level 4 Award in Managing Food Safety in Catering at the Chartered Institute of Environmental Health in 2008 and obtained a 5-S Lead Auditor Certificate from the HK 5-S Association in 2003. Mr. Ho is active in sharing his industry knowledge with the community, and was a part-time instructor at the School of Continuing and Professional Education of the City University of Hong Kong from 2009 to 2011.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Yiu Man, aged 61, joined our Group in 2002 and was appointed as our general manager and director of central production and product development in September 2018. He is mainly responsible for the overall management and development of the Food Factories, product development, centralized procurement, food safety and logistics management. Since joining our Group, Mr. Yiu headed the entire design, construction and equipment planning of our Hong Kong Food Factory and Mainland China Food Factory to support the rapid expansion of our operations and the wide variety of new products for different cuisines. He set up our production quality control system and enforces more stringent control on food quality, including food safety monitoring and refinement through systematic taste trials. Further, Mr. Yiu also invented the smokeless cooking design which was contributed to our patented smokeless oven and such patented smokeless oven has subsequently been widely applied in our restaurants.

Mr. Yiu has over 40 years' experience in production and catering management in the catering industry. Prior to joining our Group, he held managerial positions at various restaurants from the 1990 to 2001. He joined Cafe de Coral Holdings Limited (stock code: 0341) from September 1982 to August 1986, where he started off as chief cook (branch) and was subsequently promoted as assistant production manager. He also worked as cooks' supervisor from October 1976 to June 1982 at Trible Fast Food Shop.

Mr. Lam Tai Po, aged 54, joined our Group in October 2002 and was promoted as our general manager and director of Mainland China in March 2017. He is primarily responsible for managing our Group's operations and business development in Mainland China, and, is a director of all subsidiaries of the Company established in Mainland China except for one Mainland China subsidiary.

Mr. Lam has over 25 years of experience in the food and beverage industry. He began to gain exposure to the market in Mainland China early in his career as managers of various eateries from the 1990s to 2002. Since his joining, Mr. Lam has spearheaded our Group's market development in Mainland China, expanding our portfolio to 63 restaurants as at 31 December 2019. Our operations in Mainland China have won numerous industry awards under Mr. Lam's guidance, including 騰訊城市廚房推薦特色餐廳 (Tencent City Kitchen Recommended Specialty Cuisine Restaurant*) in August 2018, 上海美食攻略最具人氣粵菜獎 (Shanghai Gourmet Guide Favourite Cantonese Cuisine Award*) in March 2018 and 2017 年度廣州日報大洋網星級品牌推薦最佳港式餐廳 (Guangzhou DailyDayoo.com Star Brand Recommendation 2017 – Best Hong Kong Style Restaurant*) in March 2018.

Mr. Lam graduated from the Macau Institute of Management with a bachelor of Business Administration degree in January 2005. He became a professional management honorary member of the Confrerie de la Chaine des Rotisseurs in 2008.

Mr. Sin Wai Hung, aged 62, joined our Group in January 2010 and was re-designated as our group advisor in August 2019. He is mainly responsible for establishing and enhancing policy convergence between the parent company and the subsidiaries, business procedures and data analysis, as well as assisting the facilitation of project management and strengthening the Company's corporate governance. He was the general manager and director of corporate management of our Group. Mr. Sin has over 35 years' management experience in the catering and retail industry.

He graduated from the Chinese University of Hong Kong with a bachelor of science degree in 1981 and obtained a diploma in Management Studies and master degree in Business Administration from the Hong Kong Polytechnic (now known as The Hong Kong Polytechnic University) in 1987 and 1993, respectively.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Chan Ka Keung, aged 39, joined our Group in August 2009 and is currently our general manager (branding and business development). He is mainly responsible for developing the branding of the Group and leading our engineering and maintenance and information technology teams towards digitalizing our operations for the enhancement of customer experience concerning food ordering and payment systems. He also focuses on the building, consolidation and product promotion of our respective brands across Mainland China, as well as developing the peripheral product markets through online and offline platforms.

In recent years, Mr. Chan spearheaded the development of new brands for casual dining in our Group, targeting younger customers by offering them a pleasant dining experience. Our "TeaWood" brand has won numerous industry awards, including Market Leadership Award in Emerging Brand Restaurant 2017/2018 awarded by the Hong Kong Institute of Marketing in April 2018, the 2018 Business Excellence Award by The Professional Validation Centre of Hong Kong Business Sector in June 2018 and the prestigious Bronze A'Design Award for Interior Space and Exhibition Design, awarded in April 2018 under his leadership.

Mr. Chan was awarded 全球華人傑出青年 (Global Outstanding Chinese Youth*) by the Global Outstanding Chinese Association in 2016 and was awarded Young Industrialist Awards of Hong Kong by the Federation of Hong Kong Industries in 2019. He is currently the chairman of the Hong Kong O2O E-commerce Federation, the vice chairman of the Hong Kong Federation of Restaurants and Related Trades, founding chairman of the Hong Kong Federation of Restaurants and Related Trades Youth Committee, the vice-convenor of the Industry Consultative Networks (Catering) under the Employees Retraining Board, a member of the Environmental Campaign Committee, and a member of the Food Business and Related Services Task Force under the Business Facilitation Advisory Committee.

Mr. Chan graduated from De Montfort University in Leicester in the United Kingdom with a bachelor's degree in Business Administration in June 2004.

Mr. Chan is the son of our Chairman and a nephew of Ms. Chan Shuk Fong (our executive Director).

Mr. Ho Man Shing, aged 44, joined our Group in August 2019 and is currently our general manager (casual dining) in January 2020. He is primarily responsible for the operations and overall development of the casual dining business of the Group, among which, the management of various brands, including "TeaWood", "Pho Le", "Tokyo Tsukiji", "Fisher & Farmer" and "Hot Pot Couple".

Prior to joining the Group, Mr. Ho had 16 years' experience in QSR management and operation, and was the CEO of a chain catering group in Hong Kong. Mr. Ho was awarded the Leaders of Excellence Award by Capital Magazine in 2014.

Mr. Ho graduated from the University of Hong Kong with a bachelor's degree in Science (Actuarial Science) and completed the Advanced Management Program organized by Harvard Business School in the United States in July 1998 and February 2012 respectively.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Wong Kin Pong Edmond, aged 44, joined our Group as finance director in February 2014 and was promoted as senior director of the group finance department in January 2019. He has also been serving as company secretary since 14 December 2018. His responsibilities include overseeing the financial management and company secretarial matters of our Group.

Mr. Wong has over 15 years of experience in financial management. Prior to joining our Group, he was the financial controller at Select Service Partner Hong Kong Limited, a subsidiary of SSP Group PLC (LON: SSPG) from July 2013 to February 2014. He served as group financial controller at bma Management Limited from November 2011 to February 2013, deputy director of the logistics, finance and account department and corporate sales department at Tao Heung Holdings Limited (stock code: 0573) from November 2004 to November 2011.

Mr. Wong graduated with a bachelor's degree in Business Administration (major in professional accountancy) from the Chinese University of Hong Kong in December 1997. In July 2014, he obtained a master's degree in Business Administration from the University of Wales in the United Kingdom through distance learning.

Mr. Wong is currently a fellow at the Hong Kong Institute of Certified Public Accountants and The Association of Chartered Certified Accountants and a chartered financial analyst at the CFA Institute.

Ms. Zhou Yuewu, aged 45, joined our Group in November 2004 and was appointed as our general manager (back office and leasing) in January 2016. Her responsibilities include overseeing and managing finance, human resources, administration, leasing and trademark matters in Mainland China.

Ms. Zhou has over 10 years of experience in administration and management in Mainland China. Prior to joining our Group, Ms. Zhou served in Jianwei Real Estate Brokerage Limited* (建威房地產經紀有限公司) in Shenzhen, Mainland China from August 2001 to November 2004, and was responsible for company set up and finance matters from August 2001 to April 2002 and finance management from May 2002 to November 2004.

Ms. Zhou graduated from the Changsha University of Science and Technology (formerly known as the Changsha Communications University) with a diploma in Finance and Accounting System Management (財會計算機管理) in June 1997. She was qualified as an intermediate accountant conferred by Ministry of Finance of China in May 2005.

* *For identification purpose only*

DIRECTORS' REPORT

The board of directors of the Company (the "Board") presents its annual report together with the audited consolidated financial statements of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2019.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The principal activities and other particulars of the principal subsidiaries are set out in note 1 to the financial statements.

BUSINESS REVIEW

Further discussion and review on the business activities of the Group as required by Schedule 5 to the Companies Ordinance (Cap. 622) of Hong Kong, including a description of the principal risks and uncertainties facing the Group, material events that have occurred since the year-end date and an indication of likely future development in the Group's business are set out in the "Chairman's Statement", "Financial Highlights", "Management Discussion and Analysis", "Corporate Governance Report" and "Four-Year Financial Summary" and in the accompanying notes to the financial statements. The relevant discussions in these sections form part of this Annual Report.

In light of the Environmental, Social and Governance Reporting Guide as set out in Appendix 27 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), a separate Environmental, Social and Governance Report will be published in due course.

COMPLIANCE WITH LAWS AND REGULATIONS

During the period from 13 June 2019 (the "Listing Date") and up to date of this Report, the Board was not aware of any non-compliance with the applicable laws and regulations, which included Articles of Association of the Company (the "Articles of Association"), the laws of Cayman Islands, the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules"), other laws and regulations, have a significant impact on the Company.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2019 are set out in the consolidated statement of profit or loss on page 53.

FINAL DIVIDEND

The Board has proposed the payment of a final dividend of HK1.80 cents per share for the year ended 31 December 2019 payable to the shareholders of the Company ("Shareholders") whose names appear on the register of members of the Company on Wednesday, 10 June 2020. The proposed dividend warrants are expected to be despatched to the Shareholders on or before Friday, 3 July 2020, subject to the approval of the Shareholders at the forthcoming annual general meeting of the Company (the "Annual General Meeting").

DIRECTORS' REPORT

CLOSURE OF REGISTER OF MEMBERS

(1) For determining the eligibility of the Shareholders to attend and vote at the Annual General Meeting or any adjournment of such meeting:

The Annual General Meeting is scheduled to be held on Tuesday, 2 June 2020. For determining the eligibility to attend and vote at the Annual General Meeting, the register of members of the Company will be closed from Thursday, 28 May 2020 to Tuesday, 2 June 2020, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the Annual General Meeting, all transfer forms duly accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Wednesday, 27 May 2020.

(2) For determining the entitlement of the Shareholders to the proposed final dividend:

For determining the entitlement to the proposed final dividend for the year ended 31 December 2019, the register of members of the Company will be closed from Monday, 8 June 2020 to Wednesday, 10 June 2020, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for the proposed final dividend for the year ended 31 December 2019, all transfer forms duly accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Friday, 5 June 2020.

SHARE CAPITAL

Details of movements in the share capital of the Company during the period from the Listing Date and up to 31 December 2019 are set out in note 27 to the financial statements. Information about the share option of the Company and details of movements in the share options of the Company for the year ended 31 December 2019 are set out in the "Share Option Schemes" section in this report and in note 28 to the financial statements.

RESERVES

Details of movements in reserves of the Group for the year ended 31 December 2019 are set out in the consolidated statement of changes in equity on pages 57 to 58 of this Annual Report.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Group for the year ended 31 December 2019 are set out in note 13 to the financial statements.

DIRECTORS AND SERVICES CONTRACTS

The directors of the Company (the "Directors") for the year ended 31 December 2019 and up to the date of this report are:

Executive Directors:
Mr. Chan Wing On *(Chairman)*
Mr. Yuen Chi Ming
Mr. Lau Hon Kee
Ms. Chan Shuk Fong

Non-Executive Director:
Mr. Ho Ping Kee

Independent Non-Executive Directors:
Mr. Mak Ping Leung (alias: Mak Wah Cheung)
Mr. Wong Shiu Hoi Peter
Dr. Sat Chui Wan

In accordance with Article 84 of the articles of association of the Company (the "Articles of Association"), Mr. Chan Wing On, Mr. Yuen Chi Ming, Mr. Lau Hon Kee, Ms. Chan Shuk Fong, Mr. Ho Ping Kee, Mr. Mak Ping Leung (alias: Mak Wah Cheung), Mr. Wong Shiu Hoi Peter and Dr. Sat Chui Wan shall retire from office by rotation and, being eligible, offer themselves for re-election at the forthcoming Annual General Meeting.

None of the Directors has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS OF SIGNIFICANCE

No transactions, arrangements or contracts of significance to which the Company or any of its subsidiaries was a party and in which a Director or an entity connected with a Director had a material interest, whether directly or indirectly, subsisted for the year ended 31 December 2019 or at any time for the year ended 31 December 2019.

MANAGEMENT CONTRACTS

Save for employment contracts, no other contracts, relating to the management and/or administration of the whole or any substantial part of any business of the Company were entered into or subsisted for the year ended 31 December 2019.

DIRECTORS' REPORT

SHARE OPTION SCHEMES

The Pre-IPO Share Option Scheme and Post-IPO Share Option Scheme of the Company (the "Share Option Schemes") were approved and conditionally adopted pursuant to the resolutions passed by the Shareholders on 22 May 2019 (the "Adoption Date"). The details of the Share Option Schemes are as follows:

(a) Pre-IPO Share Option Scheme

1.	The purpose of the Pre-IPO Share Option Scheme	To motivate the grantees of the Pre-IPO Share Options to optimise their future contributions to our Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain on-going relationships with the grantees who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of the Group.
2.	The participants of the Pre-IPO Share Option Scheme	Senior management of our Group and employees of our Group
3.	The total number of securities available for issue under the Pre-IPO Share Option Scheme together with the percentage of the issued shares that it represents as at the date of the annual report	6,375,000 ordinary shares, representing approximately 0.6375% of the issued share capital of the Company. No further options will be granted on or after the Listing Date.
4.	The maximum entitlement of each participant under the Pre-IPO Share Option Scheme	No options were granted to any eligible participant after the Listing Date such that the total number of shares to be issued upon exercise of options granted to the eligible participant exceeds 1% of the Company's issued share capital from time to time.
5.	The option period	No Pre-IPO share options granted shall become vested or exercisable before the first anniversary of the Listing Date. On the first anniversary of the Listing Date, 13 June 2020 (the "First Exercisable Date"), 30% of the Pre-IPO Share Options (the "First Batch Options") granted to an individual grantee shall become vested in and exercisable by such grantee, and all unexercised First Batch Options shall lapse and be deemed as cancelled and void on the fifth anniversary date of the First Exercisable Date.

SHARE OPTION SCHEMES *(Continued)*

(a) Pre-IPO Share Option Scheme *(Continued)*

		On the second anniversary of the Listing Date, 13 June 2021 (the "Second Exercisable Date"), a further 30% of the Pre-IPO Share Options (the "Second Batch Options") granted to an individual grantee shall become vested in and exercisable by such grantee, and all unexercised Second Batch Options shall lapse and be deemed as cancelled and void on the fifth anniversary date of the Second Exercisable Date. On the third anniversary of the Listing Date, 13 June 2022 (the "Third Exercisable Date"), the remaining 40% of the Pre-IPO Share Options (the "Third Batch Options") granted to an individual grantee shall become exercisable by such grantee, and all unexercised Third Batch Options shall lapse and be deemed as cancelled and void on the fifth anniversary date of the Third Exercisable Date.
6.	The amount payable on application or acceptance of the option	A consideration of HK$1.00 is paid by each grantee.
7.	The exercise price	The exercise price of the Pre-IPO Share Options will be HK$0.45.
8.	The remaining life of the Pre-IPO Share Option Scheme	The Pre-IPO Share Option Scheme remains in force until 21 May 2029.

Since the Adoption Date and up to 31 December 2019, there were 6,375,000 outstanding share options of the Company under the Pre-IPO Share Option Scheme as at 31 December 2019.

Save as disclosed above, no share options of the Company were granted, exercised, cancelled or lapsed under the Pre-IPO Share Option Scheme during the period from the Listing Date and up to 31 December 2019.

DIRECTORS' REPORT

SHARE OPTION SCHEMES *(Continued)*

For the year ended 31 December 2019, the movements of share options granted by the Company under the Pre-IPO Share Option Scheme are as follows:

Participants	Date of grant	Exercise price per share (HK$)	Outstanding as at the Listing Date	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period	Outstanding as at 31 December 2019	Exercise period
Senior Management									
Mr. Wong Kin Pong Edmond	22 May 2019	0.45	600,000	–	–	–	–	600,000	*Notes*
Ms. Zhou Yuewu	22 May 2019	0.45	600,000	–	–	–	–	600,000	*Notes*
Other Grantees									
Employees	22 May 2019	0.45	5,175,000	–	–	–	–	5,175,000	*Notes*
Total for the Pre-IPO Share Option Scheme			6,375,000	–	–	–	–	6,375,000	

Notes:

(i) five years from the relevant exercisable date.

(ii) no share options granted under the Pre-IPO Share Option Scheme shall become vested or exercisable before the first anniversary date of the Listing Date.

(iii) on the first anniversary of the Listing Date (the "First Exercisable Date"), 30% of the Pre-IPO Share Options (the "First Batch Options") granted to an individual grantee shall become vested in and exercisable by such grantee, and all unexercised First Batch Options shall lapse and be deemed as cancelled and void on the fifth anniversary date of the First Exercisable Date.

(iv) on the second anniversary of the Listing Date (the "Second Exercisable Date"), a further 30% of the Pre-IPO Share Options (the "Second Batch Options") granted to an individual grantee shall become vested in and exercisable by such grantee, and all unexercised Second Batch Options shall lapse and be deemed as cancelled and void on the fifth anniversary date of the Second Exercisable Date.

(v) on the third anniversary of the Listing Date (the "Third Exercisable Date"), the remaining 40% of the Pre-IPO Share Options (the "Third Batch Options") granted to an individual grantee shall become exercisable by such grantee, and all unexercised Third Batch Options shall lapse and be deemed as cancelled and void on the fifth anniversary date of the Third Exercisable Date.

SHARE OPTION SCHEMES *(Continued)*

(b) Post-IPO Share Option Scheme

1. The purpose of the Post-IPO Share Option Scheme	(a) The Post-IPO Share Option Scheme is a share incentive scheme and is established to recognise and acknowledge the contributions that Eligible Participants (as defined below) had made or may make to our Group. (b) The Post-IPO Share Option Scheme will provide the Eligible Participants with an opportunity to acquire proprietary interests in our Company with the view to achieving the following principal objectives: (i) motivate the Eligible Participants to optimise their performance and efficiency for the benefit of our Group; and (ii) attract and retain or otherwise maintain ongoing business relationship with the Eligible Participants whose contributions are, will or expected to be beneficial to our Group.
2. The participants of the Post-IPO Share Option Scheme	The Board may at its discretion grant options to the following Eligible Participants: (i) any Director, employee, consultant, professional, customer, supplier, agent, partner or adviser of or contractor to our Group or a company in which our Group holds an interest or a subsidiary of such company ("Affiliate"); or (ii) the trustee of any trust the beneficiary of which or any discretionary trust the discretionary objects of which include any Director, employee, consultant, professional, customer, supplier, agent, partner or adviser of or contractor to our Group or an Affiliate; or (iii) a company beneficially owned by any Director, employee, consultant, professional, customer, supplier, agent, partner, adviser of or contractor to our Group or an Affiliate.

SHARE OPTION SCHEMES *(Continued)*

(b) Post-IPO Share Option Scheme *(Continued)*

3.	The total number of securities available for issue under the Post-IPO Share Option Scheme together with the percentage of the issued shares that it represents as at the date of the annual report	The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Post-IPO Share Option Scheme and any other schemes must not, in aggregate, exceed 10% of the issued share capital of our Company from time to time. No options may be granted under any schemes of our Company if this will result in the said 10% limit being exceeded. The maximum number of shares which may be issued upon the exercise of all options to be granted under the Pre-IPO Share Option Scheme and Post-IPO Share Option Schemes shall not, in aggregate, exceed 100,000,000 shares, representing 10% of the issued shares as at the date of this report.
4.	The maximum entitlement of each participant under the Post-IPO Share Option Scheme	No option may be granted to any Eligible Participant which, if exercised in full, would result in the total number of shares issued and to be issued upon exercise of the options already granted or to be granted to such Eligible Participant under the Post-IPO Share Option Scheme (including exercised, cancelled and outstanding share options) in the twelve-month period up to and including the date of such new grant exceeding 1% in aggregate of the issued share capital of our Company as at the date of such grant. Any grant of further share options above this limit shall be subject to certain requirements provided under the Listing Rules.
5.	The period within which the securities must be taken up under an option	An option may be exercised in accordance with the terms of the Post-IPO Share Option Scheme and the terms of grant thereof at any time during the applicable option period, which is not more than ten years from the date of grant of option.
6.	The minimum period for which an option must be held before it can be exercised	There is no general requirement on the minimum period for which an option must be held or the performance targets which must be achieved before an option can be exercised under the terms of the Post-IPO Share Option Scheme. However, at the time of granting any option, our Board may, on a case by case basis, make such grant subject to such conditions, restrictions or limitations including (without limitation) those in relation to the minimum period of the options to be held and/or the performance targets to be achieved as our Board may determine in its absolute discretion.

SHARE OPTION SCHEMES *(Continued)*

(b) Post-IPO Share Option Scheme *(Continued)*

7.	The amount payable on application or acceptance of the option	An offer shall be accepted when the Company receive the duly signed offer letter together with a non-refundable payment of HK$1.00 by the grantee (or such other sum in any currency as our Board may determine).
8.	The basis of determination of the exercise price	The exercise price for any share under the Post-IPO Share Option Scheme shall be a price determined by our Board and notified to each grantee and shall be not less than the highest of: (i) the closing price of a share as stated in the Stock Exchange's daily quotations sheet on the date of grant of the relevant option, which must be a business day; (ii) an amount equivalent to the average closing price of a share as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant of the relevant option; and (iii) the nominal value of a share on the date of grant. The exercise price shall also be subject to any adjustments made in a situation contemplated under the event of any alteration in our capital structure while an option remains exercisable, and such event arises from, including a capitalisation of our Company profits or reserves, rights issue, consolidation, reclassification, subdivision or reduction of the share capital of our Company, such corresponding alterations (if any) shall be made to the number or nominal amount of shares subject to the options so far as unexercised; and/or the exercise price; and/or the method of exercise of the options; and/or the maximum number of shares subject to the Post-IPO Share Option Schemes.
9.	The remaining life of the Post-IPO Share Option Scheme	The Post-IPO Share Option Scheme remains in force until 21 May 2029.

Save as disclosed above, no share options of the Company were granted, exercised, cancelled or lapsed under the Post-IPO Share Option Scheme during the period from the Listing Date and up to 31 December 2019.

DIRECTORS' REPORT

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVES

As at 31 December 2019, the interests and short positions of the Directors and chief executives of the Company and their associates in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Hong Kong (the "SFO")) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules were as follows:

Long Position in the shares of the Company

Name of Director	Capacity	Number of ordinary shares held	Approximate percentage of issued ordinary shares *(Note (i))*
Mr. Chan Wing On ("Mr. Chan")	Interest of controlled corporation	529,969,500 *(Note (ii))*	53.00%
	Interest of spouse	965,000 *(Note (ii))*	0.09%
Ms. Chan Shuk Fong ("Ms. Chan")	Beneficial owner	11,450,000 *(Note (iii))*	1.15%

Notes:

(i) The percentage of shareholding is calculated on the basis of the Company's total number of issued shares of 1,000,000,000 shares as at 31 December 2019.

(ii) Chun Fat Company Limited ("Chun Fat" (俊發有限公司), directly owned as to approximately 70.67% by Mr. Chan). As at 31 December 2019, Chun Fat held 529,969,500 ordinary shares of the Company. Accordingly, Mr. Chan is deemed to be interested in 529,969,500 ordinary shares of the Company in which Chun Fat is interested. In addition, Ms. Leung Yi Ling ("Ms. Leung"), being the spouse of Mr. Chan, is beneficially interested in 965,000 ordinary shares of the Company. Therefore, Mr. Chan is deemed to be interested in 965,000 ordinary shares of the Company in which Ms. Leung is interested.

(iii) Ms. Chan is beneficially interested in 11,450,000 ordinary shares of the Company.

(iv) No pledging of shares by the controlling shareholders under Rule 13.21 of the Listing Rule.

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVES *(Continued)*

Interests in the shares of associated corporation of the Company

Name of associated corporation	Name of Director	Capacity	Number of ordinary shares held	Approximate percentage of issued ordinary shares *(Note)*
Chun Fat	Mr. Chan	Beneficial owner	141,342	70.67%
Chun Fat	Mr. Lau Hon Kee	Beneficial owner	25,116	12.56%
Chun Fat	Mr. Ho Ping Kee	Beneficial owner	19,866	9.93%
Chun Fat	Mr. Yuen Chi Ming	Beneficial owner	13,676	6.84%

Note:

The percentage of shareholding is calculated on the basis of the total number of issued shares of Chun Fat 200,000 shares as at 31 December 2019.

Save as disclosed above, as at 31 December 2019, none of the Directors and chief executives of the Company nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

EQUITY-LINKED AGREEMENTS

Save as disclosed in the section headed "Share Option Schemes" above, no equity-linked agreements were entered into by the Company for the year ended 31 December 2019 or subsisted at the end of the year.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Other than the Share Option Schemes as disclosed above, at no time for the year ended 31 December 2019 was the Company or any its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, underlying shares, the Company or any other body corporate.

DIRECTORS' REPORT

INTERESTS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSON'S INTERESTS IN SHARES AND UNDERLYING SHARES

As at 31 December 2019, the following parties (other than the director of the Company) had interests or short positions in the shares and underlying shares of the Company as recorded in the register maintained by the Company pursuant to Section 336 of the SFO:

Long Position in the shares of the Company

Name of Shareholder	Capacity	Number of ordinary shares held		Approximate percentage of issued ordinary shares *(Note (i))*
Chun Fat Company Limited ("Chun Fat", 俊發有限公司)	Beneficial owner	529,969,500		53.00%
Leung Yi Ling ("Ms. Leung")	Beneficial owner	965,000	*(Note (ii))*	0.09%
	Interest of spouse	529,969,500	*(Note (ii))*	53.00%

Notes:

(i) The percentage of shareholding is calculated on the basis of the Company's total number of issued shares of 1,000,000,000 shares as at 31 December 2019.

(ii) Ms. Leung, being the spouse of Mr. Chan, is deemed to be interested in 529,969,500 ordinary shares of the Company in which Mr. Chan is interested.

Save as disclosed above, as at 31 December 2019, there were no other parties (other than the director of the Company) who had interests or short positions in the shares or underlying shares of the Company as recorded in the register maintained by the Company pursuant to Section 336 of the SFO.

PERMITTED INDEMNITY PROVISION

The Articles of Association provides that every Director or other officers of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities which he/she may sustain or incur in or about the execution of the duties of his/her office or otherwise in relation thereto. The Company has maintained appropriate Directors' and officers' liability insurance in respect of relevant legal actions against the Directors and officers.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the Directors is interest in any business apart from the Company's business that competes or is likely to compete, either directly or indirectly, with the Company's business.

MAJOR CUSTOMER AND SUPPLIERS

During the year, 22.6% of the Group's purchases were attributable to the Group's five largest suppliers with the largest supplier accounted for 6.7% of the Group's purchases. The Group's revenue from sales of goods or rendering of services attributable to the Group's five largest customers was less than 5%.

None of the Directors, their close associates or any Shareholders, which to the knowledge of the Directors owned more than 5% of the Company's total number of issued shares, had a beneficial interest in any of the Group's five largest suppliers and customers.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities for the year ended 31 December 2019.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the Independent Non-Executive Director, an annual written confirmation of his/her independence pursuant to Rule 3.13 of Listing Rules. The Company considers all of the Independent Non-Executive Directors are independent.

EMOLUMENT POLICY

Details of the Directors' and senior management's emoluments and of the five highest paid individuals in the Group are set out in note 8 and note 9 to the financial statements.

The emolument policy of the employees of the Group is set up by the senior management of the Group on the basis of their merit, qualifications and competence.

The emoluments of the Directors and senior management of the Company are decided by the Remuneration Committee, having regard to the Company's operating results, individual performance and prevailing market conditions.

PRE-EMPTIVE RIGHTS

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

DIRECTORS' REPORT

SUFFICIENCY OF PUBLIC FLOAT

Based on the information publicly available to the Company and within the knowledge of the Directors as at the date of this report, the Company has maintained the prescribed public float under the Listing Rules.

DONATIONS

As at 31 December 2019, the Group made charitable and other donations amounting to approximately HK$1,173,000.

AUDITOR

A resolution will be submitted to the forthcoming Annual General Meeting to re-appoint Messrs. Ernst & Young as the auditor of the Company.

On behalf of the Board

Chan Wing On
Chairman

Hong Kong, 26 March 2020

CORPORATE GOVERNANCE REPORT

The board of directors (the "Directors") of the Company (the "Board") is committed to maintaining high standard of corporate governance practices and procedures and complying with the statutory and regulatory requirements with an aim to maximising the value and interests of the shareholders of the Company (the "Shareholder"), as well as enhancing the transparency and accountability to the stakeholders.

CORPORATE GOVERNANCE PRACTICES

The Company has applied the principles and complied with the code provisions set out in of the Corporate Governance Code and Corporate Governance Report (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

To the best knowledge of the Board, throughout the period from 13 June 2019 (the date of listing of the shares on the Stock Exchange) to 31 December 2019 (the "Reporting Period"), the Company has complied with all the code provisions as set out in the CG Code and applied the principles contained therein.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Rules Governing the listing of Securities on the Stock Exchange (the "Listing Rules") as its own code of conduct for Directors in their dealing in the securities of the Company. In response to specific enquiries made by the Company, all the Directors confirmed that they have complied with the required standards set out in the Model Code throughout the Reporting Period.

BOARD OF DIRECTORS

The Board currently comprises eight Directors, in total, with four Executive Directors, one Non-Executive Director and three Independent Non-Executive Directors. The composition of the Board during the Reporting Period and up to the date of this report is set out as follows:

Executive Directors
Mr. Chan Wing On *(Chairman)*
Mr. Yuen Chi Ming
Mr. Lau Hon Kee
Ms. Chan Shuk Fong

Non-Executive Director
Mr. Ho Ping Kee

Independent Non-Executive Directors
Mr. Mak Ping Leung (alias: Mak Wah Cheung)
Mr. Wong Shiu Hoi Peter
Dr. Sat Chui Wan

Mr. Chan Wing On, the Chairman and Executive Director of the Company, is a cousin of Ms. Chan Shuk Fong (an Executive Director of the Company) and the father of Mr. Chan Ka Keung (a member of the senior management of the Company). Ms. Chan Shuk Fong is an aunt of Mr. Chan Ka Keung.

Save as disclosed above, there is no financial, business, family or other material/relevant relationships among the members of the Board.

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS *(Continued)*

During the Reporting Period, the Board has at least one-third in number of its members comprising Independent Non-Executive Directors under Rule 3.10A of the Listing Rules and at least one of the Independent Non-Executive Directors possesses appropriate professional qualifications or accounting or related financial management expertise under Rule 3.10 of the Listing Rules. The Board has received from each Independent Non-Executive Director an annual confirmation of his/her independence and considers that all the Independent Non-Executive Directors are independent in accordance with Rule 3.13 of the Listing Rules.

The biographical details of Directors are set out in the section headed "Biographical Details of Directors and Senior Management" on pages 14 to 21 of this Annual Report.

During the Reporting Period, 3 Board meetings were held and the attendance of each Director at the Board meetings is set out as follows:

Name of Directors	Number of Board meetings attended/held	Attendance rate
Executive Directors		
Mr. Chan Wing On *(Chairman)*	3/3	100%
Mr. Yuen Chi Ming	3/3	100%
Mr. Lau Hon Kee	3/3	100%
Ms. Chan Shuk Fong	3/3	100%
Non-Executive Director		
Mr. Ho Ping Kee	3/3	100%
Independent Non-Executive Directors		
Mr. Mak Ping Leung (alias: Mak Wah Cheung)	3/3	100%
Mr. Wong Shiu Hoi Peter	3/3	100%
Dr. Sat Chui Wan	3/3	100%

BOARD OF DIRECTORS *(Continued)*

The schedule of regular board meetings for a year is planned in the preceding year. Regular Board meetings are held at least four times a year with at least 14 days' prior notice being given to all Directors. Additional Board meeting will be arranged and held as and when required. The Directors may attend the Board meetings either in person or through electronic means of communication. The Directors are provided with all relevant information in advance to enable them to make informed decisions, and appropriate arrangements are in place to ensure that they are given an opportunity to include matters in the agendas for the regular Board meetings. The company secretary of the Company (the "Company Secretary") assists the Chairman in preparing the agenda for meetings and each Director may request the inclusion of items in the agenda, all applicable rules and regulations are observed and complied with. The agenda and the accompanying Board papers are normally sent to all Directors at least 3 days before the intended date of a regular Board meeting so that the Directors have time to review the documents.

Every Director is entitled to have access to Board papers and related materials and has unrestricted access to the advice and services of the Company Secretary and seeks independent legal and professional advice in appropriate circumstances for discharging their duties to the Company if so required. The Board and each Director also have separate and independent access to the Company's senior management. Directors will be continuously updated on the latest development of the Listing Rules and other applicable regulatory requirements to ensure compliance and upkeep of good corporate governance practices.

The Company is headed by an effective Board which oversees the Group's businesses, strategic decisions and performance and takes decisions objectively in the best interests of the Company. The Board has reviewed the contribution required from all Directors to perform their responsibilities to the Company, and considered that each of the Directors has been spending sufficient time and attention to the Company's affairs.

Apart from regular Board meetings, the Chairman also held a meeting with Independent Non-Executive Directors without the presence of other Directors during the Reporting Period under the code provision A.2.7 of the CG Code.

Directors' Continuous Training and Development

In order to uphold good corporate governance, every newly appointed Director has received a formal and comprehensive induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

During the Reporting Period, the Company has arranged training for Directors to provide regular updates relating to the roles, functions and duties, corporate governance and change in regulatory requirements so as to enable the Directors to properly discharge their duties under the code provision A.6.5 of the CG Code.

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS *(Continued)*

Directors' Continuous Training and Development *(Continued)*

The training records of the Directors for the year ended 31 December 2019 are summarized as follows:

Name of Directors	Attended Internally – facilitated Briefings or Training, Seminars, Reading Materials
Executive Directors	
Mr. Chan Wing On *(Chairman)*	✔
Mr. Yuen Chi Ming	✔
Mr. Lau Hon Kee	✔
Ms. Chan Shuk Fong	✔
Non-Executive Director	
Mr. Ho Ping Kee	✔
Independent Non-Executive Directors	
Mr. Mak Ping Leung (alias: Mak Wah Cheung)	✔
Mr. Wong Shiu Hoi Peter	✔
Dr. Sat Chui Wan	✔

Directors' and Officers' Liabilities Insurance

The Company has arranged appropriate insurance cover for Directors' and officers' liabilities in respect of legal actions against the Directors and officers of the Company and its subsidiaries arising out of corporate activities of the Group under the code provision A.1.8 of the CG Code.

Role of Chairman and Chief Executive

The code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Chan Wing On, the Chairman of the Board, is primarily responsible for the leadership of the Board, ensuring that (i) all significant policy issues are discussed by the Board in a timely and constructive manner; (ii) all Directors are properly briefed on issues arising at Board meetings; and (iii) the Directors receive accurate, timely and clear information. The functions of the chief executive are performed by Mr. Yuen Chi Ming, Mr. Lau Hon Kee and Ms. Chan Shuk Fong, the Executive Directors of the Company, who are responsible for the day-to-day management of the Group's business. The functions and responsibilities between the Chairman and the chief executive are clearly segregated. This segregation of roles ensures reinforcement of their independent, responsibility and accountability.

The list of Directors and their roles and function are available on the websites of the Stock Exchange and the Company.

BOARD OF DIRECTORS *(Continued)*

Appointment and Re-election of Directors

Each of the Executive Directors has entered into a service contract with the Company and each of the Non-Executive Director and Independent Non-Executive Directors has entered into a letter of appointment with the Company and appointed for a specific term, subject to retirement by rotation and re-election at least once every three years at the annual general meeting of the Company (the "AGM") in accordance with the articles of association of the Company (the "Articles of Association "). Any new Director appointed by the Board to fill a casual vacancy shall be subject to re-election by Shareholders at the next AGM after appointment.

Board Diversity Policy

The Company has adopted a board diversity policy (the "Board Diversity Policy") on 22 May 2019 which sets out the approach to achieve a sustainable and balance development of the Company and also to enhance the quality of performance of the Company under the code provision A.5.6 of the CG Code.

Under the Board Diversity Policy, the selection of candidates for appointment to the Board will be based on a range of diversity criteria including but not limited to gender, age, cultural and educational background, ethnicity, professional and industrial experience, business perspectives, skills, and any other factors. The ultimate decision will be based on merit and the contribution that the selected candidates may bring to the Board.

The Board shall from time to time, through the Nomination Committee, monitor and review the Board Diversity Policy to ensure it remains relevant to the Company's needs and reflects current regulatory requirements and good corporate governance practices.

Corporate Governance Functions

The Board is responsible for performing corporate governance duties set out in the code provision D.3.1 of the CG Code, including but not limited, (i) to develop and review the Company's corporate governance policies and practices; (ii) to review and monitor the training and continuous professional development of Directors and senior management of the Group; (iii) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements; (iv) to develop, review and monitor the compliance of the Model Code and employees written guidelines; and (v) to review the Company's compliance with the CG Code and disclosure in this report.

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES

The Board has established three committees, namely the Nomination Committee, Remuneration Committee and Audit Committee for overseeing particular aspects of the Group's affairs, each of which has its specific written terms of reference setting out its authority and duties. The committees report regularly to the Board and, where appropriate, make recommendations on matters discussed.

Nomination Committee

The Nomination Committee comprises five members, including two Executive Directors, namely Mr. Chan Wing On and Ms. Chan Shuk Fong, and three Independent Non-Executive Directors, namely Mr. Mak Ping Leung (alias: Mak Wah Cheung), Mr. Wong Shiu Hoi Peter and Dr. Sat Chui Wan. The Chairman of the Nomination Committee is Mr. Chan Wing On.

The meeting of the Nomination Committee shall be held at least once a year. During the Reporting Period, one meeting was held and the attendance of each member at the meeting is set out as follows:

Name of members	Number of meetings attended/held	Attendance rate
Mr. Chan Wing On *(Chairman)*	1/1	100%
Ms. Chan Shuk Fong	1/1	100%
Mr. Mak Ping Leung (alias: Mak Wah Cheung)	1/1	100%
Mr. Wong Shiu Hoi Peter	1/1	100%
Dr. Sat Chui Wan	1/1	100%

The major roles and functions of the Nomination Committee are as follows:

i) to review and monitor the structure, size and composition (including the skills, knowledge, experience and diversity of perspectives) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

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

iii) to assess the independence of Independent Non-Executive Directors;

iv) to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the Chairman and chief executive of the Company;

v) to review and monitor policy concerning diversity of Board members and make recommendations on any proposed changes to the Board; and

vi) to ensure that no Director or any of his/her associates is involved in approving his/her or any of his/her associates' nomination.

The Company has adopted a director nomination policy (the "Director Nomination Policy") on 22 May 2019 which sets out the procedures and criteria in relation to the selection, appointment and reappointment of Directors of the Company and aims at ensuring that the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business. The Board will regularly review the Director Nomination Policy.

Further details of the selection criteria and the procedure are set out in the terms of reference of the Nomination Committee which are available on the websites of the Stock Exchange and the Company.

BOARD COMMITTEES *(Continued)*

Remuneration Committee

The Remuneration Committee comprises five members, including two Executive Directors, namely Mr. Chan Wing On and Ms. Chan Shuk Fong, and three Independent Non-Executive Directors, namely Mr. Mak Ping Leung (alias: Mak Wah Cheung), Mr. Wong Shiu Hoi Peter and Dr. Sat Chui Wan. The Chairman of the Remuneration Committee is Mr. Mak Ping Leung (alias: Mak Wah Cheung). The composition of the Remuneration Committee has complied with the requirements as set out in Rule 3.25 of the Listing Rules that a majority of the members of the Remuneration Committee should be Independent Non-Executive Directors and chaired by an Independent Non-Executive Director.

The meeting of the Remuneration Committee shall be held at least once a year. During the Reporting Period, two meetings were held and the attendance of each member at the meeting is set out as follows:

Name of members	Number of meetings attended/held	Attendance rate
Mr. Mak Ping Leung (alias: Mak Wah Cheung) *(Chairman)*	2/2	100%
Mr. Chan Wing On	2/2	100%
Ms. Chan Shuk Fong	2/2	100%
Mr. Wong Shiu Hoi Peter	2/2	100%
Dr. Sat Chui Wan	2/2	100%

The major roles and functions of the Remuneration Committee are as follows:

i) to review annually and recommend to the Board the overall remuneration policy and structure for the Directors and senior management;

ii) to evaluate annually the performance of the Executive Directors and senior management and recommend to the Board specific adjustments in remuneration and/or reward payments;

iii) to review and recommend the compensation payable to Executive Directors and senior management relating to any loss or termination of their office or appointment;

iv) to review and recommend compensation arrangements relating to dismissal or removal of Directors for misconduct;

v) to be responsible for establishing formal and transparent procedures for developing remuneration policy; and

vi) to ensure that no Director or any of his/her associates is involved in deciding his/her own remuneration.

The duties and authorities of the Remuneration Committee are set out in its terms of reference which are available on the websites of the Stock Exchange and the Company.

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES *(Continued)*

Audit Committee

The Audit Committee comprises three Independent Non-Executive Directors, namely Mr. Mak Ping Leung (alias: Mak Wah Cheung), Mr. Wong Shiu Hoi Peter and Dr. Sat Chui Wan. The Chairman of the Audit Committee is Dr. Sat Chui Wan. The composition of the Audit Committee has complied with the requirements as set out in Rule 3.21 of the Listing Rules that majority of the members of the Audit Committee should be Independent Non-Executive Director.

The meeting of the Audit Committee shall be held at least twice a year. During the Reporting Period, two meetings were held and the attendance of each member at the meeting is set out as follows:

Name of members	Number of meetings attended/held	Attendance rate
Dr. Sat Chui Wan *(Chairman)*	2/2	100%
Mr. Mak Ping Leung (alias: Mak Wah Cheung)	2/2	100%
Mr. Wong Shiu Hoi Peter	2/2	100%

During the Reporting Period and up to date of this report, the work performed by the Audit Committee includes the following:

i) reviewed the financial reports for the six months ended 30 June 2019 and for the year ended 31 December 2019;

ii) reviewed the effectiveness of the risk management and the internal control systems;

iii) reviewed the external auditor's statutory audit plan and engagement letters;

iv) reviewed the management letter from the external auditor in relation to the audit of the Group for the year ended 31 December 2019; and

v) reviewed and recommended for approval by the Board the audit scope and fees for the year ended 31 December 2019.

The major roles and functions of the Audit Committee are as follows:

i) to consider the appointment, re-appointment and removal of the external auditor, the audit fees, and any questions of resignation or dismissal of the external auditor of the Group;

ii) to discuss the nature and scope of the audit with the external auditor;

iii) to review the interim and annual financial statements before submission to the Board;

iv) to discuss problems and reservations arising from the interim review and final audit, and any matters the external auditor may wish to discuss;

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

vi) to review the Group's financial controls, internal controls and risk management systems to ensure that they are appropriate and functioning properly; and

vii) to consider any findings of major investigations of internal control and risk management matters and management's responses.

EXTERNAL AUDITOR'S REMUNERATION

The remuneration paid or payable to the Company's external auditor, Messrs. Ernst & Young, for the year ended 31 December 2019 is set out as follows:

Services rendered	Fee paid or payable HK$'000
Audit Services	2,980
Non-audit services	
– Interim review	1,155
– Tax services	420
– Service provided in connection with initial public offering of the Company	1,725
	6,280

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board has the responsibility to review annually the effectiveness of the Group's risk management and internal control systems covering all material controls, including financial, operational and compliance control. The Board, through the Audit Committee, had reviewed the adequacy of resources, qualifications and experience of staff of the Company's accounting, internal audit and financial reporting functions, and their training programmes and budget.

The Group's risk management and internal control systems are designed to provide reasonable, but not absolute, assurance against material misstatement or loss; to manage rather than completely eliminate the risk of system failure; and to assist in the achievement of the Group's agreed objectives and goals. Systems and procedures are put in place to identify, manage and control the risks of different businesses and activities.

The Company's risk management and internal control systems have been developed with the following principles, features and processes:

i) The internal control system of the Company comprises a well-established organizational structure and comprehensive polices and standards. The Board has clearly defined the authorities and key responsibilities of each business and operational unit to ensure adequate checks and balances.

ii) The management, in coordination with department heads, assessed the likelihood of risk occurrence, provides treatment plans, and monitor the risk management progress, and reported to the Audit Committee and the Board on all findings and the effectiveness of the systems.

iii) The internal audit department is responsible for performing independent review of the adequacy and effectiveness of the risk management and internal control systems. The internal audit department examined key issues in relation to the accounting practices and all material controls and provided its findings and recommendations for improvement to the Audit Committee.

RISK MANAGEMENT AND INTERNAL CONTROLS *(Continued)*

iv) The Board, as supported by the Audit Committee as well as the management report and the internal audit findings, reviewed the risk management and internal control systems, including the financial, operational and compliance controls, for the year ended 31 December 2019, and considered that such systems are effective and adequate. The annual review also covered the financial reporting and internal audit function and staff qualifications, experiences and relevant resources.

v) Whistleblowing procedures are in place to facilitate employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

vi) The Company has developed its Internal Guidelines on Inside Information which provides a general guide to the Company's Directors, senior management and relevant employees in handling inside information and monitoring information disclosure. Control procedures have been implemented to ensure that the use of inside information are strictly prohibited.

During the Reporting Period, no significant irregularity or deficiency in risk management and internal control systems was required to draw the attention of the Board and the members of the Audit Committee.

ACCOUNTABILITY AND AUDIT

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2019. The Board is not aware of any material uncertainties relating to any events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern. The statement of the external auditor of the Company regarding its reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report on pages 49 to 52.

SHAREHOLDERS' COMMUNICATION

A Shareholders' communication policy was established on 22 May 2019. The Board recognizes the importance of good communication with the Shareholders and to ensure that Shareholders' views and concerns are appropriately addressed. Information in relation to the Group is disseminated to the Shareholders in a timely manner through the publication of interim and annual reports, announcements and circulars. All such published documents together with the latest corporate information and news are also available on the websites of the Stock Exchange and the Company. During the Reporting Period, no general meeting was held.

The Board considers that effective communication with the Shareholders is essential for enhancing investor relations and investors, understanding of the Group's business performance and strategies. The Board strives to maintain an ongoing dialogue with the Shareholders and, in particular, through the AGM or other general meetings as a useful forum for the Shareholders to exchange views with the Board. The Chairmen of the Audit Committee, Remuneration Committee and Nomination Committee or in their absence, another member of the respective committees or failing that their respective duly appointed delegate, are also available to answer the Shareholders' questions at the AGM.

SHAREHOLDERS' COMMUNICATION *(Continued)*

Separate resolutions are proposed at the general meetings of the Company for each substantially separate issue, including the election and re-election (as the case may be) of individual Directors.

The forthcoming AGM will be held on Tuesday, 2 June 2020, the notice of which will be sent to the Shareholders at least 20 clear business days before the meeting. An explanation of the detailed procedures of conducting a poll will be provided to Shareholders at the commencement of the AGM. The poll results will be published on the websites of the Stock Exchange and the Company in accordance with the requirements of the Listing Rules. All Shareholders are encouraged to attend the general meetings or to appoint proxies to attend and vote at the meetings on their behalf if they are unable to attend the meetings in person.

SHAREHOLDERS' RIGHTS

Proposing a Person for Election as a Director

Pursuant to Article 85 of the Articles of Association, if a Shareholder wishes to propose a person other than a retiring director for election as a Director at a general meeting, he/she can deposit a written notice at the head office and principal place of business in Hong Kong at 13/F., Chinachem Exchange Square, 1 Hoi Wan Street, Quarry Bay, Hong Kong for the attention of the Company Secretary or at the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong. The period for lodgment of such notice will commence no earlier than the day after the despatch of the notice of the general meeting and end no later than seven (7) days prior to the date of such general meeting. The procedures for a Shareholder to propose a person for election as a Director at general meeting are available on the websites of the Stock Exchange and the Company.

An up to date version of the Articles of Association is available on the websites of the Stock Exchange and the Company .

SHAREHOLDERS' RIGHTS *(Continued)*

Convening an Extraordinary General Meeting

Pursuant to Article 58 of the Articles of Association, an extraordinary general meeting can be convened on the requisition of any 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 of the Company. Such requisition shall be made in writing to the Company Secretary for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition.

If within twenty-one (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.

The requisition must be signed by the requisitionist(s) and deposited at the registered office of the Company at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands or the head office and principal place of business of the Company in Hong Kong at 13/F., Chinachem Exchange Square, 1 Hoi Wan Street, Quarry Bay, Hong Kong for the attention of the Company Secretary.

Shareholders may refer to the Articles of Association for further details of the rights of Shareholders.

Putting Forward Proposals at General Meetings

Shareholders who wish to move a resolution may request the Company to convene a general meeting in accordance with the procedures set out in the preceding paragraph. Shareholders can also send enquiries and proposals putting forward for Shareholders' consideration at Shareholders' meetings to the Board in writing to the head office and principal place of business of the Company in Hong Kong at 13/F., Chinachem Exchange Square, 1 Hoi Wan Street, Quarry Bay, Hong Kong or directly by raising questions at the general meeting of the Company.

Enquiries to the Board

Shareholders should direct their enquiries about their shareholding to the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong. Other Shareholders' enquiries can be directed to the head office and principal place of business of the Company in Hong Kong as set out in the Corporate Information Section of this Annual Report for the attention of the Company Secretary.

CORPORATE GOVERNANCE REPORT

DIVIDEND POLICY

The Company has adopted a dividend policy (the "Dividend Policy") on 22 May 2019 which aims at providing stable and sustainable returns to its Shareholders. In deciding whether to propose a dividend and in determining the dividend amount, the Board will take into account, inter alia, the Group's operation results, gearing, general financial condition of the Group, liquidity position, the Group's expected working capital requirements and future expansion plans and any other factors that the Board may deem appropriate. The recommendation of the payment of any dividend is subject to the absolute discretion of the Board, and any declaration of final dividend will be subject to the approval of the Shareholders. The Board will regularly review the Dividend Policy and will amend and/or modify the dividend policy if necessary.

Any declaration or proposed payment of dividend or distribution by the Company is also subject to any requirements and restrictions under the Companies Laws of the Cayman Islands, the Articles of Association and any other applicable laws, rules and regulations.

COMPANY SECRETARY

Mr. Wong Kin Pong Edmond has been appointed as the Company Secretary since 2019. All Directors have access to the advice and services of the Company Secretary. The Company Secretary reports to the Chairman on board governance matters, and is responsible for ensuring that Board procedures are followed and for facilitating communications among Directors as well as with Shareholders and management.

During the Reporting Period, Mr. Wong undertook over 15 hours of relevant professional training pursuant to Rule 3.29 of the Listing Rules.

On behalf of the Board

Chan Wing On
Chairman

Hong Kong, 26 March 2020

INDEPENDENT AUDITOR'S REPORT

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To the shareholders of
Tai Hing Group Holdings Limited
(Incorporated in Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Tai Hing Group Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 53 to 147, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS FOR OPINION

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

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current 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. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS *(Continued)*

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of property, plant and equipment ("PPE") and right-of-use assets ("ROU assets")	
As at 31 December 2019, the Group had property, plant and equipment of HK$586,996,000 and right-of-use assets of HK$1,696,543,000. The Group's management performed impairment assessment of property, plant and equipment and right-of-use assets for identified restaurants that continued to underperform by estimating the recoverable amount of their property, plant and equipment and right-of-use assets based on value in use calculation. Impairment losses of approximately HK$3,334,000 and HK$26,229,000 have been recorded to reduce the carrying amount of certain property, plant and equipment and right-of-use assets, respectively, to their estimated recoverable amounts. Significant judgement was involved in the assessment of the recoverable amounts of the property, plant and equipment and right-of-use assets of those restaurants, including assumptions on the budgeted gross margin of respective restaurants and discount rate. Relevant disclosures of property, plant and equipment and right-of-use assets are set out in notes 3 and 13 to the financial statements.	Our audit procedures included, among others, evaluating the Group's policies and procedures in identifying impairment indicators and assessing management's significant assumptions adopted, in particular those relating to the cash flow forecasts, by reviewing the Group's business plan, comparing with the market discount rate and inflation rate and evaluating the growth rate by comparing to market data such as forecasted number of tourists. Our procedures also included a comparison of the cash flow forecasts with historical data of the Group.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises 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.

INDEPENDENT AUDITOR'S REPORT

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

In preparing the consolidated financial statements, the directors of the Company 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 of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those 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.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

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

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

From the matters communicated with the Audit Committee, 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 Chau Suet Fung.

Ernst & Young
Certified Public Accountants
Hong Kong

26 March 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
REVENUE	5	3,252,250	3,126,053
Cost of materials consumed		(932,544)	(887,062)
Gross profit		2,319,706	2,238,991
Other income and gains, net	5	25,395	20,286
Gain on disposal of non-current assets classified as held for sale		–	162,614
Staff costs		(1,096,440)	(1,033,250)
Depreciation and amortisation		(155,762)	(147,813)
Amortisation for right-of-use assets		(355,190)	–
Rental and related expenses		(131,763)	(453,606)
Other operating expenses, net		(416,400)	(397,370)
Finance costs	7	(54,768)	(21,203)
Listing expenses		(18,016)	(10,973)
PROFIT BEFORE TAX	6	116,762	357,676
Income tax expense	10	(39,595)	(52,742)
PROFIT FOR THE YEAR		77,167	304,934
Profit for the year attributable to:			
Owners of the Company		76,864	304,934
Non-controlling interests		303	–
		77,167	304,934
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY			
– Basic	12	HK8.65 cents	HK40.66 cents
– Diluted	12	HK8.62 cents	HK40.66 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
PROFIT FOR THE YEAR		**77,167**	304,934
OTHER COMPREHENSIVE LOSS			
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**(11,696)**	(13,655)
Reclassification adjustment for foreign operations deregistered during the year		**(1,093)**	(1,270)
Release of exchange reserve upon disposal of subsidiaries	32	**–**	976
		(12,789)	(13,949)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:			
Gain on asset revaluation	14	**4,631**	–
Other comprehensive loss for the year		**(8,158)**	(13,949)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**69,009**	290,985
Attributable to:			
Owners of the Company		**68,766**	290,985
Non-controlling interests		**243**	–
		69,009	290,985

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment, prepaid land lease payments and right-of-use assets	13	**2,283,539**	815,454
Investment properties	14	**29,945**	10,655
Intangible assets	15	**1,167**	400
Prepayments, deposits and other receivables	18	**143,425**	136,249
Deferred tax assets	26	**21,174**	19,741
Total non-current assets		**2,479,250**	982,499
CURRENT ASSETS			
Inventories	16	**77,097**	56,555
Trade receivables	17	**24,503**	18,700
Prepayments, deposits and other receivables	18	**112,076**	95,353
Due from related companies	19	**–**	302
Financial assets at fair value through profit or loss	20	**–**	851
Tax recoverable		**744**	2,785
Cash and cash equivalents	21	**711,079**	242,162
Total current assets		**925,499**	416,708
CURRENT LIABILITIES			
Trade payables	22	**120,611**	110,468
Other payables and accruals	23	**216,424**	216,870
Contract liabilities	24	**83,897**	75,062
Interest-bearing bank borrowings	25	**137,613**	112,357
Lease liabilities	13(b)(iii)	**550,065**	–
Tax payable		**28,343**	17,838
Total current liabilities		**1,136,953**	532,595
NET CURRENT LIABILITIES		**(211,454)**	(115,887)
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,267,796**	866,612

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
NON-CURRENT LIABILITIES			
Lease liabilities	13(b)(iii)	**1,081,188**	–
Other payables and accruals	23	**37,325**	68,236
Interest-bearing bank borrowings	25	**169,849**	424,802
Deferred tax liabilities	26	**8,580**	7,529
Total non-current liabilities		**1,296,942**	500,567
Net assets		**970,854**	366,045
EQUITY			
Equity attributable to owners of the Company			
Issued capital	27	**10,000**	1
Reserves	29	**956,721**	366,044
		966,721	366,045
Non-controlling interests		**4,133**	–
Total equity		**970,854**	366,045

Chan Wing On
Director

Chan Shuk Fong
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2019

	Attributable to owners of the Company										
	Issued capital HK$'000 (note 27)	Share premium HK$'000	Capital reserve HK$'000 (note 29(a))	Asset revaluation reserve HK$'000	Exchange fluctuation reserve HK$'000 (note 29(b))	Statutory reserve HK$'000 (note 29(c))	Share option reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 31 December 2018	1	–	118,643	576	(15,789)	6,455	–	256,159	366,045	–	366,045
Effect of adoption of HKFRS 16 *(note 2.3)*	–	–	–	–	–	–	–	(121,357)	(121,357)	–	(121,357)
At 1 January 2019 (restated)	1	–	118,643	576	(15,789)	6,455	–	134,802	244,688	–	244,688
Profit for the year	–	–	–	–	–	–	–	76,864	76,864	303	77,167
Other comprehensive loss for the year:											
Exchange differences on translation of foreign operations	–	–	–	–	(11,636)	–	–	–	(11,636)	(60)	(11,696)
Release of exchange reserve upon liquidation of a subsidiary	–	–	–	–	(1,093)	–	–	–	(1,093)	–	(1,093)
Gain on asset revaluation *(note 14)*	–	–	–	4,631	–	–	–	–	4,631	–	4,631
Total comprehensive income for the year	–	–	–	4,631	(12,729)	–	–	76,864	68,766	243	69,009
Appropriation to statutory reserve	–	–	–	–	–	791	–	(791)	–	–	–
Issue of new shares pursuant to the capitalisation *(note 27(e))*	7,499	(7,499)	–	–	–	–	–	–	–	–	–
New shares issued pursuant to the share offer *(note 27(f))*	2,500	747,500	–	–	–	–	–	–	750,000	–	750,000
Share issuance cost *(note 27(f))*	–	(26,513)	–	–	–	–	–	–	(26,513)	–	(26,513)
Equity-settled share option arrangement	–	–	–	–	–	–	2,180	–	2,180	–	2,180
Contribution from a non-controlling shareholder of a subsidiary	–	–	–	–	–	–	–	–	–	3,890	3,890
Dividends *(note 11)*	–	–	–	–	–	–	–	(72,400)	(72,400)	–	(72,400)
At 31 December 2019	10,000	713,488*	118,643*	5,207*	(28,518)*	7,246*	2,180*	138,475*	966,721	4,133	970,854

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2019

	Attributable to owners of the Company						
	Issued capital HK$'000 (note 27)	Capital reserve HK$'000 (note 29(a))	Asset revaluation reserve HK$'000	Exchange fluctuation reserve HK$'000 (note 29(b))	Statutory reserve HK$'000 (note 29(c))	Retained profits HK$'000	Total equity HK$'000
At 1 January 2018	1	118,643	576	(1,840)	6,055	74,225	197,660
Profit for the year	–	–	–	–	–	304,934	304,934
Other comprehensive income for the year:							
Exchange differences on translation of foreign operations	–	–	–	(13,655)	–	–	(13,655)
Release of exchange reserve upon liquidation of a subsidiary	–	–	–	(1,270)	–	–	(1,270)
Release of exchange reserve upon disposal of subsidiaries *(note 32)*	–	–	–	976	–	–	976
Total comprehensive income for the year	–	–	–	(13,949)	–	304,934	290,985
Appropriation to statutory reserve	–	–	–	–	400	(400)	–
Dividends paid to the then shareholders *(note 11)*	–	–	–	–	–	(102,600)	(102,600)
Interim dividend *(note 11)*	–	–	–	–	–	(20,000)	(20,000)
At 31 December 2018	1	118,643*	576*	(15,789)*	6,455*	256,159*	366,045

* These reserve accounts comprise the consolidated reserves of HK$956,721,000 (2018: HK$366,044,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**116,762**	357,676
Adjustments for:			
Finance costs	7	**54,768**	21,203
Bank interest income	5	**(7,505)**	(1,750)
Interest income from related companies	5	**–**	(1,181)
Loss on disposal of items of property, plant, and equipment	6	**8,466**	6,612
Gain on disposal of a subsidiary	5	**–**	(472)
Gain on disposal of non-current assets classified as held for sale	6	**–**	(162,614)
Depreciation	6	**155,608**	147,180
Amortisation of land lease payments	6	**–**	476
Amortisation of intangible assets	6	**154**	157
Amortisation of right-of-use assets	6	**355,190**	–
Impairment of items of property, plant and equipment	6	**3,334**	2,070
Impairment of right-of-use assets	6	**26,229**	–
Fair value (gain)/loss on financial assets at fair value through profit or loss	6	**(104)**	132
Fair value gain on investment properties	5	**(102)**	(24)
Gain on deregistration of subsidiaries	5	**(1,093)**	(1,270)
Cash coupon forfeited	5	**(1,676)**	(1,106)
Equity-settled share option expenses	6	**2,180**	–
		712,211	367,089
Increase in inventories		**(21,019)**	(18,072)
(Increase)/decrease in trade receivables		**(5,920)**	392
Increase in prepayments, deposits and other receivables		**(30,582)**	(13,160)
Movement in balances with related parties		**–**	1,556
Movement in balances with related companies	30(a)(i)	**302**	237,577
Decrease in an amount due from a director		**–**	11,158
Increase/(decrease) in trade payables		**10,869**	(1,710)
Increase in other payables and accruals	30(a)(ii)	**18,178**	20,017
Increase in contract liabilities		**10,512**	13,451
Cash generated from operations		**694,551**	618,298
Hong Kong profits tax paid		**(7,527)**	(46,542)
Overseas tax paid		**(3,150)**	(25,417)
Net cash flows from operating activities		**683,874**	546,339

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	5	**7,505**	2,931
Purchases of items of property, plant and equipment and right-of-use assets	13	**(230,119)**	(222,079)
Purchase of intangible assets	15	**(921)**	–
Proceeds from disposal of items of property, plant and equipment		**2,512**	4,759
Proceeds from disposal of financial assets at fair value through profit and loss		**955**	–
Proceeds from disposal of debt investment at amortised cost		**–**	57,701
Disposal of a subsidiary	32	**–**	9,560
Proceeds from disposal of non-current assets classified as held for sales	30(a)(i)	**–**	206,474
Net cash flows from/(used in) investing activities		**(220,068)**	59,346
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares	27	**723,487**	–
New bank borrowings	30(b)	**130,000**	779,800
Repayment of bank borrowings	30(b)	**(359,697)**	(1,261,819)
Principal portion of lease payments	13(b)(iii), 30(b)	**(399,639)**	–
Interest paid on bank borrowings		**(14,370)**	(21,203)
Dividends paid		**(72,400)**	(20,000)
Contribution from a non-controlling shareholder of a subsidiary		**3,890**	–
Net cash flows from/(used in) financing activities		**11,271**	(523,222)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**475,077**	82,463
Cash and cash equivalents at beginning of year		**242,162**	164,682
Effect of foreign exchange rate changes, net		**(6,160)**	(4,983)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**711,079**	242,162
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	21	**307,457**	242,162
Non-pledged time deposits with original maturity of less than three months when acquired	21	**403,622**	–
Cash and cash equivalents as stated in the consolidated statement of financial position		**711,079**	242,162

NOTES TO FINANCIAL STATEMENTS
31 December 2019

1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands on 11 December 2017. The registered address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The principal place of business of the Company is located at 13/F, Chinachem Exchange Square, 1 Hoi Wan Street, Quarry Bay, Hong Kong.

The Company is an investment holding company. During the year, the Group was engaged in the operation and management of restaurants.

In the opinion of the directors of the Company, Chun Fat Company Limited, a company incorporated in the British Virgin Islands (the "BVI") on 30 November 2017, is the immediate and ultimate holding company of the Company. The controlling shareholders of the Company and its subsidiaries are Mr. Chan Wing On, Mr. Yuen Chi Ming, Mr. Lau Hon Kee and Mr. Ho Ping Kee (the "Controlling Shareholders") immediately before and after the group reorganisation ("Reorganisation"). Details of the Reorganisation are set out in the prospectus dated 30 May 2019 issued by the Company (the "Prospectus").

On 13 June 2019, the shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Tai Hing Group Holdings (BVI) Limited	BVI	US$21	100	–	Investment holding
Auto Plus Limited	Hong Kong	HK$100	–	100	Licence holding
Auto Success Enterprise Limited	Hong Kong	HK$100	–	100	Investment holding
Best Domain Limited	Hong Kong	HK$100	–	100	Investment holding
Bright Rich (China) Limited	Hong Kong	HK$10,000	–	100	Investment holding

1. CORPORATE INFORMATION *(Continued)*

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
Café 308 Limited	Hong Kong	HK$100	–	100	Restaurant operation
Chance Spread Limited	Hong Kong	HK$100	–	100	Licence holding
CTC Congee Limited	Hong Kong	HK$1,300,000	–	100	Restaurant operation
Delighted City Limited	Hong Kong	HK$100	–	100	Licence holding
Double Reward Limited	Hong Kong	HK$100	–	100	Property holding
Easy Empire Company Limited	Hong Kong	HK$200,000	–	100	Licence holding
Gold Business International Company Limited	Hong Kong	HK$10,000	–	100	Property holding
Gold Rainbow Limited	Hong Kong	HK$10,000	–	100	Licence holding
Great Art Development Limited	Hong Kong	HK$100	–	100	Investment holding
Great Reward Enterprise Limited	Hong Kong	HK$100	–	100	Property holding
Huge Profit Star Limited	Hong Kong	HK$100	–	100	Investment holding
Hugh Boom Limited	Hong Kong	HK$100	–	100	Investment holding

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31 December 2019

1. CORPORATE INFORMATION *(Continued)*

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
Men Wah Catering Management Limited**	Hong Kong	HK$100	–	100	Investment holding
Miyasaki Yakiniku Company Limited	Hong Kong	HK$100	–	100	Restaurant operation
Niceway International Enterprise Limited	Hong Kong	HK$100	–	100	Investment holding
Nice Bloom Investment Limited	Hong Kong	HK$100	–	100	Investment holding
Original Taste Catering Company Limited	Hong Kong	HK$100	–	100	Licence holding
Record Sino Limited	Hong Kong	HK$100	–	100	Property holding
Roast.Pot Limited	Hong Kong	HK$100	–	100	Restaurant operation
Steerhead Limited	Hong Kong	HK$100	–	100	Lease holding
Sun Hing Food Factory Limited	Hong Kong	HK$100	–	100	Licence holding
Sun Smart Limited	Hong Kong	HK$100,000	–	100	Licence holding

1. CORPORATE INFORMATION *(Continued)*

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Tai Hing Catering Limited	Hong Kong	HK$10,000	–	100	Property holding
Tai Hing Catering Management (China) Limited	Hong Kong	HK$4,006,000	–	100	Investment holding
Tai Hing Catering Management (Macau) Limited	Hong Kong	MOP25,000	–	100	Restaurant operation
Tai Hing Gourmet Limited	Hong Kong	HK$100	–	100	Investment holding
Tai Hing Worldwide Development Limited	Hong Kong	HK$10,000	–	100	Restaurant operation
TeaWood Taiwanese Dining Bar Limited	Hong Kong	HK$100	–	100	Restaurant operation
Tokyo Tsukiji Ramen Limited	Hong Kong	HK$100	–	100	Restaurant operation
Total Charm Limited	Hong Kong	HK$100	–	100	Licence holding
Well Champ International Development Limited	Hong Kong	HK$100	–	100	Investment holding

1. CORPORATE INFORMATION *(Continued)*

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
VIET Corner Limited	Hong Kong	HK$100	–	100	Restaurant operation
Wealthy Grace Investment Limited	Hong Kong	HK$100	–	100	Investment holding
東莞永富食品有限公司*	The People's Republic of China (The "PRC")	HK$101,350,000	–	100	Operating of food factory
太興飲食管理(中國)有限公司*	The PRC	HK$88,000,000	–	100	Restaurant operation
廣州太興餐飲管理有限公司*	The PRC	RMB1,000,000	–	100	Restaurant operation
南寧太興餐飲管理有限公司*	The PRC	RMB1,000,000	–	100	Restaurant operation
上海太興餐飲管理有限公司*	The PRC	RMB1,000,000	–	100	Restaurant operation
杭州太興餐飲管理有限公司*	The PRC	RMB1,000,000	–	100	Restaurant operation
鄭州太興餐飲管理有限公司*	The PRC	RMB100,000	–	100	Restaurant operation
北京太興餐飲管理有限公司*	The PRC	RMB1,000,000	–	100	Restaurant operation
天津太興餐飲管理有限公司*	The PRC	RMB1,000,000	–	100	Restaurant operation
惠州太興餐飲管理有限公司*	The PRC	RMB100,000	–	100	Restaurant operation
濟南太興餐飲服務有限公司*	The PRC	RMB2,050,000	–	100	Restaurant operation
青島太興餐飲管理有限公司*	The PRC	RMB100,000	–	100	Restaurant operation

1. CORPORATE INFORMATION *(Continued)*

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
瀋陽太興餐飲管理有限公司*	The PRC	RMB1,050,000	–	100	Restaurant operation
鞍山太興餐飲管理有限公司*	The PRC	RMB100,000	–	100	Restaurant operation
廣州靠得住餐飲管理有限公司*	The PRC	HK$1,000,000	–	100	Restaurant operation
深圳靠得住餐飲管理有限公司*	The PRC	RMB100,000	–	100	Restaurant operation
上海靠得住餐飲管理有限公司*	The PRC	RMB100,000	–	100	Restaurant operation
杭州靠得住餐飲管理有限公司*	The PRC	RMB100,000	–	100	Restaurant operation
北京靠得住餐飲管理有限公司*	The PRC	RMB100,000	–	100	Restaurant operation
茶木餐飲管理(深圳)有限公司*	The PRC	HK$14,000,000	–	100	Restaurant operation
廣州茶木餐飲管理有限公司*	The PRC	RMB100,000	–	100	Restaurant operation
深圳得好勵投資諮詢有限公司*	The PRC	HK$15,000,000	–	100	Property holding
新世代餐飲管理(深圳)有限公司*	The PRC	HK$41,000,000	–	100	Restaurant operation
錦麗餐飲管理(深圳)有限公司*	The PRC	HK$1,000,000	–	100	Restaurant operation
廣州錦麗餐飲管理有限公司*	The PRC	RMB100,000	–	100	Restaurant operation
杭州錦麗飲食管理有限公司**	The PRC	RMB100,000	–	100	Restaurant operation

NOTES TO FINANCIAL STATEMENTS

31 December 2019

1. CORPORATE INFORMATION *(Continued)*

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
瀋陽靠得住餐飲管理有限公司**	The PRC	RMB100,000	–	100	Restaurant operation
敏華餐飲管理(深圳)有限公司**	The PRC	RMB0	–	100	Restaurant operation
上海敏華餐飲管理有限公司**	The PRC	RMB100,000	–	100	Restaurant operation
哈爾濱太興餐飲管理有限公司**	The PRC	RMB100,000	–	100	Restaurant operation
廣州敏華餐飲管理有限公司**	The PRC	RMB100,000	–	100	Restaurant operation
瀋陽錦麗餐飲管理有限公司**	The PRC	RMB100,000	–	100	Restaurant operation
瀋陽敏華餐飲管理有限公司**	The PRC	RMB100,000	–	100	Restaurant operation
廣州添飯創意策劃有限公司**	The PRC	RMB100,000	–	100	Branding design management
東莞太興餐飲管理有限公司**	The PRC	HK$8,000,000	–	100	Restaurant operation
台灣太興餐飲股份有限公司**	Taiwan	NTD15,000,000	–	51	Restaurant operation

* Not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network

** The subsidiary was newly incorporated during the year.

2.1 BASIS OF PRESENTATION

As at 31 December 2019, the Group had net current liabilities of HK$211,454,000 which included current portion of lease liabilities of HK$550,065,000. The Directors believe that the Group has sufficient cash flows from operations to meet its liabilities as and when they fall due. Therefore, the consolidated financial statements are prepared on a going concern basis.

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

Pursuant to the Reorganisation, as more fully explained in the paragraph headed "Reorganisation" in the section headed "History, Development and Reorganisation" as set out in the Prospectus, the Company became the holding company of the companies now comprising the Group on 28 December 2017, except for certain companies which became subsidiaries of the Company on 4 September 2018. The companies now comprising the Group were under the common control of the Controlling Shareholders before and after the Reorganisation. Accordingly, the financial information has been prepared on a consolidated basis by applying the principle of merger accounting.

The consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows of the Group include the results and cash flows of all companies now comprising the Group from the earliest date presented or since the date when the subsidiaries and/or businesses first came under the common control of the Controlling Shareholders, where this is a shorter period.

All intra-group transactions and balances have been eliminated in full on consolidation.

2.2 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for an investment property and the financial assets at fair value through profit or loss which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

2.2 BASIS OF PREPARATION *(Continued)*

Basis of consolidation

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*
HKFRS 16	*Leases*
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*
Annual Improvements 2015-2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

Other than as explained below regarding the impact of HKFRS 16, the adoption of the above new and revised HKFRSs has had no significant financial effect on these financial statements.

HKFRS 16 replaces HKAS 17 Leases, HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease, HK(SIC)-Int 15 Operating Leases – Incentives and HK(SIC)-Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. HKFRS 16 did not have any significant impact on leases where the Group is the lessor.

The Group has adopted HKFRS 16 using the modified retrospective method has been with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2019, and the comparative information for 2018 was not restated and continues to be reported under HKAS 17 and related interpretations.

New definition of a lease

Under HKFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for various items of land and properties. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low-value assets (elected on a lease-by-lease basis) and leases with a lease term of 12 months or less ("short-term leases") (elected by class of underlying asset). Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from 1 January 2019, the Group recognises depreciation (and impairment, if any) of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance costs).

Impacts on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019 and included in lease liabilities. The right-of-use assets were recognised based on the carrying amount as if the standard had always been applied, except for the incremental borrowing rate where the Group applied the incremental borrowing rate at 1 January 2019.

All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets as a component of property, plant and equipment, prepaid land lease payments and right-of-use assets in the consolidated statement of financial position.

For the leasehold buildings (that were held to earn rental income and/or for capital appreciation) previously included in investment properties and measured at fair value, the Group has continued to include them as investment properties at 1 January 2019. They continue to be measured at fair value applying HKAS 40.

The Group has used the following elective practical expedients when applying HKFRS 16 at 1 January 2019:

- Applying the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application

- Using hindsight in determining the lease term where the contract contains options to extend/terminate the lease

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

Financial impact at 1 January 2019

The impacts arising from the adoption of HKFRS 16 as at 1 January 2019 are as follows:

	Increase/ (decrease) HK$'000
Assets	
Increase in property, plant and equipment, prepaid land lease payments and right-of-use assets	1,216,034
Increase in deferred tax assets	16,995
Increase in total assets	1,233,029
Liabilities	
Increase in lease liabilities	1,402,164
Decrease in other payables and accruals	(47,778)
Increase in total liabilities	1,354,386
Equity	
Decrease in retained profits	(121,357)
Decrease in total equity	(121,357)

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 are as follows:

	HK$'000
Operating lease commitments as at 31 December 2018	928,431
Weighted average incremental borrowing rate as at 1 January 2019	2.66%
Discounted operating lease commitments as at 1 January 2019	885,229
Less: Commitments relating to short-term leases and those leases with a remaining lease term ending on or before 31 December 2019	(46,482)
Commitments relating to leases of low-value assets	(1,228)
Add: Payments for optional extension periods not recognised as at 31 December 2018	564,645
Lease liabilities as at 1 January 2019	1,402,164

NOTES TO FINANCIAL STATEMENTS

31 December 2019

2.4 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs that have been issued but are not yet effective in these financial statements.

Amendments to HKFRS 3	*Definition of a Business*[1]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	*Interest Rate Benchmark Reform*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
HKFRS 17	*Insurance Contracts*[2]
Amendments to HKAS 1 and HKAS 8	*Definition of Material*[1]

1 Effective for annual periods beginning on or after 1 January 2020
2 Effective for annual periods beginning on or after 1 January 2021
3 No mandatory effective date yet determined but available for adoption

Further information about those HKFRSs that are expected to be applicable to the Group is described below.

Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group expects to adopt the amendments prospectively from 1 January 2020. Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments are effective for annual periods beginning on or after 1 January 2020. Early application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

NOTES TO FINANCIAL STATEMENTS

31 December 2019

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations and goodwill *(Continued)*

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

The Company measures its investment properties at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Fair value measurement *(Continued)*

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1	–	based on quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2	–	based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
Level 3	–	based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets, financial assets and investment properties), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

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2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

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

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

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

(vi) the entity is controlled or jointly controlled by a person identified in (a);

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

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5, as further explained in the accounting policy for "Non-current assets and disposal groups held for sale". The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	Over the lease terms
Leasehold improvements	Over the shorter of the lease terms and 5 years
Furniture, fixture and office equipment	20%
Motor vehicles	20%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investment properties

Investment properties are interests in land and buildings (including the leasehold property held as a right-of-use asset (2018: leasehold property under an operating lease) which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in the statement of profit or loss in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of profit or loss in the year of the retirement or disposal.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Licences

Purchased licences are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of 5 years.

Leases (applicable from 1 January 2019)

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases (applicable from 1 January 2019) *(Continued)*

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Leasehold land	50 years
Buildings	Over the lease terms and optional period

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

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31 December 2019

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases (applicable from 1 January 2019) *(Continued)*

Group as a lessee *(Continued)*

(c) *Short-term leases and leases of low-value assets*

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment and laptop computers that are considered to be of low value. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying assets to the lessee are accounted for as finance leases.

Leases (applicable before 1 January 2019)

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including prepaid land lease payments under finance leases, are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the statement of profit or loss so as to provide a constant periodic rate of charge over the lease terms.

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, but are depreciated over their estimated useful lives.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases (applicable before 1 January 2019) *(Continued)*

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the statement of profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the statement of profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for ''Revenue recognition'' below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest (''SPPI'') on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets *(Continued)*

Initial recognition and measurement *(Continued)*

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

The Group measures financial assets at amortised cost if both of the following conditions are met:

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

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

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through other comprehensive income, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets *(Continued)*

Financial assets at fair value through profit or loss *(Continued)*

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in profit or loss.

This category includes equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on listed equity investments are also recognised as other income in profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECL") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial assets in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectable of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

Stage 1	–	Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
Stage 2	–	Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
Stage 3	–	Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets *(Continued)*

Simplified approach

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade payables, other payables and accruals, contract liabilities, interest-bearing bank borrowings and lease liabilities.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at amortised cost (loans and borrowings)

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received a consideration (or an amount of consideration that is due) from the customer. If a customer pays the consideration before the Group transfers goods or services to the customers, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax *(Continued)*

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant and subsidy relate to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to profit or loss by way of a reduced depreciation charge.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition *(Continued)*

Revenue from contracts with customers *(Continued)*

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

(a) *Restaurant operation*

Revenue from restaurant operation is recognised at the point in time when catering services have been provided to customers.

(b) *Sales of food products*

Revenue from sale of food products is recognised at the point in time when control of the goods has been transferred when the products are accepted by the customers. The customers have full discretion over the products, and there is no unfulfilled obligation that could affect customer's acceptance of the products.

Other income

(a) Royalty income is recognised, on an accrual basis in accordance with the terms and conditions of the franchise agreements, based on a certain percentage of net sales of franchised restaurants for use of the "Tai Hing" trademark;

(b) Rental income is recognised, on a time proportion basis over the lease terms; and

(c) Interest income is recognised, on an accrual basis using the effective interest rate method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or shorter period, when appropriate, to the net carrying amount of the financial asset.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Employee benefits

Pension scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its employees. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

Borrowing costs

Borrowing costs are expensed in the period in which they are incurred.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements.

Interim dividends are simultaneously proposed and declared, because the Group's memorandum and bye-laws grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Group's functional currency. Foreign currency transactions recorded by the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies *(Continued)*

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

Share-based payments

The Group operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees for grants after 22 May 2019 is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 28 to the financial statements.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

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31 December 2019

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Share-based payments *(Continued)*

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Impairment of assets

In determining whether an asset is impaired or the event previously causing the impairment no longer exists, the Group has to exercise judgement in the area of asset impairment, particularly in assessing: (1) whether an event has occurred that may affect the asset value or such event affecting the asset value has not been in existence; (2) whether the carrying value of an asset can be supported by the net present value of future cash flows which are estimated based upon the continued use of the asset or derecognition; and (3) 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 to determine the level of 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.

Property lease classification – Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the commercial property and the present value of the minimum lease payments not amounting to substantially all the fair value of the commercial property, that it retains substantially all the significant risks and rewards incidental to ownership of these properties which are leased out and accounts for the contracts as operating leases.

Significant judgement in determining the lease term of contracts with renewal options

The Group has lease contracts that include extension and termination options. The Group applies judgement in evaluating whether or not to exercise the option to renew or terminate the leases. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease terms if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the options to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation to the leased assets).

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31 December 2019

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

Significant judgement in determining the lease term of contracts with renewal options *(Continued)*

The Group includes the renewal period as part of the lease term for leases of properties due to the significance of these assets to its operations. These leases have a short non-cancellable period (i.e., three to five years) and there will be a significant negative effect on production if a replacement is not readily available.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Depreciation of property, plant and equipment

The Group depreciates the different classes of property, plant and equipment on a straight-line basis at applicable depreciation rates over the estimated useful life. The useful life is estimated with reference to the wear and tear history of property, plant and equipment. The estimated useful life reflects the directors' estimates of the periods that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment. The carrying amount of property, plant and equipment was HK$586,996,000 as at 31 December 2019 (2018: HK$802,799,000) (note 13(a)).

Impairment testing of property, plant and equipment and right-of-use assets

The Group determines whether property, plant and equipment and right-of-use assets are impaired when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying values of these assets exceed their recoverable amounts, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair values less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value-in-use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying amount of deferred tax assets was HK$21,174,000 as at 31 December 2019 (2018: HK$19,741,000) (note 26).

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

Estimation uncertainty *(Continued)*

Deferred tax liability

Deferred tax liability relating to withholding tax of undistributed earnings of certain subsidiaries established in the PRC is provided to the extent that it is probable that distribution is made according to the relevant tax rules enacted in the relevant jurisdiction, and is subject to management's judgement on the timing and level of such distribution. Such judgement is made with reference to the Group's business plan and cash flow requirements for the holding companies of the subsidiaries. The carrying amount of deferred tax liability provided relating to such withholding tax amounted to HK$3,458,000 as at 31 December 2019 (2018: HK$4,797,000) (note 26).

Provision for reinstatement costs

The Group determines the estimated reinstatement costs of items of property, plant and equipment arising from leasing of properties. The estimate is based on historical experience of the actual reinstatement costs incurred with reference to quoted price and/or other available information. Management will reassess the provision at the end of each reporting period, taking into consideration of size, shape topography and the complexity of the structure of each restaurant. The carrying amount of such provision amounted to HK$47,517,000 as at 31 December 2019 (2018: HK$42,132,000) (note 23).

Leases – Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

NOTES TO FINANCIAL STATEMENTS
31 December 2019

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group has only one reportable operating segment, which is the operation and management of restaurants.

For management purposes, the Group is organised into business units based on geographical areas and has two reportable operating segments as follows:

(i) the Hong Kong, Macau and Taiwan segment is engaged in the operation of restaurants, and the sale of food products; and

(ii) the Mainland China segment is engaged in the operation of restaurants, and the sale of food products.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group's profit before tax except that interest income and unallocated gains, non-lease-related finance costs, corporate and other unallocated expenses are excluded from such measurement.

Segment assets exclude deferred tax assets, tax recoverable, due from related companies, intangible assets and cash and cash equivalents as these assets are managed on a group basis.

Segment liabilities exclude interest-bearing bank borrowings, tax payable and deferred tax liabilities as these liabilities are managed on a group basis.

4. OPERATING SEGMENT INFORMATION *(Continued)*

Geographical information

For the years ended 31 December 2019 and 2018

	Hong Kong, Macau and Taiwan		Mainland China		Total	
	2019	2018	**2019**	2018	**2019**	2018
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment revenue *(note 5)*						
Sales to external customers*	**2,581,312**	2,428,111	**670,938**	697,942	**3,252,250**	3,126,053
Intersegment sales	**–**	–	**47,838**	1,249	**47,838**	1,249
Revenue	**2,581,312**	2,428,111	**718,776**	699,191	**3,300,088**	3,127,302
Reconciliation:						
Elimination of intersegment sales					**(47,838)**	(1,249)
					3,252,250	3,126,053
Segment results	**185,480**	393,710	**(35,780)**	(5,039)	**149,700**	388,671
Reconciliation:						
Elimination of intersegment results					**(552)**	–
Interest income from related companies					**–**	1,181
Finance costs (other than interest on lease liabilities)					**(14,370)**	(21,203)
Listing expenses					**(18,016)**	(10,973)
Profit before tax					**116,762**	357,676
Segment assets	**1,877,182**	759,079	**793,403**	374,738	**2,670,585**	1,133,817
Reconciliation:						
Corporate and other unallocated assets					**734,164**	265,390
Total assets					**3,404,749**	1,399,207
Segment liabilities	**1,511,198**	349,005	**578,312**	121,631	**2,089,510**	470,636
Reconciliation:						
Corporate and other unallocated liabilities					**344,385**	562,526
Total liabilities					**2,433,895**	1,033,162

NOTES TO FINANCIAL STATEMENTS
31 December 2019

4. OPERATING SEGMENT INFORMATION *(Continued)*

Geographical information *(Continued)*

For the years ended 31 December 2019 and 2018

	Hong Kong, Macau and Taiwan		Mainland China		Total	
	2019 HK$'000	2018 HK$'000	**2019 HK$'000**	2018 HK$'000	**2019 HK$'000**	2018 HK$'000
Other segment information						
Depreciation and amortisation	**105,284**	97,925	**50,478**	49,888	**155,762**	147,813
Amortisation for right-of-use assets	**269,348**	–	**85,842**	–	**355,190**	–
Loss on disposal of items of property, plant and equipment	**218**	2,754	**8,248**	3,858	**8,466**	6,612
Gain on disposal of non-current assets classified as held for sale	**–**	(162,614)	**–**	–	**–**	(162,614)
Capital expenditure**	**145,843**	110,600	**70,415**	121,678	**216,258**	232,278
Non-current assets***	**1,751,735**	652,080	**706,341**	310,678	**2,458,076**	962,758
Fair value gain on investment properties	**–**	–	**102**	24	**102**	24
Impairment of items of property, plant and equipment and right-of-use assets	**10,365**	–	**19,198**	2,070	**29,563**	2,070

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

** Capital expenditure consists of additions to property, plant and equipment, prepaid land lease payments, investment properties and intangible assets.

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

Information about major customers

There was no revenue from customers individually contributing over 10% to the total revenue of the Group.

5. REVENUE, OTHER INCOME AND GAINS, NET

An analysis of revenue is as follows:

	2019 HK$'000	2018 HK$'000
Revenue from contracts with customers		
(i) Disaggregated revenue information		
Type of goods or services		
Revenue from restaurant operations	**3,186,471**	3,061,670
Revenue from the sale of food products	**65,779**	64,383
Total revenue from contracts with customers	**3,252,250**	3,126,053
Geographical markets		
Hong Kong, Macau and Taiwan	**2,581,312**	2,428,111
Mainland China	**670,938**	697,942
Total revenue from contracts with customers	**3,252,250**	3,126,053
Timing of revenue recognition		
At a point in time	**3,252,250**	3,126,053

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period:

	2019 HK$'000	2018 HK$'000
Revenue recognised that was included in the contract liabilities at the beginning of the year – Restaurant operations	**56,227**	45,462

NOTES TO FINANCIAL STATEMENTS

31 December 2019

5. REVENUE, OTHER INCOME AND GAINS, NET *(Continued)*

(ii) Performance obligations

Information about the Group's performance obligations is summarised below:

Restaurant operations

The performance obligation is satisfied when the catering services have been provided to customers. The Group's trading terms with its customers are mainly on cash and credit card settlement. The credit period is generally less than one month.

Sale of food products

The performance obligation is satisfied upon acceptance of the products by the customers with immediate payment. The Group's trading terms with its customers are mainly on cash, credit card settlement and on credit. The credit period is generally one to two months.

	2019 **HK$'000**	2018 HK$'000
Other income and gains, net		
Interest income from related companies	–	1,181
Bank interest income	**7,505**	1,750
Rental income	**444**	2,694
Royalty income	**5,319**	5,538
Subsidies received from utility companies for purchases of items of property, plant and equipment*	**2,964**	2,705
Government grant*	**480**	374
Cash coupon forfeited	**1,676**	1,106
Fair value gain on investment properties, net *(note 14)*	**102**	24
Gain on disposal of a subsidiary *(note 32)*	–	472
Gain on deregistration of subsidiaries	**1,093**	1,270
Others	**5,812**	3,172
	25,395	20,286

* As at 31 December 2019 and 2018, there were no unfulfilled conditions or other contingencies attaching to the subsidies and government grant that had been recognised by the Group.

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Notes	2019 HK$'000	2018 HK$'000
Cost of materials consumed		**932,544**	887,062
Depreciation of items of property, plant and equipment	13(a)	**155,608**	147,180
Amortisation of land lease payments	13(b)(i)	**–**	476
Amortisation for right-of-use assets	13(b)(ii)	**355,190**	–
Amortisation of intangible assets	15	**154**	157
Minimum lease payments under operating leases		**50,135**	367,951
Contingent rents under operating leases*		**12,360**	20,985
Auditor's remuneration		**4,135**	2,400
Employee benefit expenses (including directors' and chief executive's remuneration *(note 8)*):			
Salaries, allowances and benefits in kind		**1,025,874**	967,806
Equity-settled share option expenses		**2,180**	–
Pension scheme contributions		**68,386**	65,444
		1,094,440	1,033,250
Direct operating expenses (including repairs and maintenance) arising from rental-earning investment properties		**177**	77
Foreign exchange differences, net**		**579**	(285)
Impairment of items of property, plant and equipment	13(a)	**3,334**	2,070
Impairment of right-of-use assets	13(b)(ii)	**26,229**	–
Loss on disposal of items of property, plant and equipment		**8,466**	6,612
Gain on disposal of non-current assets classified as held for sale		**–**	(162,614)
Fair value (gain)/loss on financial assets at fair value through profit or loss		**(104)**	132
Listing expenses		**18,016**	10,973

* Contingent rents under operating leases are included in "Rental and related expenses" in profit or loss.

** Foreign exchange differences, net are included in "Other income and gains, net" in profit or loss.

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31 December 2019

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2019 HK$'000	2018 HK$'000
Interest on bank borrowings	**14,370**	21,203
Interest on lease liabilities *(note 13(b)(iii))*	**40,398**	–
	54,768	21,203

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

The Group did not have any chief executive or independent non-executive directors at any time during the year ended 31 December 2018.

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, Section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2019 HK$'000	2018 HK$'000
Fees	**692**	–
Other emoluments:		
Salaries, allowances and benefits in kind	**13,935**	11,649
Performance-related bonuses	**738**	1,966
Pension scheme contributions	**60**	72
	14,733	13,687
Total	**15,425**	13,687

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION *(Continued)*

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2019 HK$'000	2018 HK$'000
Mak Ping Leung	133	–
Sat Chui Wan	133	–
Wong Shiu Hoi Peter	133	–
	399	–

There were no other emoluments payable to the independent non-executive directors during the year (2018: Nil).

(b) Executive directors, non-executive director and the chief executive

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Performance related bonuses HK$'000	Pension scheme contributions HK$'000	Total HK$'000
Year ended 31 December 2019					
Executive directors					
Chan Wing On	55	8,288	230	18	8,591
Yuen Chi Ming	55	1,631	66	6	1,758
Lau Hon Kee	55	1,440	66	18	1,579
Chan Shuk Fong	28	2,576	376	18	2,998
	193	13,935	738	60	14,926
Non-executive director					
Ho Ping Kee	100	–	–	–	100
	293	13,935	738	60	15,026
Year ended 31 December 2018					
Executive directors					
Chan Wing On	–	6,614	849	18	7,481
Yuen Chi Ming	–	1,523	262	18	1,803
Lau Hon Kee	–	1,243	262	18	1,523
Chan Shuk Fong	–	2,269	593	18	2,880
	–	11,649	1,966	72	13,687
Non-executive director					
Ho Ping Kee	–	–	–	–	–
	–	11,649	1,966	72	13,687

NOTES TO FINANCIAL STATEMENTS

31 December 2019

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION *(Continued)*

There was no arrangement under which a director waived or agreed to waive any remuneration during the years.

During the current and prior years, no remuneration was paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the years ended 31 December 2019 and 2018 included 2 directors (2018: 2 directors), details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining three non-director, highest paid employees during the years ended 31 December 2019 and 2018 are as follows:

	2019 **HK$'000**	2018 HK$'000
Salaries, allowances and benefits in kind	**9,347**	8,512
Performance related bonuses	**463**	1,324
Pension scheme contributions	**151**	144
	9,961	9,980

The number of the non-director, highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2019 **HK$'000**	2018 HK$'000
HK$3,500,001 to HK$4,000,000	**2**	1
HK$3,000,001 to HK$3,500,000	**–**	1
HK$2,500,001 to HK$3,000,000	**1**	1
HK$2,000,001 to HK$2,500,000	**–**	–
HK$1,500,001 to HK$2,000,000	**–**	–
	3	3

No emoluments were paid by the Group to any of the non-director, highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office.

10. INCOME TAX

Pursuant to the rules and regulations of the Cayman Islands and the BVI, the Group is not subject to any income tax in the Cayman Islands and the BVI. Hong Kong profits tax has been provided at the rate of 16.5% (2018: 16.5%) on the estimated assessable profits arising in Hong Kong during the year, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime effective from the year of assessment 2018/2019. The first HK$2,000,000 (2018: Nil) of assessable profits of this subsidiary is taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. PRC tax and Macau tax have been provided at the rates of 25% (2018: 25%) and 12% (2018: 12%), respectively, on the estimated profits arising in the PRC and Macau during the year.

	2019 **HK$'000**	2018 HK$'000
Current – Hong Kong		
Charge for the year	**17,502**	48,800
Underprovision in prior years	**395**	198
Current – Elsewhere	**5,090**	10,267
Deferred *(note 26)*	**16,608**	(6,523)
Total tax charge for the year	**39,595**	52,742

A reconciliation of the tax expense applicable to profit before tax at the statutory rates for the tax expense at the effective tax rate is as follows:

	2019 **HK$'000**	2018 HK$'000
Profit before tax	**116,762**	357,676
Tax at the statutory rates of different jurisdictions	**15,965**	58,486
Adjustments in respect of current tax of previous years	**395**	198
Effect of withholding tax at 5% on the distributable profits of the Group's PRC subsidiaries	**(1,281)**	(2,473)
Income not subject to tax	**(1,211)**	(29,341)
Expenses not deductible for tax	**15,391**	11,535
Tax losses utilised from previous years	**–**	(709)
Tax losses not recognised	**9,928**	11,434
Tax effect of two-tiered tax rates	**(165)**	–
Others	**573**	3,612
Tax charge at the Group's effective tax rate (2019: 33.9%; 2018: 14.7%)	**39,595**	52,742

NOTES TO FINANCIAL STATEMENTS

31 December 2019

11. DIVIDENDS

(a) Dividends after the Listing

	2019 HK$'000	2018 HK$'000
Interim dividend – HK3.24 cents (2018: Nil) per ordinary share	32,400	–
Proposed final dividend – HK1.80 cents (2018: Nil) per ordinary share	18,000	–
	50,400	–

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

(b) Dividends before the Listing

During the year ended 31 December 2019, in April 2019 and May 2019, special dividends of HK$20,000,000 and HK$20,000,000, respectively, were declared and paid by the Company to the then shareholders.

During the year ended 31 December 2018, in June 2018, an interim dividend of HK$20,000,000 was declared and paid by the Company to the then shareholders. In August 2018, the Company's subsidiaries declared and paid interim dividends of HK$102,600,000 to the then shareholders of the Company's subsidiaries.

Investors becoming shareholders of our Company after the listing of the Company on the Stock Exchange are not entitled to such special and interim dividends.

12. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of the basic earnings per share amount for the year ended 31 December 2019 is based on the profit for the year attributable to owners of the Company of HK$76,864,000 (2018: HK$304,934,000) and the weighted average number of ordinary shares in issue of 888,356,000 (2018: 750,000,000), on the assumption that the Reorganisation and the capitalisation issue (note 27(d) and (e)) had been completed on 1 January 2018.

The calculation of diluted earnings per share amount for the year ended 31 December 2019 is based on the profit for the year attributable to owners of the Company of HK$76,864,000. The weighted average number of ordinary shares used in the calculation is 888,356,000 ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of 2,988,425 ordinary shares assumed to have been issued at no consideration on the deemed exercise of all dilutive potential ordinary shares into ordinary shares.

No adjustment has been made to the basic earnings per share amount for the year ended 31 December 2018 as the Group had no potentially dilutive ordinary shares in issue during that year.

13. PROPERTY, PLANT AND EQUIPMENT, PREPAID LAND LEASE PAYMENTS AND RIGHT-OF-USE ASSETS

	Notes	2019 HK$'000	2018 HK$'000
Property, plant and equipment	(a)	586,996	802,799
Prepaid land lease payments	(b)(i)	–	12,655
Right-of-use assets	(b)(ii)	1,696,543	–
		2,283,539	815,454

(a) Property, plant and equipment

	Leasehold land and buildings HK$000	Leasehold improvements HK$000	Furniture, fixture and office equipment HK$000	Motor vehicles HK$000	Construction in progress HK$000	Total HK$000
31 December 2019						
At 31 December 2018:						
Cost	403,610	758,579	231,386	23,318	26,875	1,443,768
Accumulated depreciation and impairment	(71,704)	(438,252)	(112,866)	(18,147)	–	(640,969)
Net carrying amount	331,906	320,327	118,520	5,171	26,875	802,799
At 1 January 2019 (restated):						
Cost	403,610	758,579	231,386	23,318	26,875	1,443,768
Accumulated depreciation and impairment	(71,704)	(438,252)	(112,866)	(18,147)	–	(640,969)
Effect of adoption of HKFRS 16	(242,009)	–	–	–	–	(242,009)
Net carrying amount	89,897	320,327	118,520	5,171	26,875	560,790
At 1 January 2019 (restated)	89,897	320,327	118,520	5,171	26,875	560,790
Additions	2,611	157,262	42,752	4,563	8,149	215,337
Disposals	–	(7,508)	(3,338)	(132)	–	(10,978)
Depreciation *(note 6)*	(3,526)	(112,674)	(35,722)	(3,686)	–	(155,608)
Impairment *(note 6)*	–	(3,334)	–	–	–	(3,334)
Transfer to investment properties *(note 14)*	(15,032)	–	–	–	–	(15,032)
Transfer	–	16,409	18,549	–	(34,958)	–
Exchange realignment	(781)	(1,942)	(1,346)	(44)	(66)	(4,179)
At 31 December 2019, net of accumulated depreciation and impairment	73,169	368,540	139,415	5,872	–	586,996
At 31 December 2019:						
Cost	106,814	898,476	281,319	26,325	–	1,312,934
Accumulated depreciation and impairment	(33,645)	(529,936)	(141,904)	(20,453)	–	(725,938)
Net carrying amount	73,169	368,540	139,415	5,872	–	586,996

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31 December 2019

13. PROPERTY, PLANT AND EQUIPMENT, PREPAID LAND LEASE PAYMENTS AND RIGHT-OF-USE ASSETS *(Continued)*

(a) Property, plant and equipment *(Continued)*

	Leasehold land and buildings HK$000	Leasehold improvements HK$000	Furniture, fixture and office equipment HK$000	Motor vehicles HK$000	Construction in progress HK$000	Total HK$000
31 December 2018						
At 1 January 2018:						
Cost	400,249	658,214	185,032	23,549	27,377	1,294,421
Accumulated depreciation and impairment	(51,867)	(375,285)	(107,898)	(16,066)	–	(551,116)
Net carrying amount	348,382	282,929	77,134	7,483	27,377	743,305
At 1 January 2018, net of accumulated depreciation and impairment	348,382	282,929	77,134	7,483	27,377	743,305
Additions	–	145,287	65,231	2,406	19,354	232,278
Disposals	–	(6,882)	(3,884)	(605)	–	(11,371)
Disposal of a subsidiary *(note 32)*	(8,139)	–	–	–	–	(8,139)
Impairment *(note 6)*	–	(2,070)	–	–	–	(2,070)
Depreciation *(note 6)*	(12,652)	(102,398)	(28,057)	(4,073)	–	(147,180)
Transfer from investment properties *(note 14)*	6,993	–	–	–	–	6,993
Transfer	–	8,122	10,718	–	(18,840)	–
Exchange realignment	(2,678)	(4,661)	(2,622)	(40)	(1,016)	(11,017)
At 31 December 2018, net of accumulated depreciation and impairment	331,906	320,327	118,520	5,171	26,875	802,799
At 31 December 2018:						
Cost	403,610	758,579	231,386	23,318	26,875	1,443,768
Accumulated depreciation and impairment	(71,704)	(438,252)	(112,866)	(18,147)	–	(640,969)
Net carrying amount	331,906	320,327	118,520	5,171	26,875	802,799

13. PROPERTY, PLANT AND EQUIPMENT, PREPAID LAND LEASE PAYMENTS AND RIGHT-OF-USE ASSETS *(Continued)*

(a) Property, plant and equipment *(Continued)*

As a result of the adoption of HKFRS 16 as at 1 January 2019, the Group's leasehold land has been reclassified to right-of-use assets.

At 31 December 2019, the Group's buildings of HK$73,169,000 and right-of-use assets of HK$189,446,000 (2018: the Group's leasehold land and buildings of HK$272,162,000), were pledged to secure general banking facilities granted to the Group (note 25).

As at 31 December 2019, the Group's management identified certain restaurants which continued to underperform and the estimated corresponding recoverable amounts of their property, plant and equipment. Based on these estimates, an impairment loss of HK$3,334,000 (2018: HK$2,070,000) was recognised to write down the carrying amounts of these items of property, plant and equipment to their recoverable amount of nil as at 31 December 2019 (2018: Nil). The recoverable amount of the items of property, plant and equipment is determined based on a value in use calculation using cash flow projections based on financial budgets covering a period of the remaining lease terms plus the anticipated renewal period approved by senior management. The pre-tax discount rate applied for the cash flow projection was 13%.

In the prospectus dated 30 May 2019 issued by the Company, certain property interest owned and occupied by the Group, which included 75 units and 5 car park spaces in Hong Kong, were being valued at HK$588,700,000 by an independent third-party valuer. Had those assets been stated at such valuation, the additional depreciation that would be charged against the Group's consolidated statement of profit or loss would be approximately HK$5,871,000.

(b) Leases

The Group as a lessee

The Group has lease contracts for properties used in its operations. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods between 28 to 41 years, and no ongoing payments will be made under the terms of these land leases. Leases of properties generally have lease terms between 3 and 9 years. There are several lease contracts that include extension and termination options and variable lease payments, which are further discussed below.

(i) Prepaid land lease payments

	HK$'000
Carrying amount at 1 January 2018	13,608
Recognised in profit or loss during the year *(note 6)*	(476)
Exchange realignment	(477)
Carrying amount at 31 December 2018	12,655

As a result of the adoption of HKFRS 16 as at 1 January 2019, the Group's prepaid land lease payments have been reclassified to right-of-use assets.

13. PROPERTY, PLANT AND EQUIPMENT, PREPAID LAND LEASE PAYMENTS AND RIGHT-OF-USE ASSETS *(Continued)*

(b) Leases *(Continued)*

(ii) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Prepaid land lease payments HK$'000	Land and buildings HK$'000	Total HK$'000
As at 1 January 2019 *(notes 2.3, 13(a))*	12,655	1,458,043	1,470,698
Additions	–	583,633	583,633
Depreciation *(note 6)*	(456)	(354,734)	(355,190)
Impairment *(note 6)*	–	(26,229)	(26,229)
Lease modification	–	31,906	31,906
Exchange realignment	(213)	(8,062)	(8,275)
As at 31 December 2019	11,986	1,684,557	1,696,543

As at 31 December 2019, the Group's management identified certain restaurants which continued to underperform and the estimated corresponding recoverable amounts of their right-of-use assets. Based on these estimates, an impairment loss of HK$26,229,000 was recognised to write down the carrying amounts of these items of right-of-use assets to their recoverable amount of nil as at 31 December 2019. The recoverable amount of the items of right-of-use assets is determined based on a value in use calculation using cash flow projections based on financial budgets covering a period of the remaining lease terms plus the anticipated renewal period approved by senior management. The pre-tax discount rate applied for the cash flow projection was 13%.

13. PROPERTY, PLANT AND EQUIPMENT, PREPAID LAND LEASE PAYMENTS AND RIGHT-OF-USE ASSETS *(Continued)*

(b) Leases *(Continued)*

(iii) Leases liabilities

The carrying amount of lease liabilities and the movements during the year are as follows:

	HK$'000
Carrying amount at 1 January 2019 *(note 2.3)*	1,402,164
New leases	564,289
Accretion of interest recognised during the year *(note 7)*	40,398
Payments	(399,639)
Lease modification	31,906
Exchange realignment	(7,865)
Carrying amount at 31 December 2019	1,631,253
Analysed into:	
Current portion	550,065
Non-current portion	1,081,188
Non-current portion	1,631,253

The maturity analysis of lease liabilities is disclosed in note 38 to the financial statements.

13. PROPERTY, PLANT AND EQUIPMENT, PREPAID LAND LEASE PAYMENTS AND RIGHT-OF-USE ASSETS *(Continued)*

(b) Leases *(Continued)*

(iv) The amounts recognised in profit or loss in relation to leases are as follows:

	2019 HK$'000
Interest on lease liabilities *(note 7)*	40,398
Amortisation for right-of-use assets *(note 6)*	355,190
Expense relating to short-term leases and other leases with remaining lease terms ended on or before 31 December 2019 and leases of low-value assets	50,135
Impairment of right-of-use assets	26,229
Variable lease payments not included in the measurement of lease liabilities	12,360
Total amount recognised in profit or loss	484,312

(v) The total cash outflow for leases and future cash outflows relating to leases that have not yet commenced are disclosed in notes 30(b) and 35, to the consolidated financial statements

The Group as a lessor

The Group leases its two commercial properties in the PRC (note 14) under operating lease arrangements. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions. Rental income recognised by the Group during the year was HK$444,000 (2018: HK$2,694,000), details of which are included in note 5 to the financial statements.

At 31 December 2019, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2019 HK$'000	2018 HK$'000
Within one year	1,267	166
After one year but within two years	962	–
	2,229	166

14. INVESTMENT PROPERTIES

	2019 HK$'000	2018 HK$'000
Carrying amount at 1 January	**10,655**	18,027
Transfer from/(to) owner-occupied property *(note 13(a))*	**15,032**	(6,993)
Fair value upon reclassification from property, plant and equipment	**4,631**	–
Net gain from fair value adjustments *(note 5)*	**102**	24
Exchange realignment	**(475)**	(403)
Carrying amount at 31 December	**29,945**	10,655

The Group's investment properties as of 31 December 2019 consisted of 2 (2018: 1) commercial properties, all of which are situated in Mainland China and are held under medium to long term leases. The Directors have determined that during each of the year ended 31 December 2019 and 2018, the investment properties consisted of 1 (2018: 1) class of assets, i.e. commercial, based on the nature, characteristics and risks of each property.

The Group's investment properties were revalued on 31 December 2019 based on valuations performed by RHL Appraisal Limited, an independent professionally qualified valuer, at HK$29,945,000 (2018: HK$10,655,000). Each year, the Group appoints external valuer to be responsible for the external valuations of the Group's properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Group has discussions with the valuers on the valuation assumptions and valuation results once a year when the valuation is performed for annual financial reporting.

The investment properties are leased to third parties under operating leases, further details of which are included in note 13(b).

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31 December 2019

14. INVESTMENT PROPERTIES *(Continued)*

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's investment properties:

	Fair value measurement as at 31 December 2019 using			
	Quoted price in active markets (Level 1) HK$'000	**Significant observable inputs (Level 2) HK$'000**	**Significant unobservable inputs (Level 3) HK$'000**	**Total HK$'000**
Recurring fair value measurement for:				
Commercial properties	**–**	**–**	**29,945**	**29,945**

	Fair value measurement as at 31 December 2018 using			
	Quoted price in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Recurring fair value measurement for:				
Commercial property	–	–	10,655	10,655

14. INVESTMENT PROPERTIES *(Continued)*

Fair value hierarchy *(Continued)*

Reconciliation of fair value measurements categorised within Level 3 of the fair value hierarchy:

	As at 31 December 2019	As at 31 December 2018		
	Commercial properties HK$'000	Commercial properties HK$'000	Industrial properties HK$'000	Total HK$'000
Carrying amount at beginning of the year	**10,655**	11,034	6,993	18,027
Transfer from/(to) owner-occupied property *(note 13(a))*	**15,032**	–	(6,993)	(6,993)
Fair value upon reclassification from owner-occupied property	**4,631**	–	–	–
Net gains from fair value adjustments *(note 5)*	**102**	24	–	24
Exchange realignment	**(475)**	(403)	–	(403)
Carrying amount at end of the year	**29,945**	10,655	–	10,655

During the year ended 31 December 2019, certain leasehold land and buildings with a carrying amount of HK$15,032,000 were transferred from property, plant and equipment as a result of change in use from owner-occupied to investment properties for rental purposes (note 13(a)). Such leasehold land and buildings were revalued as at the date of transfer at HK$19,663,000 (2018: Nil) with a fair value gain of HK$4,631,000.

14. INVESTMENT PROPERTIES *(Continued)*

Fair value hierarchy *(Continued)*

Below is a summary of the valuation technique used and the key input to the valuation of investment properties:

	Valuation technique	Significant unobservable input	Range or weighted average	Sensitivity of fair value to the input
Commercial	Direct comparison method	Estimate market value (per square feet)	HK$5,878 (2018: HK$5,839)	5% increase/(decrease) in fair value would result in increase/ (decrease) in fair value by HK$1,497,000/ (HK$1,497,000) (2018: HK$533,000/ (HK$533,000))

Under the direct comparison method, fair value is estimated by making reference to the comparable market transactions as available. This method involves the identification of the highest and best use of the properties, identification of comparable sales and adjustment of the comparable sales values to reflect their superior and inferior characteristics to the investment properties held by the Group. Factors to be considered in making the adjustments include the size, shape topography and location of the comparable sales.

The key input was the market price per square foot, which a significant increase/decrease in the market price would result in a significant increase/decrease in the fair value of the investment property.

15. INTANGIBLE ASSETS

	Licenses HK$'000
31 December 2019	
At 1 January 2019	400
Addition	921
Amortisation provided during the year *(note 6)*	(154)
At 31 December 2019, net of accumulated amortisation	1,167
At 31 December 2019	
Cost	1,698
Accumulated amortisation	(531)
Net carrying amount	1,167
31 December 2018	
At 1 January 2018	557
Amortisation provided during the year *(note 6)*	(157)
At 31 December 2018, net of accumulated amortisation	400
At 31 December 2018	
Cost	777
Accumulated amortisation	(377)
Net carrying amount	400

16. INVENTORIES

	2019 HK$'000	2018 HK$'000
Food and beverages, and other operating items for restaurant operations	**77,097**	56,555

17. TRADE RECEIVABLES

	2019 HK$'000	2018 HK$'000
Trade receivables	**24,503**	18,700

The Group's trading terms with its customers are mainly on cash and credit card settlement. The credit period is generally one to two months. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date, is as follows:

	2019 HK$'000	2018 HK$'000
Within 1 month	**18,356**	11,924
1 to 2 months	**4,418**	5,764
2 to 3 months	**287**	286
Over 3 months	**1,442**	726
	24,503	18,700

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region and customer type and rating). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity.

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9 which permits the use of the lifetime expected loss provision for all trade receivables. The expected credit loss rate for the Group's trade receivables is minimal for all bands of trade receivables.

18. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2019 HK$'000	2018 HK$'000
Prepayments	**67,987**	53,935
Deposits and other receivables	**187,514**	177,667
	255,501	231,602
Less: Non-current portion	**(143,425)**	(136,249)
Current portion	**112,076**	95,353

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

Deposits and other receivables mainly represent rental deposits and deposits with suppliers. Where applicable, an impairment analysis is performed at each reporting date by applying a loss rate approach with reference to the historical loss record of the Group. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate.

The financial assets included in the above balance related to receivables for which there was no recent history of default and past due amounts. As at 31 December 2019 and 2018, the expected credit losses for the Group's deposits and other receivables are assessed to be minimal.

19. BALANCES WITH RELATED COMPANIES, A DIRECTOR AND RELATED PARTIES

The Group's balances due from related companies, a director and related parties, disclosed pursuant to section 383(1)(d) of the Hong Kong Companies Ordinance and Part 3 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

Name	As at 1 January 2018 HK$'000	Maximum amount outstanding during the year HK$'000	As at 31 December 2018 HK$'000	Maximun amount outstanding during the year HK$'000	As at 31 December 2019 HK$'000
Due from related companies					
H.K. Jiaying Development Limited (a)	25	32	–	–	–
Reward Century Limited (b)	110	276	276	276	–
Tai Hing Contemporary Catering Management Co., Limited (b)	8,064	8,064	–	–	–
Tai Hing Holdings Limited	22,381	364,919	–	–	–
嘉紅盈餐飲管理(深圳)有限公司 (a)	10,800	10,800	–	–	–
深圳中盛管理諮詢有限公司 (formerly known as 太興現代飲食管理(深圳)有限公司) (b)	24,210	26,238	–	–	–
廣州至之凱投資諮詢有限公司	–	27	26	26	–
	65,590		302		–
Due from a director					
Mr. Chan Wing On	11,158	11,158	–	–	–
Due from related parties					
Mr. Chan Ka Keung (c)	135	135	–	–	–
Mr. Lam Tai Po (d)	1,359	1,359	–	–	–
	1,494		–		–

19. BALANCES WITH RELATED COMPANIES, A DIRECTOR AND RELATED PARTIES *(Continued)*

All related companies listed above are controlled by shareholders of the Company's ultimate holding company except for those stated below:

(a) Mr. Chan Wing On, a director of the Company, was a director and a shareholder of the ultimate holding company.

(b) A close family member of Mr. Chan Wing On, a director of the Company, is a director and a shareholder of the ultimate holding company.

(c) A close family member of Mr. Chan Wing On, a director of the Company and a shareholder of the Company's ultimate holding company.

(d) Senior management of the Company.

Except for the amount due from Tai Hing Holdings Limited during the year ended 31 December 2018, which was interest-bearing at 2.5% per annum, all balances with related companies, a director and related parties were unsecured, interest-free and repayable on demand.

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019 HK$'000	2018 HK$'000
Equity investments, at fair value	–	851

In prior year, the above unlisted investments were investment products issued by financial institutions in Hong Kong. They were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest and were held for trading.

21. CASH AND CASH EQUIVALENTS

	2019 HK$'000	2018 HK$'000
Cash and bank balances	307,457	242,162
Time deposits	403,622	–
Cash and cash equivalents	711,079	242,162

The cash and bank balances of the Group denominated in Renminbi ("RMB") as at 31 December 2019 amounted to approximately HK$48,391,000 (2018: HK$45,838,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for around 2 months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents approximate to their fair values.

22. TRADE PAYABLES

An ageing analysis of the trade payables based on the invoice date as at the end of the reporting period, is as follows:

	2019 HK$'000	2018 HK$'000
Within 1 month	**82,969**	88,346
1 to 2 months	**22,409**	14,103
2 to 3 months	**4,781**	1,427
Over 3 months	**10,452**	6,592
	120,611	110,468

The trade payables are non-interest-bearing and are normally settled on 30-day to 120-day terms.

23. OTHER PAYABLES AND ACCRUALS

	2019 HK$'000	2018 HK$'000
Other payables and accruals	**205,610**	194,825
Deposits received	**622**	371
Deferred rental expenses *(note a)*	**–**	47,778
Provision for reinstatement cost *(note b)*	**47,517**	42,132
	253,749	285,106
Less: Non-current portion	**(37,325)**	(68,236)
Current portion	**216,424**	216,870

Other payables are non-interest-bearing and have an average term of 30 days to 90 days.

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31 December 2019

23. OTHER PAYABLES AND ACCRUALS *(Continued)*

Notes:

(a) As a result of the adoption of HKFRS16, deferred rental expenses of HK$47,778,000 previously included in other payables and accruals were adjusted to the right-of-use assets recognised at 1 January 2019 (note 2.3).

(b) The movements in the provision for reinstatement during the year are as follows:

	HK$'000
At 1 January 2018	34,947
Addition during the year	10,199
Utilised during the year	(2,697)
Exchange realignment	(317)
At 31 December 2018 and 1 January 2019	42,132
Addition during the year	7,032
Utilised during the year	(1,510)
Exchange realignment	(137)
At 31 December 2019	**47,517**

Pursuant to the terms of the respective tenancy agreements entered into by the Group, the Group is required to return its leased properties to the conditions as stipulated in the tenancy agreements at the expiration of the corresponding lease term as appropriate. The provision for reinstatement costs was estimated based on certain assumptions and estimates made by the Group's management with reference to historical reinstatement costs and/or other available market information. The estimation basis is reviewed on an ongoing basis and revised where appropriate.

24. CONTRACT LIABILITIES

	2019 **HK$'000**	2018 HK$'000
Contract liabilities in relation to cash coupons	**83,897**	75,062

The contract liabilities represent the aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied in relation to the unredeemed cash coupons outstanding as of the end of the reporting period. The Group expects the transaction price allocated to the unsatisfied performance obligations to be recognised as revenue when the related cash coupons are redeemed.

24. CONTRACT LIABILITIES *(Continued)*

The following table shows the revenue recognised during the year related to contract liabilities carried forward:

	2019 HK$'000	2018 HK$'000
Revenue recognised that was included in the contract liabilities 1 January – Restaurant operations	56,227	45,462

The following table shows unsatisfied performance obligations as at the end of the year resulting from restaurant operation.

	2019 HK$'000	2018 HK$'000
Expected to be recognised within one year – Restaurant operations	83,897	75,062

25. INTEREST-BEARING BANK BORROWINGS

	2019			2018		
	Effective interest rate per annum	Maturity	HK$'000	Effective interest rate per annum	Maturity	HK$'000
Current						
Bank loans – secured	3.2%-4.2%	2020	137,613	3.6%-3.8%	2019	112,357
Non-current						
Bank loans – secured	3.2%-4.2%	2021-2033	169,849	2.5%-4.2%	2020-2033	424,802
			307,462			537,159

25. INTEREST-BEARING BANK BORROWINGS *(Continued)*

	2019 HK$'000	2018 HK$'000
Analysed into:		
Bank loans repayable:		
Within one year or on demand	**137,613**	112,357
In the second year	**41,726**	106,052
In the third to fifth years, inclusive	**84,630**	271,249
Beyond five years	**43,493**	47,501
	307,462	537,159

Notes:

(a) All of the Group's bank loans were secured by:

(i) personal guarantees given by the directors and corporate guarantees given by certain related companies of the Company which had been released upon listing of the Company; and

(ii) Property, plant and equipment of HK$73,169,000 (2018: HK$272,162,000) and right-of-use assets of HK$189,446,000 (2018: Nil) as at 31 December 2019.

(b) All borrowings are in Hong Kong dollars.

(c) There are no on demand clauses included in the loan facilities and the amounts repayable also represent the amounts based on the maturities of the bank loans.

26. DEFERRED TAX

The movements in deferred tax assets and liabilities during the years are as follows:

Deferred tax assets

	Tax losses HK$'000	Others HK$'000	Decelerated tax depreciation HK$'000	Right-of-use assets HK$'000	Total HK$'000
At 1 January 2018	4,014	5,914	7,344	–	17,272
Deferred tax credited/(charged) to profit or loss during the year	(2,827)	990	4,728	–	2,891
Exchange realignment	(37)	(255)	–	–	(292)
At 31 December 2018	1,150	6,649	12,072	–	19,871
Effect of adoption of HKFRS 16	–	(6,649)	–	23,644	16,995
At 1 January 2019 (restated)	1,150	–	12,072	23,644	36,866
Deferred tax credited/(charged) to profit or loss during the year	226	–	2,200	(17,689)	(15,263)
Exchange realignment	(72)	–	–	–	(72)
At 31 December 2019	**1,304**	**–**	**14,272**	**5,955**	**21,531**

26. DEFERRED TAX *(Continued)*

Deferred tax liabilities

	Withholding taxes HK$'000	Accelerated tax deprecation HK$'000	Others HK$'000	Total HK$'000
At 1 January 2018	7,447	3,560	479	11,486
Deferred tax credited to profit or loss during the year	(2,473)	(1,159)	–	(3,632)
Exchange realignment	(177)	–	(18)	(195)
At 31 December 2018 and 1 January 2019	4,797	2,401	461	7,659
Deferred tax charged to profit or loss during the year	(1,281)	1,102	1,524	1,345
Exchange realignment	(58)	–	(9)	(67)
At 31 December 2019	**3,458**	**3,503**	**1,976**	**8,937**

For presentation purposes, certain deferred tax assets and liabilities have been offset in the statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	2019 HK$'000	2018 HK$'000
Net deferred tax assets recognised in the consolidated statement of financial position	**21,174**	19,741
Net deferred tax liabilities recognised in the consolidated statement of financial position	**(8,580)**	(7,529)
	12,594	12,212

26. DEFERRED TAX *(Continued)*

The Group had unrecognised tax losses arising in Hong Kong of approximately HK$47,768,000 as at 31 December 2019 (2018: HK$30,950,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. The Group had unrecognised tax losses arising in Mainland China of approximately HK$127,032,000 as at 31 December 2019 (2018: HK$98,420,000) that will expire in five years for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as, in the opinion of the directors, they have arisen in subsidiaries that have been loss-making for some time and it is not certain that taxable profits will be available against which the tax losses can be utilised.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate for the year is 5%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

At 31 December 2019 and 2018, deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings of the Group's subsidiaries established in Mainland China that are subject to withholding taxes.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

27. ISSUED CAPITAL

	Number of shares	Share capital HK$'000
Authorised:		
At 11 December 2017 (date of incorporation) with par value of HK$0.01 each and as at 31 December 2018 *(note a)*	38,000,000	380
Increase of authorised share capital with par value of HK$0.01 each on 22 May 2019 *(note b)*	9,962,000,000	99,620
As at 31 December 2019	10,000,000,000	100,000

27. ISSUED CAPITAL *(Continued)*

	Number of shares	Share capital HK$'000
Issued and fully paid:		
At 11 December 2017 (date of incorporation) with par value of HK$0.01 each *(note c)*	1	–*
Issue of shares with par value of HK$0.01 each on 18 December 2017 *(note d)*	99,999	1
As at 31 December 2017, 1 January 2018 and 31 December 2018	100,000	1
Capitalisation of shares *(note e)*	749,900,000	7,499
Shares issued pursuant to the share offer *(note f)*	250,000,000	2,500
As at 31 December 2019	1,000,000,000	10,000

* Amount less than HK$1,000

Notes:

(a) The Company was incorporated on 11 December 2017 with an initial authorised share capital of HK$380,000 divided into 38,000,000 shares of a par value of HK$0.01 each.

(b) On 22 May 2019, the shareholders of the Company resolved to increase the authorised share capital of the Company from HK$380,000 to HK$100,000,000 by the creation of 9,962,000,000 additional shares, each ranking pari passu in all respects with the Company's shares then in issue.

(c) On the date of incorporation, 1 ordinary share of HK$0.01 was allotted and issued by the Company.

(d) On 18 December 2017, as part of the Reorganisation, the Company further allotted and issued 99,999 shares, at HK$0.01 each, credited as fully paid.

(e) Pursuant to the written resolutions passed on 22 May 2019, the directors were authorised to capitalise a sum of HK$7,499,000 from the amount standing to the credit of the share premium account of the Company and applied such amount to pay up in full at par of 749,900,000 ordinary shares of the Company upon the listing of the share of the Company on the Main Board of the Stock Exchange on 13 June 2019.

(f) The Company's shares were listed on the Main Board of the Stock Exchange on 13 June 2019, and 250,000,000 ordinary shares were issued at HK$3.0 per share on 13 June 2019 in connection with the listing of the Company. HK$26,513,000 of the listing expenses for the listing of the Company's shares were debited to the share premium account, as disclosed in the consolidated statement of changes in equity.

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31 December 2019

28. SHARE OPTION SCHEMES

(a) Post-IPO share option scheme

The Company operates a post-IPO share option scheme (the "Post-IPO Share Option Scheme") for the purpose of motivating eligible persons to optimise their performance and efficiency for the benefit of the Group and to attract and retain or otherwise maintain ongoing relationships with such eligible persons whose contributions are expected to be/will be beneficial to the Group. The Post-IPO Share Option Scheme was approved and conditionally adopted by the Shareholders on 22 May 2019 (the "Adoption Date") and, unless otherwise cancelled or amended, will remain in force for 10 years commencing on the effective date of the Post-IPO Share Option Scheme.

The maximum number of shares in respect of which options may be granted under the Post-IPO Share Option Scheme and any other schemes involving the issue or grant of options or similar rights over shares or other securities by the Company shall not, in aggregate, exceed 10% of the issued share capital of the Company as at the Listing Date (without taking into account the shares which may be issued and allotted pursuant to the exercise of the over-allotment option and the options which may be or have been granted under the Pre-IPO share option scheme and the Post-IPO Share Option Scheme) unless shareholders' approval has been obtained.

The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Post-IPO Share Option Scheme and any other schemes must not, in aggregate, exceed 10% of the issued share capital of the Company from time to time. No options may be granted under any schemes of the Company (including the share option scheme) if this will result in the said 10% limit being exceeded.

The total number of shares issued and to be issued upon the exercise of the options granted to or to be granted to each eligible participant under the Share Option Scheme and any other schemes of the Group (including exercised, cancelled and outstanding options) in any 12-month period shall not exceed 1% of the shares of the Company in issue. Any grant of further share options above this limit shall be subject to certain requirements provided under the Listing Rules.

Any grant of options to a connected person under the Listing Rules must be approved in accordance with the requirements of the Listing Rules.

The offer of a grant of share options may be accepted upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors and ends on a date which is not later than 10 years from the date of offer of the share options.

The exercise price for any share under the Share Option Scheme shall be a price determined by the board of directors and notified to each grantee and shall not be less than the highest of (i) the closing price of a share as stated in the Stock Exchange's daily quotation sheet on the date of grant of the relevant option, which must be a business day, (ii) an amount equivalent to the average of the closing prices of a share as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant of the relevant option and (iii) the nominal value of a share on the date of grant.

28. SHARE OPTION SCHEMES *(Continued)*

(a) Post-IPO share option scheme *(Continued)*

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

Since the Adoption Date and up to 31 December 2019, no share options of the Company were granted, exercised, cancelled or lapsed under the Post-IPO Share Option Scheme.

(b) Pre-IPO share option scheme

The Company operates a share option scheme (the "Pre-IPO Share Option Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Pre-IPO Share Option Scheme include the senior management and employees of the Group. The Pre-IPO Share Option Scheme was approved and conditionally adopted by the Shareholders on 22 May 2019 and, unless otherwise cancelled or amended, will remain in force for 10 years from the effective date of the Pre-IPO Share Option Scheme.

There were 6,375,000 outstanding share options under the Pre-IPO Share Option Scheme as at 31 December 2019.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

During the period from the Listing Date and up to 31 December 2019, the movements of share options granted by the Company under the Pre-IPO Share Option Scheme are as follows:

Participants	Date of grant	Exercise price per share (HK$)	Outstanding as at the Listing Date	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period	Outstanding as at 31 December 2019	Exercise period
Senior Management									
Mr. Wong King Pong Edmond	22 May 2019	0.45	600,000	–	–	–	–	600,000	Notes
Ms. Zhou Yuewu	22 May 2019	0.45	600,000	–	–	–	–	600,000	Notes
Other grantees									
Employees	22 May 2019	0.45	5,175,000	–	–	–	–	5,175,000	Notes
Total for the Pre-IPO Share Option Scheme			6,375,000	–	–	–	–	6,375,000	

28. SHARE OPTION SCHEMES *(Continued)*

(b) Pre-IPO share option scheme *(Continued)*

Notes for exercise period:

(i) five years from the relevant exercisable date.

(ii) no share options granted under the Pre-IPO Share Option Scheme shall become vested or exercisable before the first anniversary date of the Listing Date.

(iii) on the first anniversary of the Listing Date (the "First Exercisable Date"), 30% of the Pre-IPO Share Options (the "First Batch Options") granted to an individual grantee shall become vested in and exercisable by such grantee, and all unexercised First Batch Options shall lapse and be deemed as cancelled and void on the fifth anniversary date of the First Exercisable Date.

(iv) on the second anniversary of the Listing Date (the "Second Exercisable Date"), a further 30% of the Pre-IPO Share Options (the "Second Batch Options") granted to an individual grantee shall become vested in and exercisable by such grantee, and all unexercised Second Batch Options shall lapse and be deemed as cancelled and void on the fifth anniversary date of the Second Exercisable Date.

(v) on the third anniversary of the Listing Date (the "Third Exercisable Date"), the remaining 40% of the Pre-IPO Share Options (the "Third Batch Options") granted to an individual grantee shall become exercisable by such grantee, and all unexercised Third Batch Options shall lapse and be deemed as cancelled and void on the fifth anniversary date of the Third Exercisable Date.

At the end of the reporting period, the Company had 6,375,000 share options outstanding under the Pre-IPO Share Option Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 6,375,000 additional ordinary shares of the Company and additional share capital of HK$63,750 (before issue expenses).

At the date of approval of these financial statements, the Company had 6,375,000 share options outstanding under the Pre-IPO Share Option Scheme, which represent approximately 0.6% of the Company's shares in issue as at that date.

29. RESERVES

Group

The amounts of the Group's reserves and the movements therein during the year are presented in the consolidated statement of changes in equity.

Company

The amounts and movements of the Company's retained profits/(accumulated losses), during the years are as follows:

	Retained profits/ (accumulated losses) HK$'000
At 1 January 2018	(77)
Net profit and total comprehensive income for the year	20,109
Dividend paid to the then shareholders	(20,000)
At 31 December 2018 and 1 January 2019	32
Net profit and total comprehensive income for the year	75,610
Dividend paid to the shareholders	(72,400)
At 31 December 2019	**3,242**

(a) *Capital reserve*

Capital reserve represents the contribution from an intermediate holding company with respect to the consideration for the acquisition of a subsidiary in prior years and the transfer from non-controlling interests upon the Group's acquisition of non-controlling interests on 27 December 2017.

(b) *Exchange fluctuation reserve*

The exchange fluctuation reserve comprises all relevant exchange differences arising from the translation of the financial statements of foreign operations.

(c) *Statutory reserve*

In accordance with the Company law of the PRC, certain subsidiaries of the Group which are domestic enterprises are required to allocate 10% of their profit after tax, as determined in accordance with the relevant PRC accounting standards to their respective statutory reserve until the reserve reaches 50% of their respective registered capital. Subject to certain restrictions set out in the Company law of the PRC, part of the statutory reserve may be converted to increase share capital, provided that the remaining balance after the capitalisation is not less than 25% of the restricted capital.

30. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

(i) During the year ended 31 December 2018, the Group sold certain non-current assets classified as held for sale to its related companies, at a total consideration of HK$317,285,000. The consideration was settled through current accounts with the related companies.

(ii) The Group recognised estimated obligations to dismantle, remove and restore certain items of property, plant and equipment of HK$7,032,000 (2018: HK$10,199,000) in respect of the premises under operating leases in the Group's property, plant and equipment which had been recorded under other payables and accruals.

(iii) During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of HK$583,633,000 and HK$564,289,000, respectively, in respect of lease arrangements for plant and equipment (2018: Nil).

(b) Changes in liabilities arising from financing activities

	Lease liabilities HK$'000	Interest-bearing bank borrowings HK$'000
At 1 January 2018	–	1,019,178
New bank borrowings	–	779,800
Repayment of bank borrowings	–	(1,261,819)
At 31 December 2018	–	537,159
Effect of adoption of HKFRS 16 *(note 2.3)*	1,402,164	–
At 1 January 2019 (restated)	1,402,164	537,159
Principal portion of lease payments	(399,639)	–
New bank borrowings	–	130,000
Repayment of bank borrowings	–	(359,697)
New leases *(note 13(b)(iii))*	564,289	–
Lease modification *(note 13(b)(iii))*	31,906	–
Foreign exchange movement	(7,865)	–
Accretion of interest *(note 7)*	40,398	–
At 31 December 2019	1,631,253	307,462

31. CONTINGENT LIABILITIES

At the end of the reporting periods, contingent liabilities not provided for were as follows:

	2019 HK$'000	2018 HK$'000
Guarantees given to banks in connection with related companies *(note)*	**–**	60,853
Bank guarantees in favour of landlords in lieu of deposits	**23,618**	15,676

Note:

In prior year, the banking facilities granted to related companies subject to guarantees given to banks by the Group were utilised to the extent of approximately HK$60,853,000. Such guarantees had been released upon listing of the shares of the Company on the Stock Exchange of Hong Kong Limited.

32. DISPOSAL OF A SUBSIDIARY

On 9 July 2018, the Group disposed of its 100% equity interest in Spring Market Investments Limited ("Spring Market") to a director of a corporate shareholder, for a consideration of RMB8,000,000 (approximately HK$9,680,000). Spring Market held 100% equity interest of 北京秀慧投資諮詢有限公司, which was engaged in property holding in PRC.

Details of net assets disposed of were as follows:

	Notes	HK$'000
Property, plant and equipment	13(a)	8,139
Prepayments, deposits and other receivables		15
Cash and bank balances		120
Other payables and accruals		(42)
Net assets		8,232
Exchange fluctuation reserve		976
Gain on disposal of a subsidiary	5	472
Total consideration		9,680
Satisfied by cash		9,680

An analysis of the cash flows in respect of the disposal is as follows:

Cash consideration	9,680
Bank balances disposed	(120)
Net inflow of cash and cash equivalents	9,560

33. OPERATING LEASE ARRANGEMENTS

As lessee

Operating lease commitments as at 31 December 2018.

The Group had leased certain of its restaurants, staff quarters and office premises under operating lease arrangements. Leases for restaurants are negotiated for terms ranging from three to eleven years, while leases for staff quarters and office premises are negotiated for terms ranging from one to three years.

As at 31 December 2018, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2018 HK$'000
Within one year	350,433
In the second to fifth years, inclusive	535,591
After five years	42,407
	928,431

As at 31 December 2018, the operating lease rentals of certain restaurants were payable on the higher of a fixed rent or a contingent rent based on the sales of those restaurants. In the opinion of the directors, as the future sales of those restaurants could not be accurately estimated, the relevant future lease commitments had not been included in the operating lease arrangements above.

34. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the year:

	Notes	**2019 HK$'000**	2018 HK$'000
Interest income received from related companies	(i)	–	1,181
Rental expenses paid to related companies	(ii)	**11,300**	11,195
Sales of non-current assets classified as held for sale to related companies		–	317,285

The transactions were conducted at terms and conditions mutually agreed between the relevant parties. The Directors are of the opinion that those related party transactions in (i) and (ii) were conducted in the ordinary course of business of the Group.

34. RELATED PARTY TRANSACTIONS *(Continued)*

(a) *(Continued)*

Notes:

(i) In prior year, interest income received from related companies was charged at 2.5% per annum on certain amounts due from related companies. Details of amounts due from related companies are disclosed in note 19.

(ii) Rental expenses paid to related companies were paid for properties leased from related companies for restaurant operations and staff quarters based on rates determined between the parties, which approximated to market rates.

(b) Outstanding balances due from related companies and a director

Details of the Group's balances with related companies and a director and guarantees for banking facilities granted in favour of related companies as at 31 December 2019 and 2018 are disclosed in notes 19 and 31.

(c) Other transactions with related parties

(i) Personal guarantees were given by the directors of the Company in favour of banks in respect of banking facilities granted to the Group during the year (note 25(a)(i)).

(ii) In prior year, the Group also provided cross-guarantees to various banks in connection with banking facilities granted to related companies which were utilised to the extent of approximately HK$60,853,000 which were released upon listing of the shares of the Company on the Stock Exchange of Hong Kong Limited (note 31).

(d) Commitment with related parties

During the years ended 31 December 2019 and 2018, certain subsidiaries of the Group entered into lease agreements with related companies, which are also controlled by the controlling shareholders of the Group, to lease investment properties for the Group's restaurant operations and staff quarters. The leases are negotiated for one to three years with a one-month notice period for termination.

As at 31 December 2019 and 2018, the Group had outstanding future minimum lease payments under non-cancellable operating leases for such properties owned by related companies amounting to HK$11,703,000 (2018: HK$6,435,000), for the properties owned by related companies.

NOTES TO FINANCIAL STATEMENTS
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34. RELATED PARTY TRANSACTIONS *(Continued)*

(e) Compensation of key management personnel of the Group

	2019 HK$'000	2018 HK$'000
Short-term employee benefits	**24,676**	23,451
Post-employment benefits	**211**	216
Total compensation paid to key management personnel	**24,887**	23,667

The compensation of key management personnel of the Group for each reporting periods included the directors' emoluments and five highest paid employees as disclosed in notes 8 and 9, respectively.

35. CAPITAL COMMITMENT

The Group had the following capital commitments at the end of the reporting periods:

	2019 HK$'000	2018 HK$'000
Contracted, but not provided for:		
Leasehold improvements, property, plant and machinery	**25,274**	29,236
Capital contribution payable to a subsidiary	**–**	6,375
	25,274	35,611

36. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of the Group's financial instruments as at 31 December 2019 and 2018 are as follows:

Financial assets

	Financial assets at amortised costs HK$'000
As at 31 December 2019	
Trade receivables	24,503
Financial assets included in prepayments, deposits and other receivables *(note 18)*	187,514
Cash and cash equivalents	711,079
	923,096

	Financial assets at fair value through profit or loss HK$'000	Financial assets at amortised costs HK$'000	Total HK$'000
As at 31 December 2018			
Trade receivables	–	18,700	18,700
Financial assets included in prepayments, deposits and other receivables *(note 18)*	–	177,667	177,667
Due from related companies	–	302	302
Financial assets at fair value through profit or loss	851	–	851
Cash and cash equivalents	–	242,162	242,162
	851	438,831	439,682

NOTES TO FINANCIAL STATEMENTS
31 December 2019

36. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

Financial liabilities

	Financial liabilities at amortised cost	
	2019	2018
	HK$'000	HK$'000
Trade payables	**120,611**	110,468
Financial liabilities included in other payables and accruals	**253,127**	236,957
Interest-bearing bank borrowings	**307,462**	537,159
Lease liabilities	**1,631,253**	–
	2,312,453	884,584

37. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, trade receivables, trade payables, interest-bearing bank borrowings, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals, balances with related companies, related parties and a director approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of non-current other receivables and interest-bearing bank borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities, and were assessed to approximate to their carrying amounts.

The Group's finance department is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance department reports directly to the directors. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the directors.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

37. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(Continued)*

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's financial instruments:

Financial assets at fair value through profit or loss:

	Fair value measurement using quoted market price (Level 1)	
	2019	2018
	HK$'000	HK$'000
Financial assets at fair value through profit or loss	–	851

The Group did not have any financial liabilities measured at fair value as at 31 December 2019 and 2018.

During the years, there were no transfers into or out of Level 1 for the financial assets of the Group.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash and cash equivalents and interest-bearing bank borrowings. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables, other receivables, balances with related companies, related parties and a director, trade payables and other payables, which arise directly from the Group's operations.

The main risks arising from the Group's financial instruments are foreign currency risk, interest rate risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currencies.

The following table demonstrates the sensitivity at the end of the each of the years to a reasonably possible change in the Hong Kong dollar exchange rate, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities) and the Group's equity.

	Increase/ (decrease) in exchange rate %	Increase/ (decrease) profit before tax HK'000	Increase/ (decrease) in equity* HK'000
As at 31 December 2019			
If Renminbi weakens against HK$	**10**	**(683)**	**–**
If Renminbi strengthens against HK$	**10**	**683**	**–**
As at 31 December 2018			
If Renminbi weakens against HK$	10	151	–
If Renminbi strengthens against HK$	10	(151)	–

* Excluding retained profits

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's short term and long term debt obligations with floating interest rates. The Group's policy is to manage its interest cost using variable rate debts, which are regularly reviewed by senior management.

As at 31 December 2019, if the interest rates on borrowings had been 50 basis points higher, which was considered reasonably possible by management, with all other variables held constant, the profit before tax for the year would have been approximately HK$2,112,000 (2018: HK$3,891,000), which would have been lower as a result of higher interest expenses on interest-bearing bank borrowings.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Credit risk

The Group has applied the simplified approach to providing for impairment for expected credit losses ("ECLs") prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for impairment of all trade receivables. To measure the ECLs, trade receivables have been grouped based on shared credit risk characteristics and days past due. The ECLs also incorporate forward looking information.

Management considered that no provision for impairment of trade receivables is necessary for the year ended 31 December 2019.

All of the current portions of the other receivable balances and cash and cash equivalents are expected to be recovered within one year.

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets and projected cash flows from operations. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans and funds generated from operations.

The maturity profile of the Group's financial liabilities as at the end of each of the reporting periods, based on the contractual and undiscounted payments, is as follows:

	Within 1 year HK$'000	2 to 5 years HK$'000	Beyond 5 years HK$'000	Total HK$'000
As at 31 December 2019				
Trade payables	**120,611**	**–**	**–**	**120,611**
Financial liabilities included in other payables and accruals	**215,802**	**37,325**	**–**	**253,127**
Interest-bearing bank borrowings	**144,926**	**140,168**	**51,546**	**336,640**
Lease liabilities	**550,863**	**1,171,472**	**146,361**	**1,868,696**
	1,032,202	**1,348,965**	**197,907**	**2,579,074**
As at 31 December 2018				
Trade payables	110,468	–	–	110,468
Financial liabilities included in other payables and accruals	203,037	33,920	–	236,957
Interest-bearing bank borrowings	130,163	404,516	56,467	591,146
	443,668	438,436	56,467	938,571

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Capital management

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

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders and return capital to shareholders. No changes were made in the objectives, policies or processes for managing capital during the year.

The Group monitors capital using a gearing ratio which is net debt divided by capital plus net debt. Net debt includes interest-bearing bank borrowings, contract liabilities, trade payables, other payables and accruals and lease liabilities less cash and cash equivalents. Capital represents the equity attributable to owners of the Company. The gearing ratios as at the end of each of the reporting period were as follows:

	2019 **HK$'000**	2018 HK$'000
Trade payables	**120,611**	110,468
Other payables and accruals	**253,749**	285,106
Contract liabilities	**83,897**	75,062
Interest-bearing bank borrowings	**307,462**	537,159
Lease liabilities	**1,631,253**	–
Less: Cash and cash equivalents	**(711,079)**	(242,162)
Net debt	**1,685,893**	765,633
Equity attributable to owners	**966,721**	366,045
Capital and net debt	**2,652,614**	1,131,678
Gearing ratio	**63.6%**	67.7%

39. EVENTS AFTER REPORTING PERIOD

Since the outbreak of Coronavirus Disease 2019 ("COVID-19") in early of 2020, the PRC and Hong Kong Government have implemented a series of precautionary and control measures which have certain impact on the PRC and Hong Kong's business and economic activities.

The Group will monitor the developments of COVID-19 situation closely, assess and react actively to its impacts on the financial position and operating results of the Group.

40. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2019 HK$'000	2018 HK$'000
NON-CURRENT ASSETS		
Investments in subsidiaries	**–***	–*
Total non-current assets	**–***	–*
CURRENT ASSETS		
Due from a subsidiary	**271,964**	–
Prepayments, deposits and other receivables	**1,175**	–
Cash and cash equivalents	**455,771**	100
Total current assets	**728,910**	100
CURRENT LIABILITIES		
Due to a subsidiary	**–**	67
Total current liabilities	**–**	67
NET CURRENT ASSETS	**728,910**	33
Net assets	**728,910**	33
EQUITY		
Issued capital *(note)*	**10,000**	1
Share premium *(note)*	**713,488**	–
Reserves *(note)*	**5,422**	32
Total equity	**728,910**	33

* less than HK$1,000

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31 December 2019

40. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

Note:

A summary of the Company's equity is as follows:

	Issued capital HK$'000	Share premium HK$'000	Share option reserve HK$'000	Retained profits/ (accumulated losses) HK$'000	Total equity HK$'000
At 1 January 2018	1	–	–	(77)	(76)
Profit for the year	–	–	–	20,109	20,109
Dividend paid to the then shareholders	–	–	–	(20,000)	(20,000)
At 31 December 2018 and 1 January 2019	1	–	–	32	33
Profit for the year	–	–	–	75,610	75,610
Issue of new shares pursuant to the capitalisation	7,499	(7,499)	–	–	–
New shares issued pursuant to the share offer	2,500	747,500	–	–	750,000
Share issurance cost	–	(26,513)	–	–	(26,513)
Equity-setting share option arrangement *(note 28(a))*	–	–	2,180	–	2,180
Dividends	–	–	–	(72,400)	(72,400)
At 31 December 2019	**10,000**	**713,488**	**2,180**	**3,242**	**728,910**

41. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 26 March 2020.

FOUR-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last four financial years, as extracted from the published audited financial statements, is set out below.

RESULTS

	2019 HK$'000	2018 HK$'000	2017 HK$'000	2016 HK$'000
REVENUE	**3,252,250**	3,126,053	2,771,277	2,512,970
PROFIT BEFORE TAX	**116,762**	357,676	270,541	247,732
Income tax expense	**(39,595)**	(52,742)	(60,908)	(50,853)
PROFIT FOR THE YEAR	**77,167**	304,934	209,633	196,879
Profit attributable to:				
Owners of the Company	**76,864**	304,934	115,682	108,644
Non-controlling interests	**303**	–	93,951	88,235
	77,167	304,934	209,633	196,879

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	2019 HK$'000	2018 HK$'000	2017 HK$'000	2016 HK$'000
TOTAL ASSETS	**3,404,749**	1,399,207	1,734,387	2,246,800
TOTAL LIABILITIES	**2,433,895**	1,033,162	1,536,727	1,380,750
	970,854	366,045	197,660	866,050
EQUITY:				
Equity attributable to owners of the Company	**966,721**	366,045	197,660	477,912
Non-controlling interests	**4,133**	–	–	388,138
	970,854	366,045	197,660	866,050