



LH GROUP

叙福樓集團

LH GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 1978

ANNUAL REPORT 2019



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Corporate Information

BOARD OF DIRECTORS

Executive Directors

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

Independent non-executive Directors

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

JOINT COMPANY SECRETARIES

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

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
Registered Public Interest Entity Auditor
22/F, Prince's Building
Central
Hong Kong

AUTHORISED REPRESENTATIVES

Mr. Ho Chi Wai
Ms. Chan Hiu Yi

LEGAL ADVISER

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

COMPLIANCE ADVISER

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

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

HONG KONG SHARE REGISTRAR

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

Corporate Information



CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANKERS

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

COMPANY WEBSITE

www.lhgroup.com.hk

STOCK CODE

1978

LISTING DATE

30 May 2018

Financial Highlights and Calendar

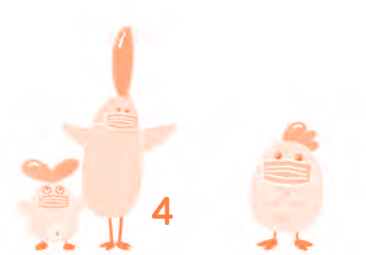
FINANCIAL HIGHLIGHTS

For the year ended 31 December

	2019 <i>HK\$ million</i>	2018 <i>HK\$ million</i>	% Change
Revenue	1,005.8	1,004.1	0.2%
(Loss)/profit attributable to the shareholders of the Company	(11.2)	35.2	(131.9%)
(Loss)/earnings per share Basic and diluted (<i>HK cents</i>)	(1.40)	4.90	(128.6%)
Interim dividend per share (<i>HK cents</i>)	4.96		
Special dividend per share (<i>HK cents</i>)	5.00		

CALENDAR

Interim Results Announcement	27 August 2019
Annual Results Announcement	30 March 2020
Closure of Register of Members	
— Annual General Meeting	15 June 2020 – 18 June 2020 (both days inclusive)
Annual General Meeting	18 June 2020



Chairman's Statement



Dear Shareholders,

I am writing at the time when COVID-19 has spread around the planet, and the world is facing probably one of the greatest challenges at our time.

To return to the subject, on behalf of the board of directors (the “**Directors**”) (collectively, the “**Board**”), I present to you the annual results of LH Group Limited (the “**Company**”), together with its subsidiaries (the “**Group**”), for the year ended 31 December 2019.

Since we opened our first Chinese restaurant in the 1980s, thanks to our over 30 years of heritage, profound experience and years of refined operation, the Group has successfully strengthened our foothold in the industry as a top full service multi-brand restaurant group in Hong Kong specialising in Asian (in particular Japanese) and Cantonese cuisine.

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

That said, being the second year since our listing on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), 2019 was a year marked by unusual macroeconomic uncertainties and intense challenges. Global economic growth, slowing down since 2018, continued to suffer a major setback in 2019. The regional economies continue to confront the fallout of Sino-US trade relations. Local consumer market also experienced widespread social unrest during the second half of the year. These combined forces wreaked havoc on the landscape of catering industry and profoundly affected the business performance of our Group, manifesting in the weak results of the Group for the year 2019.

Turning to 2020, the COVID-19 pandemic continues its rapid spread across the world and has caused a global health emergency and disruptions to the global business landscape. It is hard to predict its impact on global economic environment and our financial outlook. Most countries have implemented lockdowns, halting social and commercial activities, and a series of social distancing measures. At the time of my writing, a series of precautionary and control measures have been and continued to be implemented in Hong Kong, including suspension of school, work from home practice, encouraged social distancing, restrictions and controls over the inbound and outbound travelling and heightening of hygiene and epidemic prevention requirements in restaurants. A new round of prevention measures and requirements specific to catering business in Hong Kong have also been lately imposed. There will be doubtlessly substantial headwinds in the near-term and the aftermath impact on the business environment is unknown.

Despite that we are out of control of all these uncertainties and their potential fallout, our people, with dedication and resilience, will focus on those operational factors we can control to navigate the ongoing challenges.

Chairman's Statement

Operational hygiene and the health of our staff and customers, as always, are our top priority. To cope with crisis, we have and will continue to take initiatives to heighten our hygiene control and adopt various sanitation and social distancing measures, in our restaurants as well as in our office.

We believe that where there is crisis, there is opportunity. The crisis provides an opportunity to reflect on our conventional business model and processes. In the face of setbacks stemming from dampened consumer sentiment and dine-in demand, we have and will continue to make the necessary adaptations on the mode of business, and perseveres to overcome these setbacks. We will also continue to revamp our technology adoption to make our business processes more efficient, more productive, and, most importantly, more abreast of the times. Our prudent and steady approach to cost control, working capital management and risk management also added resilience to our coping with the rapidly changing market conditions.

During the year ended 31 December 2019, revenue from Asian cuisine restaurants added up to approximately 83.7% of our total revenue, of which approximately 56.3% and approximately 27.4% were contributed by our franchised brands and self-owned brands under this segment respectively. Our franchised brands under Asian cuisine restaurants segment, led by "Gyu-Kaku" and "On-Yasai", remained as the Group's key revenue contributors. Revenue of this segment rose by approximately HK\$92.0 million or approximately 19.4% for the year ended 31 December 2019 as compared to the year ended 31 December 2018. After disposing three of our Cantonese cuisine restaurants in early 2019, revenue from the Cantonese cuisine restaurants segment decreased by approximately HK\$124.7 million or approximately 45.6% for the year ended 31 December 2019 as compared to that for the year ended 31 December 2018, with its portion as a percentage of our revenue for the year ended 31 December 2019 decreased to approximately 14.9% from approximately 27.3% for the year ended 31 December 2018. With the unremitting efforts of our prominent management team, the Group managed to maintain an annual revenue of over HK\$1 billion for the year ended 31 December 2019, which remained stable as compared to that for the year ended 31 December 2018. Nevertheless, due to the provision for impairment recognised in relation to certain underperforming or closed restaurant outlets, the Group recorded a loss attributable to the shareholders of the Company ("Shareholders") of approximately HK\$11.2 million for the year ended 31 December 2019.

Notwithstanding that our Group have wrapped up a difficult year of 2019 with a loss attributable to the Shareholders, an interim dividend of HK4.96 cents per share and a special dividend of HK5.00 cents per share, were distributed to our Shareholders during the year. Due to the inherent uncertainties about both the extent and duration of the COVID-19 outbreak and its impacts on our Group for the months to come in 2020, our Board has decided not to recommend the payment of a final dividend in respect of the year ended 31 December 2019 to our Shareholders.

Taking a broader view, our business and financial performance in the months and years to come is enveloped by a multitude of uncertainties and macro risks. It is more important than ever for our Group to stay nimble and be able to respond to changing global market conditions and local industry landscape. The management of the Group will remain dedicated to weathering the storm and will approach the remainder of the year with caution and market responsiveness in order to make flexible business and strategy adjustment in a timely manner to capitalise on future opportunities and minimise any potential unfavourable impacts on our businesses.





APPRECIATION AND BLESSINGS

On behalf of the Board, I would like to express my sincere gratitude and appreciation to the management and staff for their dedication during the year. I would also like to thank our customers, vendors, landlords and professional parties for their continuous trust and unreserved support to tide over the difficulties together. To our Shareholders, I am grateful for your trust in the management.

Finally, I wish you all the best of health.

Wong Kit Lung Simon *Prof, JP*
Chairman

Hong Kong, 30 March 2020

Management Discussion and Analysis





BUSINESS REVIEW

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

As at 31 December 2019, the Group operated two Cantonese restaurants under two self-owned brands in Hong Kong, namely, “LHGrand (叙福樓金閣)” and “Pot Master (煲仔王)”; and 36 Asian restaurants under two self-owned brands, namely, “Mou Mou Club (牛涮鍋)” and “Peace Cuisine (和平飯店)”, and four franchised brands, namely “Gyu-Kaku (牛角)”, “Gyu-Kaku Jinan-Bou (牛角次男坊)”, “On-Yasai (溫野菜)” and “Yoogane (柳氏家)”, which served quality, value-for-money delicacies to diversified customer segments seeking a wide array of culinary experiences. We pride ourselves in the extensive market coverage of our brand portfolio, which allows us to tap into customer segments spanning across mid-to-high end market to mass market with different culinary preferences.

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

	As at 31 December	
	2019	2018
Cantonese cuisine restaurants		
— Self-owned brands	2	5
Asian cuisine restaurants		
— Self-owned brands	14	13
— Franchised brands	22	21
<i>Sub-total of Asian restaurants:</i>	36	34
Total:	38	39

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

FINANCIAL REVIEW

Revenue

The Group's revenue increased by approximately 0.2%, or approximately HK\$1.7 million, from approximately HK\$1,004.1 million for the year ended 31 December 2018 to approximately HK\$1,005.8 million for the year ended 31 December 2019. The slight increase in the Group's overall revenue was due to the slight increase in revenue from its total restaurant operations, whereas increase in revenue from Asian cuisine restaurants — franchised brands and self-owned brands had offset the decrease in revenue from Cantonese cuisine restaurants. The revenue from Cantonese cuisine restaurants decreased significantly by approximately HK\$124.6 million or approximately 45.6%, from approximately HK\$273.6 million to HK\$149.0 million, as the Group disposed three Cantonese cuisine restaurants on 30 April 2019. Revenue from Asian cuisine restaurants — franchised brands increased by approximately HK\$92.0 million or approximately 19.4% during the year ended 31 December 2019 as compared with the year ended 31 December 2018. The revenue from Asian cuisine restaurants — franchised brands as a percentage of the Group's revenue increased from approximately 47.2% for the year ended 31 December 2018 to approximately 56.3% for the year ended 31 December 2019. Revenue from Asian cuisine restaurants — self-owned brands increased by approximately HK\$35.7 million or approximately 14.9% during the year ended 31 December 2019 as compared with the year ended 31 December 2018.

	For the year ended 31 December			
	2019		2018	
	Revenue HK\$'000	% of total Revenue (%)	Revenue HK\$'000	% of total Revenue (%)
Cantonese cuisine restaurants				
— Self-owned brands	148,972	14.8	273,624	27.3
Asian cuisine restaurants				
— Self-owned brands	275,764	27.4	240,036	23.9
— Franchised brands	566,354	56.3	474,329	47.2
Sub-total of restaurant operations	991,090	98.5	987,989	98.4
Sale of food ingredients	14,686	1.5	16,116	1.6
Total	1,005,776	100.0	1,004,105	100.0



Cost of food and beverages

The Group's cost of food and beverages increased by approximately 1.7%, or approximately HK\$4.9 million, from approximately HK\$287.9 million for the year ended 31 December 2018 to approximately HK\$292.8 million for the year ended 31 December 2019. The increase was in line with the increase in revenue during the year ended 31 December 2019. The cost of food and beverages as a percentage of revenue remained relatively stable at approximately 29.1% for the year ended 31 December 2019 (2018: 28.7%).

Staff costs

The Group's staff costs slightly decreased by approximately 0.8%, or approximately HK\$2.5 million, from approximately HK\$303.9 million for the year ended 31 December 2018 to approximately HK\$301.4 million for the year ended 31 December 2019. Such decrease was primarily due to the decreased salary and wages during the year ended 31 December 2019 as we disposed three Cantonese cuisine restaurants on 30 April 2019. The staff costs as a percentage of revenue remained relatively stable at 30.0% for the year ended 31 December 2019 (2018: 30.3%).

Property rentals and related expenses

The Group's property rentals and related expenses decreased by approximately 59.5%, or approximately HK\$107.9 million, from approximately HK\$181.5 million for the year ended 31 December 2018 to approximately HK\$73.6 million for the year ended 31 December 2019. Such decrease was mainly attributable to the initial adoption of HKFRS 16 during the year ended 31 December 2019 and that only lease payments associated with short-term leases and variable lease payments that do not meet the definition of a liability for the Group as lessee (i.e. contingent rent) were included in property rentals and related expenses for the year.

Listing expenses

Listing expenses comprise professional fees and other expenses in relation to the Listing. The Group's listing expenses amounted to approximately HK\$8.0 million for the year ended 31 December 2018 due to the expenses incurred in preparation for the Listing. There were no such expenses incurred for the year ended 31 December 2019.

Loss/profit for the year

Profit for the year ended 31 December 2019 decreased by approximately 132.0%, or approximately HK\$46.4 million, from profit of approximately HK\$35.2 million for the year ended 31 December 2018 to loss of approximately HK\$11.3 million for the year ended 31 December 2019. The decrease in profit was mainly attributable to the challenging business environment during the year ended 31 December 2019, which posed significant negative impact on the overall business operation and also inevitably led to the closure and suspension of certain restaurants of the Group during the year, and provision for impairment of property, plant and equipment, financial assets and/or right-of-use assets in respect of these restaurants and certain underperforming restaurants of the Group during the year.

LIQUIDITY AND FINANCIAL RESOURCES

The Group financed its business with internally generated cash flows and proceeds received from the Listing. As at 31 December 2019, the Group had short term bank deposits of approximately HK\$132.4 million (2018: approximately HK\$148.0 million) and cash and cash equivalents of approximately HK\$130.8 million (2018: approximately HK\$142.3 million). Most bank deposits and cash were denominated in Hong Kong dollar. The Group will continue to use the internal generated cash flows and proceeds received from the Listing as a source of funding for future developments.

As at 31 December 2019, the Group's total current assets and current liabilities were approximately HK\$313.8 million (2018: approximately HK\$371.1 million) and approximately HK\$290.0 million (2018: approximately HK\$147.4 million) respectively, while the current ratio was about 1.1 times (2018: about 2.5 times). As a result of the adoption of HKFRS 16, the Group recognised the commitments under operating leases for future periods as lease liabilities, whereas, under the previous accounting standard, no such liabilities were required to be recorded. In this connection, the recorded net current assets, and hence the current ratio, were lower.

As at 31 December 2019, the gearing ratio of the Group was not applicable as it had no outstanding interest-bearing bank borrowings. The gearing ratio equals total interest-bearing bank borrowings divided by total equity and multiplied by 100%.

SIGNIFICANT INVESTMENTS

As at 31 December 2019, the Group did not hold any significant investments.

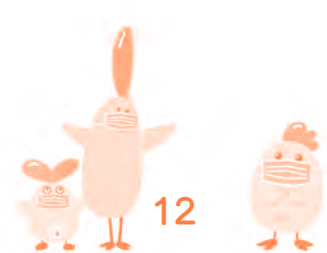
MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

Reference is made to the announcement of the Company dated 23 April 2019. Unless otherwise stated, capitalised terms used herein shall have the same meanings as those defined therein.

During the year ended 31 December 2019, LHG Chinese Catering Limited, a wholly-owned subsidiary of the Company, has disposed the entire issued shares in Fameco (H.K.) Limited, The Banqueting House (TST) Co. Limited, The China House (KF) Limited, each being a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company and the Sale Loans at the Consideration of HK\$28,500,000.

Upon completion of the Disposal, the Group recorded an unaudited gain on the Disposal of approximately HK\$13,101,000. Such gain is recognised based on the Consideration from the Disposal of HK\$28,500,000 minus the net liabilities of the Disposal Companies as at the Completion Date of approximately HK\$5,431,000 and the Sale Loan of approximately HK\$20,831,000.

Save as disclosed above, the Group has no material acquisition or disposal of subsidiaries, associates or joint ventures during the year ended 31 December 2019.





PLEDGE OF ASSETS

As at 31 December 2019, the Group did not pledge any assets.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2019, the Group had 930 employees (2018: 1,041 employees). The remuneration of the employees is determined by reference to prevailing market terms and in accordance with the performance, qualification and experience of each individual employee.

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

No share option was granted during the year ended 31 December 2019. As at 31 December 2019, the Company had no outstanding share option under the Share Option Scheme.

FOREIGN EXCHANGE EXPOSURE

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

CONTINGENT LIABILITIES

As at 31 December 2019, the Group did not have any material contingent liabilities.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENT

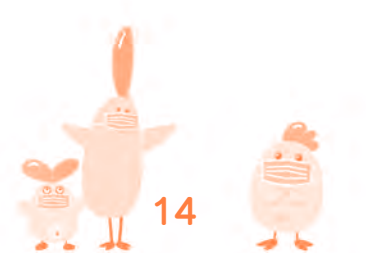
As at the date of this report, the Group had not entered into any off-balance sheet transactions.

PROSPECTS

The outbreak of Coronavirus Disease 2019 (the “**COVID-19 outbreak**”) in early 2020 will undermine catering businesses in Hong Kong, and we expect the outbreak would continue to adversely affect our business significantly in the remaining of the year. Furthermore, the remnant issues since 2019, such as the macro risks arising from ongoing international trade negotiations, import tariff changes implemented by countries and challenges alongside geopolitical uncertainties, would still be posing challenges to both local business environment and consumer confidence in the industry and affecting the outlook for 2020. In view of the above, our business and financial performance in 2020 is enveloped by a multitude of uncertainties and macro risks.

In the face of numerous obstacles in 2020, the Group has been and will continue to be proactively negotiating with landlords on rent concession and reduction, and adjusted the operating hours of the restaurant outlets and roster of staff members in order to optimise staff and other operating resources. Heightening of hygiene and epidemic prevention requirements, which are of vital importance, will also be kept strictly in place.

The management of the Group will remain dedicated to weathering the storm and will approach the remainder of the year with caution and market responsiveness and closely monitor the latest developments in order to make flexible business and strategy adjustment in a timely manner to minimise any potential unfavourable impacts on our businesses.



Directors and Senior Management



EXECUTIVE DIRECTORS

Mr. WONG Kit Lung Simon (黃傑龍), *Prof, JP*, aged 46, was appointed as the Director on 20 June 2017 and was re-designated as executive Director on 8 August 2017. Mr. Wong is the Chairman and Chief Executive Officer of the Group. He is a director of all subsidiaries of the Group. He is primarily responsible for the overall management, strategic planning, brand management, business development, public relations and cooperation of the Group. In carrying out his responsibilities, Mr. Wong has provided the Group with leadership, vision with reformation, marketing and public relations strategies. Mr. Wong has over 22 years of working and management experience in the engineering and restaurant management sectors.

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

Year of appointment	Organisation	Current position
2012	Food Business and Related Services Task Force of the Business Facilitation Advisory Committee	Member
2014	Institution of Dining Art	President
2016	Environment and Conservation Fund Committee — Waste Reduction Projects Vetting Subcommittee	Member
2016	Hong Kong Japanese Food and Cuisine Association	Chairman
2016	Advisory Committee on Enhancing Self-Reliance Through District Partnership Programme	Member
2017	Advisory Council on the Environment	Member
2017	Food Wise Hong Kong Steering Committee	Member
2017	Catering Industry Training Advisory Committee	Chairman
2017	Mandatory Provident Fund Schemes Authority	Non-executive director
2017	Finance Committee of the Mandatory Provident Fund Schemes Authority	Chairman
2018	Commission on Poverty	Member
2019	Employees Retraining Board	Vice Chairman
2019	Hong Kong Tourism Board	Member
2020	Quality Tourism Services Association	Chairman

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

Directors and Senior Management

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

Ms. KO Sau Chee Grace (高秀芝), aged 54, was appointed as the Director on 20 June 2017 and was re-designated as executive Director on 8 August 2017. She is the vice chairperson of the Group.

Ms. Ko is a director of all subsidiaries of the Group. She is primarily responsible for the strategic planning, business development, system building and procurement matters of the Group. She is responsible for overlooking the implementation of corporate policies and strategies mainly in areas of procurement management, supply chain management, food quality and occupational safety control, together with human resources management. In carrying out her responsibilities, she has provided the Group with her passion, vision, leadership, innovation and insightfulness. Ms. Ko has over 24 years of working experience and extensive management experience in the Group.

Ms. Ko obtained her Master of Business Administration in Management degree from the Charter University in March 2014 in the United States of America (through long distance learning). Since 2018, Ms. Ko has been nominated as our representative of the Gender Focal Point Network set up by the Women's Commission.

Mr. HO Chi Wai (何志偉), aged 49, was appointed as the Director on 20 June 2017 and was re-designated as executive Director on 8 August 2017. Mr. Ho is the Chief Financial Officer of the Group and is primarily responsible for the overall management of financial affairs and budgeting of our Group. Mr. Ho has over 29 years of professional services experience with auditing, accounting and financial management.

Prior to joining the Group in 1996, he worked with Lai & Fan, Sothertons and lastly served as an audit senior where he was primarily responsible for handling clients of trading, industrial and investment businesses from July 1990 to February 1994. From March 1994 to July 1996, he worked with Ho & Au Yeung and lastly served as an audit senior.

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





INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. SIN Yat Kin (單日堅), SBS, CSDSM, aged 62, was appointed as the independent non-executive Director with effect from 30 May 2018. Mr. Sin has around 40 years of experience in public disciplinary services and management.

Prior to joining the Group, from June 1979 to December 2015, Mr. Sin worked at the Hong Kong Correctional Services Department where his final position was the Commissioner of Correctional Service. From June 2015 to present, he has worked at the Hong Kong Football Association as a non-club-linked director. From June 2015 to present, he has been a member of the executive committee of the Hong Kong Playground Association. Since July 2017, he has been the vice chairman of the Hong Kong Playground Association. Since 18 January 2018, he has been the Chief of Staff of AMTD Group. From April 2019 to present, he has been the council member of The Hong Kong Polytechnic University. Mr. Sin is also currently a member of the consultation council of the Hong Kong Army Cadets Association.

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

Ms. HUNG Lo Shan Lusan (熊璐珊), aged 53, was appointed as the independent non-executive Director with effect from 30 May 2018. Ms. Hung has over 33 years of experience in accounting, tax and strategic planning.

Prior to joining the Group, from March 1987 to March 1990, Ms. Hung worked as an accountant at Weston Woodley & Robertson. From May 1990 to June 1993, she worked at Ernst & Young where her last position was deputy manager of tax department. From November 1993 to April 2002, she worked with Grant Thornton where her final position was partner. During her tenure at Grant Thornton, she worked at Grant Thornton — Los Angeles as a manager on secondment from December 1995 to February 1997. From January 2003 to September 2005, she was a director of the Chartered Accountants Australia & New Zealand (formerly known as the Institute of Chartered Accountants in Australia). From 2013 to 2015, she was the president of the Association of Women Accountants in Hong Kong. From April 2002 to present, she has been an executive director of Higuma Consulting Limited. Ms. Hung was appointed as Head of Tax, Pacific Jade Tax Consultancy Limited from 3 October 2018. She served as a member of the Housing Authority — Finance Committee and Subsidised Housing Committee(2014–2020). She currently serves as a member of the Housing Authority — Internal Audit sub-committee (since April 2018) and the Hong Kong Breast Cancer Foundation — Audit Committee since March 2019. Ms. Hung has been appointed as a member of the Beijing Women's Federation since 2014 and the Shandong Committee of the Chinese People's Political Consultative Conference since 2018.

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

Directors and Senior Management

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

Mr. Hung Wai Man (洪為民), *Prof, JP*, aged 51, was appointed as the independent non-executive Director of the Company in May 2018. Prof. Hung has over 30 years of experience in management consulting, project management and outsourcing services.

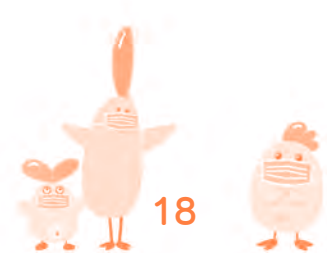
Prof. Hung is the Principal Liaison Officer for Hong Kong, Shenzhen Qianhai Authority, Executive Chairman of Chinese Big Data Society, and Adjunct Professor of the Belt and Road Research Institute of Hainan University.

Prof. Hung is a seasoned ICT professional and angel investor. He has worked in the computer industry for almost 30 years. A well-known figure in the industry, Prof. Hung has extensive experience in management consulting, project management and outsourcing services. Prof. Hung is a Chartered Information Technology Professional and a fellow of the British Computer Society, the Hong Kong Institute of Directors, the Hong Kong Computer Society and the Internet Professional Association. He has been appointed as the Global Council by the World Summit Awards.

Prof. Hung is currently the Member of the Shenzhen Chinese People's Political Consultative Conference, Member of the Chinese Association of Hong Kong and Macau Studies, Vice President of Guangdong's Association For Promotion of Cooperation between Guangdong, Hong Kong and Macao, Commissioner of Hong Kong Road Safety Patrol, Chairman Emeritus of the Y.Elites Association, President Emeritus of Internet Professional Association, Vice Chairman of the Monte Jade Science and Technology Association of Hong Kong, Secretary General of Hong Kong-ASEAN Economic Cooperation Foundation and Council Member of Hong Kong Professionals and Senior Executives Association etc. In 2012 to 2014, he had served as an associate member of the Central Policy Unit of the HKSAR Government. In 2008, Prof. Hung was selected as one of the Ten Outstanding Young Persons of Hong Kong. He was the 11th Standing Member of the All China Youth Federation. In 2015, he was appointed as a Justice of the Peace by the Hong Kong SAR Government. In 2016, he was given the Asia Social Innovation Leadership Award by CMO Asia.

Prof. Hung graduated from the Hong Kong Polytechnic University with a Higher Diploma in Maths, Statistics and Computing. He then obtained a BA(Hons) from the University of Bolton, MBA from the University of Hull and MA in Public and Comparative History from the Chinese University of Hong Kong. He also obtained a LLM from the Renmin University of China and PhD in Business Administration from Bulacan State University, the Philippines and is currently pursuing his LLD study with the Renmin University of China.

Prof. Hung currently is an independent non-executive director of Sino Hotels (Holdings) Limited, VSTECS Holdings Limited and Sprocomm Intelligence Limited, the shares of which are listed on the Main Board of the Stock Exchange. Prof. Hung also serves as the Member of Audit Committee and Nomination Committee of the Company.





SENIOR MANAGEMENT

Mr. MAK Ka Chun (麥家俊), aged 44, joined the Group in April 2012. Mr. Mak is our general manager (Asian cuisine) and is primarily responsible for the overall Asian cuisine general management matters of our Group. He has approximately 25 years of experience in the food and beverage industry, in particular in relation to Asian cuisine general management.

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

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

Report of the Directors

The Directors present their report together with the audited financial statements of the Group for the year ended 31 December 2019 (“**the Reporting Year**”).

PRINCIPAL ACTIVITIES

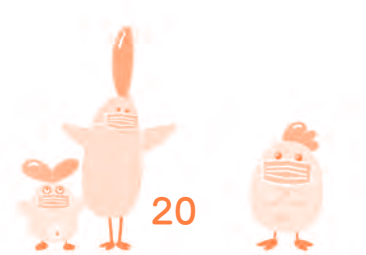
The principal activity of the Company is investment holding. Its subsidiaries are principally engaged as full-service restaurants operator serving Asian cuisine including Japanese, Korean, Cantonese and Shanghainese cuisine in Hong Kong. Details of the principal activities of the Company’s major subsidiaries are set out in Note 32 to the financial statements.

BUSINESS REVIEW

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

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

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





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

The Group is committed to building a sustainable future. It assesses the materiality of various ESG issues and take measures to control the environmental and social impacts during operations. All businesses are required to comply with all applicable ESG laws and regulations strictly. The Group strives to minimize its environmental impacts through effective air emissions control, enhancing water and energy efficiency, proper waste management and resources conservation. The Group also puts effort into creating positive social impacts by protecting labour right and maintaining integrity. Discussion on the Group’s ESG initiatives, performance and applicable ESG laws and regulations can be found in the ESG Report on pages 43 to 77 of this report.

COMPLIANCE WITH LAWS AND REGULATIONS

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

RESULTS AND DIVIDENDS

The results of the Group for the Reporting Year and the state of affairs of the Group are set out in the consolidated financial statements on pages 83 to 155 of this report.

The Board did not propose a final dividend for the year ended 31 December 2019.

Together with an interim dividend in respect of the six months ended 30 June 2019 of HK4.96 cents per share and a special dividend of HK5.00 cents per share, the dividends in aggregate for the year ended 31 December 2019 amounted to HK9.96 cents per share. Details of dividends for the Reporting Year are set out in Note 11 to the financial statements.

DIVIDEND POLICY

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

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

Report of the Directors

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

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

USE OF NET PROCEEDS FROM LISTING

The net proceeds from the IPO on 30 May 2018 after deducting share issuance expenses and listing expenses (the "Net Proceeds") was approximately HK\$178,610,000. As at 31 December 2019, the Company had used approximately HK\$80,867,000 of the Net Proceeds for the purposes as set out in the Prospectus, representing approximately 45.3% of the Net Proceeds.

Use of Net Proceeds	Approximate percentage of total amount	Actual Net Proceeds HK\$'000	Amount utilised as at 31 December 2019 HK\$'000	Unused Net Proceeds HK\$'000
Opening a total of eight restaurants under our self-owned brands				
— One Cantonese cuisine restaurant (<i>note</i>)	8%	14,830	—	14,830
— Seven Asian cuisine restaurants (<i>note</i>)	26%	45,232	19,278	25,954
Opening 19 restaurants under franchised brands	56%	100,659	43,700	56,959
Additional working capital, strategic investment and other general corporate purposes	10%	17,889	17,889	—
Total	100%	178,610	80,867	97,743

Note:

"Peace Cuisine" brand has been classified from "Cantonese cuisine — self-owned brands" to "Asian cuisine — self-owned brands" as management had realigned the Group's business strategy. Accordingly, the category under which "Peace Cuisine" belonged to was reclassified and the respective use of proceeds have been reclassified from "Cantonese cuisine restaurant" to "Asian cuisine restaurant" to conform with the segment presentation.

SUMMARY FINANCIAL INFORMATION

A summary of the results, assets and liabilities of the Group for the past five financial years is set out on page 156 of this report.





PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

PRE-EMPTIVE RIGHTS

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

RESERVES

Movements in the reserves of the Group and the Company during the Reporting Year are set out in the consolidated statement of changes in equity on page 86 of this report and Notes 24 and 31(b) to the financial statements, respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2019, the distributable reserves of the Company, including the share premium account, calculated in accordance with the Companies Law (Cap. 22, Law 3 of 1961 as consolidated and revised) of the Cayman Islands, amounted to approximately HK\$259,712,000.

EQUITY-LINKED AGREEMENTS

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

PENSION SCHEMES

Details of the pension schemes of the Group are set out in Note 2.18 to the financial statements under "Employees benefits" on page 102 of this annual report.

CHARITABLE DONATIONS

During the Reporting Year, charitable donations made by the Group amounted to approximately HK\$438,000 (2018: approximately HK\$1,621,000). Details of the charity activities and donations are set out in the ESG Report on pages 43 to 77 of this report.

MAJOR CUSTOMERS AND SUPPLIERS

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

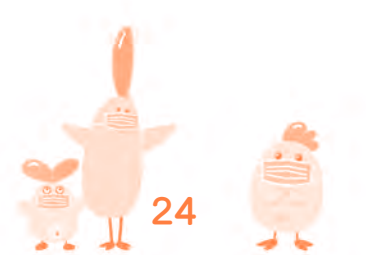
The amount of purchases of the largest supplier represented 21.3% (2018: 16.1%) of the total purchases for the Reporting Year. The aggregate purchases attributable to the Group's five largest suppliers represented 48.4% (2018: 42.4%) of the total purchases for the Reporting Year.

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

RELATIONSHIPS WITH EMPLOYEES, SUPPLIERS AND CUSTOMERS

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

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





DIRECTORS

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

Executive Directors

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

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

Mr. Ho Chi Wai

Independent non-executive Directors

Mr. Sin Yat Kin *SBS, CSDSM*

Ms. Hung Lo Shan Lusan

Mr. Hung Wai Man *Prof, JP*

Pursuant to the Articles of Association, Mr. Wong Kit Lung Simon and Mr. Sin Yat Kin shall retire by rotation at the forthcoming Annual General Meeting (“AGM”). Both of them, being eligible, will offer themselves for re-election at the forthcoming AGM.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

The biographical details of the Directors and senior management of the Company are set out on pages 15 to 19 of this report.

DIRECTORS’ SERVICE CONTRACTS

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

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

DIRECTORS’ REMUNERATION

Details of the remuneration of the Directors are set out in Note 33 to the financial statements, which are recommended by the Remuneration Committee of the Company by reference to the performance of the individual and the Company as well as market practice and conditions.

SENIOR MANAGEMENT'S REMUNERATION

The emoluments of senior management fell within the following bands:

	Number of senior management Year ended 31 December	
	2019	2018
Nil to HK\$1,000,000	—	—
HK\$1,000,001 to HK\$2,000,000	2	2
	2	2

PERMITTED INDEMNITY PROVISION

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

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

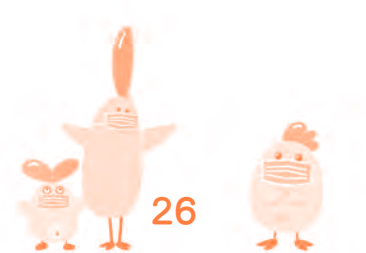
No transactions, arrangements and contracts of significance in relation to the Group's business to which the Company's subsidiaries, fellow subsidiaries or its parent company was a party and in which a Director of the Company and the Director's connected party had a material interest, whether directly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

CONTROLLING SHAREHOLDERS' INTEREST IN CONTRACTS

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

MANAGEMENT CONTRACTS

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





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

(i) Interest in the Company

As at 31 December 2019, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Appendix 10 of the Listing Rules (the "**Model Code**") are as follows:

Name of Director	Capacity/Nature of interest	Number of Shares	Approximate percentage of shareholding in the Company (%)	Long position/ Short position
Mr. Wong Kit Lung Simon ⁽²⁾	Interest held jointly with other persons; interest in a controlled corporation	600,000,000	75%	L ⁽¹⁾
Ms. Ko Sau Chee Grace ⁽²⁾	Interest held jointly with other persons; interest in a controlled corporation	600,000,000	75%	L ⁽¹⁾

Notes:

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

(ii) Interest in the associated corporation

Name of Director	Position in the Company	Name of associated corporation	Number of Shares held	Approximate percentage of shareholding (%)
Mr. Wong Kit Lung Simon	Executive Director	LHG Holdings	290,358	29.03%
Ms. Ko Sau Chee Grace	Executive Director	LHG Holdings	100,100	10.01%

Save as disclosed above, as at 31 December 2019, none of the Directors or chief executives of the Company had or was deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required to be recorded in the register to be kept by the Company pursuant to section 352 of the SFO, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

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



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

As at 31 December 2019, within the knowledge of the Directors, the following persons (other than the Directors or chief executive of the Company) had an interest or a short position in the Shares or underlying Shares which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name of Shareholder	Capacity/Nature of interest	Number of Shares	Approximate percentage of shareholding (%)	Long position/ Short position/ Lending pool
LHG Holdings ⁽²⁾	Beneficial owner	600,000,000	75%	L ⁽¹⁾
Mr. Ko Cheuk Kuen ⁽⁶⁾	Interest held jointly with other persons; interest in a controlled corporation	600,000,000	75%	L ⁽¹⁾
Mr. Wong Yiu Hung ⁽⁶⁾	Interest held jointly with other persons; interest in a controlled corporation	600,000,000	75%	L ⁽¹⁾
Mr. Liu Cheung ⁽⁶⁾	Interest held jointly with other persons; interest in a controlled corporation	600,000,000	75%	L ⁽¹⁾
Mr. Liu Chi Hung Peter ⁽⁶⁾	Interest held jointly with other persons; interest in a controlled corporation	600,000,000	75%	L ⁽¹⁾
Mr. Lau Kwong Kwan ⁽⁶⁾	Interest held jointly with other persons; interest in a controlled corporation	600,000,000	75%	L ⁽¹⁾
Hop Kwan ⁽³⁾⁽⁶⁾	Interest held jointly with other persons; interest in a controlled corporation	600,000,000	75%	L ⁽¹⁾
Mr. Lam Kwan Ying ⁽³⁾⁽⁴⁾⁽⁶⁾	Interest of spouse; interest held jointly with other persons; interest in a controlled corporation	600,000,000	75%	L ⁽¹⁾
Ms. Chan Wai Chun ⁽³⁾⁽⁵⁾⁽⁶⁾	Interest of spouse; interest held jointly with other persons; interest in a controlled corporation	600,000,000	75%	L ⁽¹⁾

Report of the Directors

Notes:

- (1) The letter "L" denotes the person's long position in the Shares.
- (2) LHG Holdings is an investment-holding company incorporated in the British Virgin Islands ("BVI") and owned as to 29.03%, 2.99%, 10.01%, 11.99%, 11.99%, 11.99%, 11.99% and 10.01% by Mr. Wong Kit Lung Simon, Mr. Wong Yiu Hung, Mr. Ko Cheuk Kuen, Mr. Liu Cheung, Mr. Liu Chi Hung Peter, Mr. Lau Kwong Kwan, Hop Kwan and Ms. Ko Sau Chee Grace respectively.
- (3) Mr. Lam Kwan Ying and Ms. Chan Wai Chun each owns 36.67% and 36.67% of Hop Kwan respectively and therefore under the SFO, Mr. Lam Kwan Ying and Ms. Chan Wai Chun are deemed or taken to be interested in the Shares to be held by Hop Kwan.
- (4) Mr. Lam Kwan Ying is the spouse of Ms. Chan Wai Chun and is deemed or taken to be interested in all the Shares in which Ms. Chan Wai Chun has, or is deemed to have, an interest for the purpose of the SFO.
- (5) Ms. Chan Wai Chun is the spouse of Mr. Lam Kwan Ying and is deemed or taken to be interested in all the Shares in which Mr. Lam Kwan Ying has, or is deemed to have, an interest for the purpose of the SFO.
- (6) Mr. Wong Kit Lung Simon, Mr. Ko Cheuk Kuen, Mr. Wong Yiu Hung, Mr. Liu Cheung, Mr. Liu Chi Hung Peter, Mr. Lau Kwong Kwan, Hop Kwan, and Ms. Ko Sau Chee Grace are parties acting in concert (having the meaning ascribed to it under the Takeover Code). Each of Mr. Lam Kwan Ying and Ms. Chan Wai Chun owns 36.67% and 36.67% of Hop Kwan respectively and therefore under SFO, Mr. Lam Kwan Ying and Ms. Chan Wai Chun are deemed or taken to be interested in the shares to be held by Hop Kwan. As such, Mr. Wong Kit Lung Simon, Mr. Ko Cheuk Kuen, Mr. Wong Yiu Hung, Mr. Liu Cheung, Mr. Liu Chi Hung Peter, Mr. Lau Kwong Kwan, Hop Kwan, Mr. Lam Kwan Ying, Ms. Chan Wai Chun and Ms. Ko Sau Chee Grace will for the purpose of the SFO together through LHG Holdings control 75% of the entire share capital of the Company.

Save as disclosed above, as at 31 December 2019, the Directors are not aware of any other person (other than the Directors or chief executives of the Company) who had an interest or a short position in the Shares or underlying Shares as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

SUFFICIENCY OF PUBLIC FLOAT

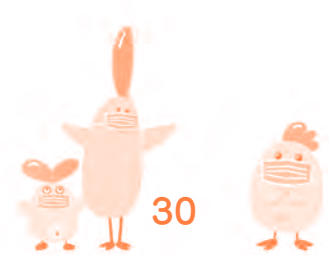
Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained a sufficient public float of at least 25% of the issued Shares during the Reporting Year and up to the date of this report.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

RELATED PARTY TRANSACTIONS

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





EVENT AFTER THE REPORTING YEAR

Following the COVID-19 outbreak in early 2020, a series of precautionary and control measures have been and continued to be implemented in Hong Kong, including suspension of school, work from home practice, encouraged social distancing, restrictions and controls over the inbound and outbound travelling and heightening of hygiene and epidemic prevention requirements in restaurants.

The Group's business is adversely affected by the COVID-19 outbreak. In February 2020, "Mou Mou Club" and "On-Yasai" restaurants were closed for at least two weeks due to public concern cast by confirmed COVID-19 cases in relation to the potential risk of infection associated with aerosol transmission from hot pot dining. In late March 2020, new measures and requirements specific to catering business in Hong Kong have also been imposed by directions issued by the Secretary for Food and Health, which among other things, limited the seating capacity to no more than 50% at any time for our catering premises, required a distance of at least 1.5 metres to be ensured between tables, and limited to 4 persons that may be seated together in each table. These new directions were effective from 28 March 2020 for a period of 14 days and are subject to adjustments by the government from time to time in view of the latest development of the disease.

Subsequent to 31 December 2019 and up to the date of this report, the Group noted a decrease in revenue on an overall basis as compared to the same period in 2019. The Group has been proactively negotiating with landlords on rent concession and reduction, and adjusted the operating hours of the restaurant outlets and roster of staff members in order to optimise staff and other operating resources.

In preparing this set of consolidated financial statements, the Group tested property, plant and equipment and right-of-use assets for impairment and relevant provision for impairment was made. In performing this assessment, the Group determined the value-in-use by estimating the present value of future cash flows of the cash-generating-units ("CGUs") based on the conditions as at 31 December 2019. As at 31 December 2019, the carrying values of property, plant and equipment and right-of-use assets are approximately HK\$126,710,000 and HK\$227,331,000 respectively. In the impairment test on property, plant and equipment and right-of-use assets to be performed in 2020, COVID-19 outbreak and its impact on the present value of estimated future cash flows of the CGUs will be considered.

Up to the date on which this set of consolidated financial statements were authorised for issue, the Group is still in the process of assessing the impacts of the COVID-19 outbreak on the Group's performance in 2020 and is currently unable to estimate the quantitative impacts to the Group.

AUDITOR

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

On behalf of the Board

Wong Kit Lung Simon Prof, JP
Chairman

Hong Kong, 30 March 2020

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

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

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its own code of conduct regarding securities transactions of the Directors. Having made specific enquiry with the Directors, all Directors confirmed that they have complied with the required standard as set out in the Model Code for the Reporting Year.

BOARD OF DIRECTORS

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

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

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

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





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

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

Executive Directors

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

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

Mr. Ho Chi Wai

Independent non-executive Directors

Mr. Sin Yat Kin *SBS, CSDSM*

Ms. Hung Lo Shan Lusan

Mr. Hung Wai Man *Prof, JP*

Biographies and relationships among members of the Board are set out in the "Directors and Senior Management" section on pages 15 to 19 of this report. None of the Directors have any personal relationship (including financial, business, family or other material or relevant relationship) with any other Directors.

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

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

Corporate Governance Report

During the Reporting Year, four regular Board meetings and one general meeting were held. The attendance records of the Directors at the Board meetings, Board committee meetings and Annual General Meeting of the Company held during the Reporting Year are set out below:

	Number of meetings attended/held				Annual General Meeting
	Board	Nomination Committee	Remuneration Committee	Audit Committee	
Executive Directors					
Mr. Wong Kit Lung Simon <i>Prof, JP</i>	4/4	1/1	1/1	—	1/1
Ms. Ko Sau Chee Grace	4/4	—	—	—	1/1
Mr. Ho Chi Wai	4/4	—	—	—	1/1
Independent non-executive Directors					
Mr. Sin Yat Kin <i>SBS, CSDSM</i>	4/4	1/1	1/1	2/2	1/1
Ms. Hung Lo Shan Lusan	3/4	—	1/1	2/2	0/1
Mr. Hung Wai Man <i>Prof, JP</i>	4/4	1/1	—	2/2	1/1

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

APPOINTMENT AND RE-ELECTION OF DIRECTORS

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

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

Pursuant to the Articles of Association, Mr. Wong Kit Lung Simon and Mr. Sin Yat Kin shall retire by rotation at the forthcoming AGM. Both of them, being eligible, will offer themselves for re-election at the forthcoming AGM.



CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS

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

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

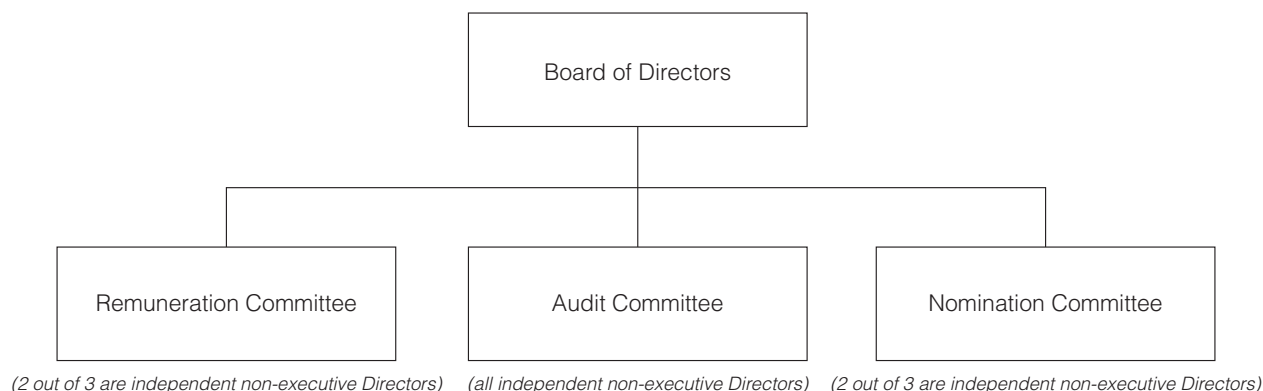
Directors	Type of training ^{Note}
Executive Directors	
Mr. Wong Kit Lung Simon <i>Prof, JP</i>	A,B,C
Ms. Ko Sau Chee Grace	A,B,C
Mr. Ho Chi Wai	A,B,C
Independent non-executive Directors	
Mr. Sin Yat Kin <i>SBS, CSDSM</i>	A,B,C
Ms. Hung Lo Shan Lusan	A,B,C
Mr. Hung Wai Man <i>Prof, JP</i>	A,B,C

Notes:

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

BOARD COMMITTEES

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



NOMINATION COMMITTEE

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

Mr. Wong Kit Lung Simon *Prof, JP (Chairperson)*

Mr. Sin Yat Kin *SBS, CSDSM*

Mr. Hung Wai Man *Prof, JP*

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

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

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

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

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



The work performed by the Nomination Committee is summarised below:

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

REMUNERATION COMMITTEE

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

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

Mr. Wong Kit Lung Simon *Prof, JP*

Ms. Hung Lo Shan Lusan

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

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

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

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

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

Corporate Governance Report

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

AUDIT COMMITTEE

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

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

Mr. Hung Wai Man *Prof, JP*

Mr. Sin Yat Kin *SBS, CSDSM*

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

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

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

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

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



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

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

CORPORATE GOVERNANCE FUNCTIONS

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

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

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

AUDITORS' REMUNERATION

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

	Fees paid/ payable <i>HK\$'000</i>
Audit services	2,200
Non-audit services	
— Taxation	550
Total	2,750

JOINT COMPANY SECRETARIES

Ms. Chan Hiu Yi is a joint company secretary of the Company. She joined the Group since 2010 and is also our administration manager. She is primarily responsible for the overall administrative and company secretarial matters of the Group. Ms. Chan has more than 9 years of experience in the company secretarial position.

Corporate Governance Report

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

In order to uphold good corporate governance and ensure compliance with the Listing Rules and applicable Hong Kong laws, the Company also engages Ms. Yu Wing Sze of TMF Hong Kong Limited (a company secretarial service provider) as the other joint company secretary to assist Ms. Chan to discharge her duties as one of the joint company secretaries of the Company.

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

SHAREHOLDERS' RIGHTS

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

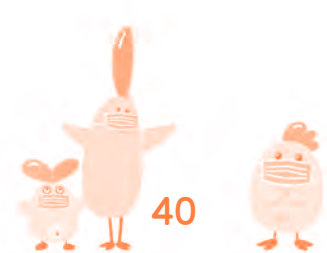
Pursuant to article 64 of the Articles of Association, extraordinary general meetings shall be convened on the requisition of one or more Shareholders holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the Secretary for the purpose of requiring an EGM to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Procedures for Raising Enquiries

Shareholders may send their enquiries or comments to the following:

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

Email: ir.lhgroup@lhg.com.hk





Procedures for Putting Forward Proposals at Shareholders' Meetings

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

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

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

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

The AGM of the Company will be held on Thursday, 18 June 2020. The notice of AGM will be sent to shareholders at least 20 clear business days before the AGM.

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

CONSTITUTIONAL DOCUMENTS

Pursuant to a special resolution of the Shareholders passed on 4 May 2018, the Articles of Association were adopted with effect from the date of the Listing on 30 May 2018. During the Reporting Year, there had been no significant change in the Company's constitutional documents. The Articles of Association are available on the websites of the Company and the Stock Exchange.

RISK MANAGEMENT AND INTERNAL CONTROL

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

The Audit Committee, acting on behalf of the Board, reviews the effectiveness of the Company's risk management and internal control systems on an on-going basis and reports to the Board. The Board has considered the advice from the Audit Committee, and has discussed and reviewed the effectiveness of the risk management and internal control system of the Group for the year ended 31 December 2019, which included the implemented system and procedures, covering financial, operational and legal compliance controls and risk management functions. The Directors consider that the Group has implemented appropriate procedures safeguarding the Group's assets against unauthorised use or misappropriation, maintaining proper accounting records, execution with appropriate authority and compliance of the relevant laws and regulations.

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

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

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

OBJECTIVES OF RISK MANAGEMENT AND INTERNAL CONTROL

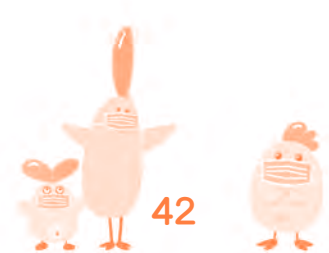
The Group has adopted a three-tier risk management approach to identify, assess, mitigate and handle risks. At the first line of defence, business units are responsible for identifying, assessing and monitoring risks associated with each business or deal. The management, as the second line of defence,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

DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for preparing the financial statements of the Group for the year ended 31 December 2019. The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern.

The statement of the independent auditors of the Group about their reporting responsibilities on the financial statements is set out in the "Independent Auditor's Report" on pages 78 to 82 of this report.

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





APPROACH

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

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

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

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

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

Our Vision and Mission

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





ABOUT THIS REPORT

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

Scope of the Report

This report has been prepared in accordance with the “Environmental, Social and Governance Reporting Guide” in Appendix 27 to the Listing Rules on the Stock Exchange. The two ESG subject areas, namely Environmental and Social, are disclosed separately, highlighting the impacts of the operations of the Group in Hong Kong from 1 January 2019 to 31 December 2019.

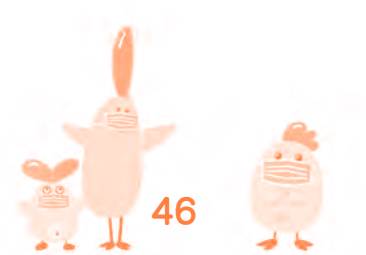
For the Reporting Year, the material ESG issues are those which have or may have a significant impact on:

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

The data and information used in this report are referenced from our archived documents, records, statistics and research. Financial data are extracted from or calculated based on the Group’s audited annual financial statements for the year ended 31 December 2019.

Information and Feedback

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





OUR STAKEHOLDERS

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

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

Gaining Social Recognition for 2019

Awards

Organizers

Award of Excellence
公益卓越獎

The Community Chest

Service & Courtesy Award: The Potential
Brand Award — Silver Award
傑出服務獎: 最具潛質品牌獎 — 銀獎

Hong Kong Retail Management Association

Service & Courtesy Award: New
Participating Brands — Food Shops
(Supervisory Level) Gold Award
傑出服務獎: S&C新秀 — 食品及餐廳組別
(主管級別) 金獎

Hong Kong Retail Management Association

Service & Courtesy Award: New
Participating Brands — Food Shops
(Junior Frontline Level) Bronze Award
傑出服務獎: S&C新秀 — 食品及餐廳組別
(基層級別) 銅獎

Hong Kong Retail Management Association

Smart Technology Grand Award
(Corporate/Government Bodies)
智能技術卓越大獎(企業/政府部門)

CLP Holdings Limited

Appreciation Certificate — Smart —
People, Living & Earth: Massive Beach
Clean-up

Rotary Club of Central

Happiness at Work 5+
開心工作間5+

Promoting Happiness Index Foundation

Partner Employer Award 5+
友商有良嘉許5+

The Hong Kong General Chamber of Small and
Medium Business



Awards	Organizers
Tiptop Service Award — Persistently Outstanding Service Outlet 天高服務獎 — 持續超卓表現分店	Tiptop Consultants Limited
Tiptop Service Award — Outlet of the Quarter 天高服務獎 — 季度傑出分店	Tiptop Consultants Limited
5 Years Plus Caring Company 商界展關懷5+	The Hong Kong Council of Social Service
Tenants Excellence Award 傑出商戶獎勵計劃	Link Asset Management Limited
Best Ever Dining Awards	Weekend Weekly
Best Japanese Restaurant	U Magazine
Best Japanese Hotpot Restaurant	U Magazine
Best Korean Restaurant	U Magazine
Best New Restaurant	U Magazine
Hong Kong Famous Brands	Asia Brands Association

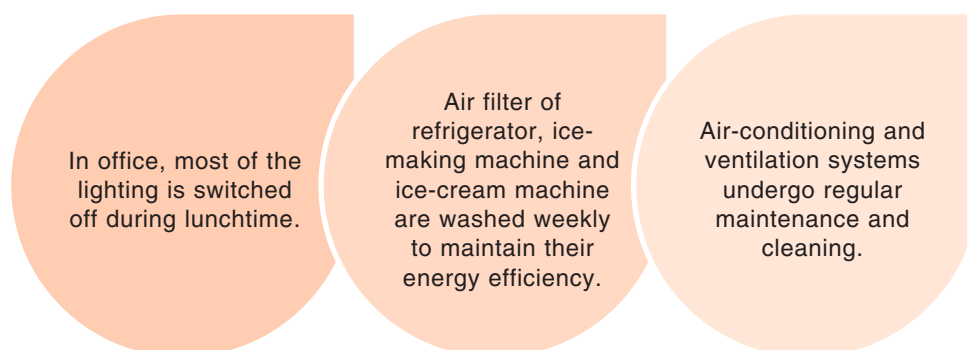
Environmental Matters

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

Act Green

Energy Saving

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

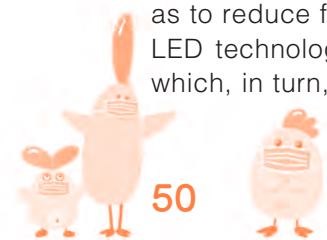


Knowing that natural resources is limited, we utilise natural resources in a more energy efficient way so as to sustain energy use for present and future operation. We cooperate with the Hong Kong and China Gas Company Limited to promote the use of a series of energy efficient kitchen appliances, ranging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

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

We also started operation of an intelligent air conditioning blower control system in restaurants, combining the techniques of video monitoring and artificial intelligent video analysis to calculate distribution and number of customers in real time to adjust temperature and fan speed. The fans can also be used under the mode of preset time that appropriate adjustments would be made during peak hours, non-peak hours or specific hours, reducing the electricity consumption by 15% to 30% in average.

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





Energy Consumption, Emissions and GHGs Emissions

Gaseous Fuel Consumption

	Unit	2019	2018
Consumption	Kilograms	4,761,685	3,183,073
Consumption intensity	Kilograms/HK\$ million revenue	4,734	3,170
Nitrogen oxides emissions	Kilograms	146	187
Sulphur oxides emissions	Kilograms	1	1
GHGs emissions	Kilograms	13,931,417	9,058,115
GHGs emissions intensity	Kilograms/HK\$ million revenue	13,851	9,021

Electricity Consumption

	Unit	2019	2018
Electricity consumption	kWh	9,956,427 ⁽¹⁾	10,640,611
Electricity consumption intensity	kWh/HK\$ million revenue	9,899	10,597
GHGs emissions	Kilograms	5,395,851 ⁽²⁾	5,746,749
GHGs emissions intensity	Kilograms/HK\$ million revenue	5,365	5,723

(1) The effect of electricity produced by renewable energy purchased from the Hongkong Electric Co. Ltd, was excluded.

(2) Included the effect of the amount of electricity produced by renewable energy purchased from the HongKong Electric Co. Ltd which reduce GHGs emissions.

Recycling & Reduction

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

Recycling box

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

Printing practices

- Double-sided printing is set as the default setting on computers, single-sided printing has to be manually selected.

Environmental, Social and Governance Report

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

Wastes trimming

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

With innovative and pioneering strategies, LH Group and “BottLess”, a social venture in Hong Kong, foster micro-behavioral change in the public and create low waste possibilities for our next generation. Since May 2019, no plastic straws are distributed to our customers. Partnering with “BottLess”, we provide straws made of sugar cane fibres only upon request by the customers with \$2 charged for each straw. Straws made of sugar cane fibres are natural and bio-degradable. They are free of plastic and eco-friendly. The \$2 charged for each straw is 100% donated to support “BottLess”. We also offered \$10 deduction for certain meal sets if the customers do not use a straw. We aim to create greater incentives for customers to reduce not only the use of plastic materials, but also reduce solid waste.

Generation of Packaging Materials

Source	Unit	2019	2018
Takeaway boxes	<i>kilogram</i>	9,059	11,051
Plastic bags	<i>kilogram</i>	4,320	3,357

We participated in the second phase of “Plastic-Free Takeaway, Use Reusable Tableware” campaign co-organized by the Environmental Protection Department and Environmental Campaign Committee. Under the programme, customers were offered a sticker for each takeaway order made at participating restaurants if they chose not to use disposable tableware. After collecting six stickers, they could redeem for a free set of stainless steel cutlery or a can of soft drink in our restaurant. Over 700 restaurants participated in the first and second phase of the campaign, saving a total of 2.4 million disposable tableware sets. Through this campaign, we hope we can arouse citizens’ awareness of reducing plastic disposables and develop the habit of using reusable tableware even when ordering takeaway.

Together with local NGO “Greeners Action”, LH Group encourages reuse and recycling of paper by distributing and collecting reusable red packets in our restaurants to save trees and reduce waste. According to a report published by “Greeners Action” in January 2020, a total of 10 million used red packets were collected in 2019, over half of them could be reused, while the remaining were used for decoration purpose. As a propeller to promote environmental protection, LH Group encourages citizens to practice recycling of materials in their daily lives to reduce waste.



Water Usage

Water Consumption

	Unit	2019	2018
Water consumption	Cubic metres	286,828.81	331,457.18
Water consumption intensity	Cubic metres/HKD\$ million revenue	285.17	330.01

The water consumption decreased by 44,628.37 cubic metres compared with previous year to 286,828.81 cubic metres for the Reporting Year. The average water consumption per HKD million revenue decreased by 13.6%, which showed our effort in reducing water usage.

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

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

We monitor water usage on a monthly basis, and will continue to explore practical and feasible ways to reduce water consumption.

Eat Green

Green Meal

Supporting Sustainable Seafood

Being the second highest seafood consumer in Asia and eighth-largest seafood consumer in the world, each of the Hong Kong people consumes approximately 71.8 kg of seafood in a year, which is more than three times higher than the global average. Therefore, as consumers, the food choices we provide are instrumental in supporting sustainable fisheries, and restoring depleted local fish stock. The Banqueting House was the first mover in introducing eco-friendly seafood wedding banquet menu with sustainable seafood and no shark fins are included in the menu in response to the “No Shark Fin” policy of WWF-Hong Kong. Currently, Peace Cuisine and LHGrand also offered sustainable seafood in our menu.

Low-carbon Meal

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

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

Food Waste Reduction

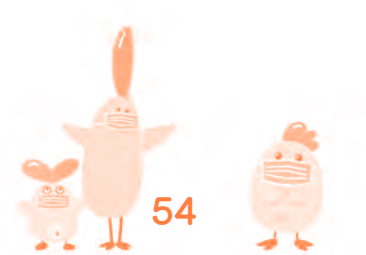
“The Banqueting House” has been cooperating with “Table for Two”, an international organization dedicated to addressing global food imbalance, to introduce a six-course menu for wedding banquets in order to reduce food waste; and it has also been collaborating with various NGOs such as “Food Angel” and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

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

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

Waste Cooking Oil Recycling

Proper recycling of waste cooking oil can not only convert it into industrial product such as biodiesel, and soap etc., but also avoid environmental pollution resulting from its improper handling; thereby, protecting the environment and, at the same time, preventing the waste cooking oil from re-entering the food chain. During the Reporting Year, we collected and recycled 21,163 (2018: 25,984) litres of cooking oil.





Drive Green

Vehicle Emission Standard

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

During the Reporting Year, we owned a fleet of 8 (2018: 8) vehicles mainly for the delivery and transportation of food ingredients and other supplies from the central processing and logistic centre to our restaurants.

Use of Vehicles, Emissions and GHGs Emissions

	<i>Unit</i>	2019	2018
Total mileage travelled	<i>Kilometers</i>	207,328	195,569
Total fuel consumed	<i>Liters</i>	38,811	36,483
Nitrogen oxides emissions	<i>Grams</i>	317,437	309,350
Sulphur oxides emissions	<i>Grams</i>	619	583
Particulate matter	<i>Grams</i>	30,566	29,786
GHGs emissions ⁽¹⁾	<i>Kilograms</i>	105,169	98,878

(1) Greenhouse gases include carbon dioxide, methane and nitrous oxide.

Compliance

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

SOCIAL – OUR PARTNERS

Company Philosophy

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

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

Internally, the Group has organised "Outstanding Staff Awards" to praise staff for their excellent performance and hard work. For the performance appraisal, we look into employees' attendance records, work performance and attitude, teamwork performance and corporate culture. We also regularly held a customer experience enhancement program named "Always delight your customers with providing services" to promote recognition and service culture.

Welfare and Benefits

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

Paid Birthday Leave

- Birthday is a key milestone in a person's life. For this reason, birthday leave is granted to our employees for their celebration on these big days.

Paid Volunteer Leave

- We deeply understand the importance of giving back to the society. Therefore, we encourage our employees to actively take part in community services so as to contribute to a more sustainable society.
- Actions always speak louder than words. That's why we offer our employees paid volunteer leaves, as a means of motivating them to participate in voluntary work.

5-day Full-paid Paternity Leave

- Since March 2013, we already granted a 5-day full-paid paternity leave to all of our eligible employees. This is better than the statutory 5-day paternity leave which is paid four fifths.



Staff Meals

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

Education Sponsorship for Children of Employees

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

Re-employment of Retirees

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

Enhancing Bonding Among the Team

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

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

In addition, themed by the management philosophy of the Company, we organised teamwork training camp for our employees with mindfulness exercises and teamwork games, such that they would attain inspiration and deepen understanding of each other in the atmosphere of joy and harmony, thereby consolidating their teamwork. Employees were actively engaged in the activities and applied the management philosophy to their work, which helps them to communicate effectively and lead other partners to grow together.

In order to cultivate their interests, we also organised several corporate activities, including leather workshops and mooncake making classes, etc. for employees, so that they would get to know each other in their spare time and the links across departments would be consolidated so as to enhance team cohesiveness.

Environmental, Social and Governance Report

Motivating and Retaining Talents

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

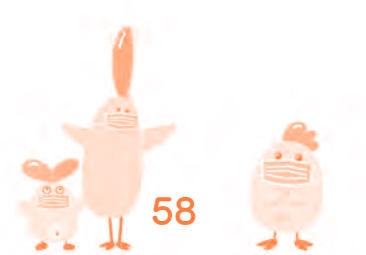
Promoting Diversity at Workplace

During the Reporting Year, we were awarded with “Partner Employer Award 5+”. The award commends our efforts in building an inclusive society and promoting corporate social responsibilities.

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

During the Reporting Year, we collaborated with Child Development Initiative Alliance to allow teenagers to experience work, give play to their creativeness and potential, and have a better understanding of their interests and specialties. We hope to take this opportunity to enhance the self-confidence and competitiveness of young people.

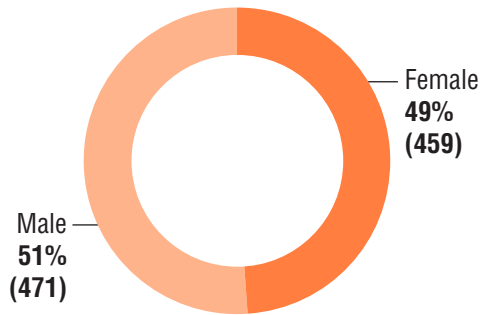
Moreover, we strive to promote gender equality in the workplace. To arouse awareness of gender-related issues, we have joined the Network of Gender Focal Point established by the Government and Women’s Commission. Our executive Director, Ms. Ko Sau Chee Grace, has been nominated as our representative of Gender Focal Point Network of the Women’s Commission since 2018, who serves as the contact person for coordination of gender-related matters between the Government and us.



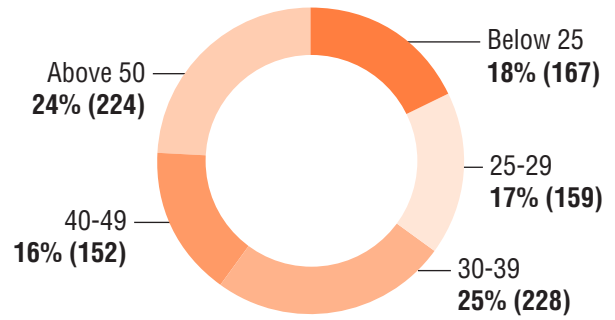


As at 31 December 2019, the Group had 930 (2018: 1,041) employees all based in Hong Kong. The details by gender, employment type and age group shown as follows.

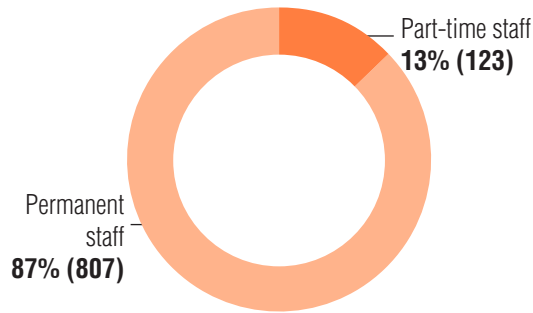
BY GENDER



BY AGE GROUP



BY EMPLOYMENT TYPE



Environmental, Social and Governance Report

During the Reporting Year, a total of 688 (2018: 967) members of staff resigned or dismissed from their positions in Hong Kong. The statistics for staff turnover rates is as follows.

	Age Group					Gender	
	Below 25	25–29	30–39	40–49	Above 50	Male	Female
	Average monthly turnover rate						
2019	9%	6%	4%	7%	6%	6%	6%
2018	15%	9%	7%	6%	6%	8%	7%

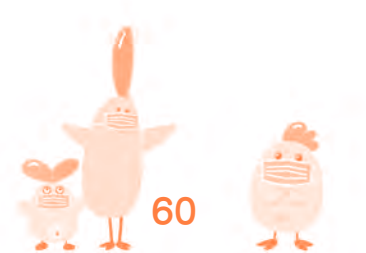
Average monthly turnover rate is the number of leavers of each category of the year divided by the number of employees of that category at the end of the year, and divided by 12 months.

Compliance

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

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

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





SOCIAL – EMPLOYMENT AND LABOUR PRACTICE

Developing Talent

We consider employees as our partners. Thus, we place great emphasis on personal development of our employees. A wide range of training programs are provided to our employees to enhance their knowledge and capabilities. During the Reporting Year, 5,918 (2018: 3,925) hours of training were recorded.

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

Overseas training has been provided to employees who are passionate and willing to learn various skills from other countries, and bring back the technology and skills so acquired to their working environment. During the Reporting Year, our employees went to Tokyo for the overseas training.

In addition, in view of the advancement in technology, we have devoted resources and started an online training platform (LMS) to provide an more interactive way of learning for our staff.

“Cool” Kitchen

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

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

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

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

Environmental, Social and Governance Report

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

Care About Well-being of Employees

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

Physical Well-being

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

To reduce the risk of our employees suffering from flu-associated diseases, we have launched the company-wide Influenza Vaccine Scheme since 2014. Under the Scheme, vaccine injections can be arranged for our full-time employees and their immediate family members who are eligible under the Government's Vaccination Subsidy Scheme free of charge.

In order to protect our employees, we purchase medical insurance for employees and offer them discounts for dental and body check-up through cooperation with external medical institutions.

Moreover, written guidelines and training sessions related to occupational health and safety are provided to our employees to make sure that they fully understand the risk factors involved and the corresponding protective measures. Various protective accessories such as protective gloves and goggles, and allowances for safety shoes are provided to our employees. We also post reminders in the workplace to remind employees to wear such accessories at work.

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



Mental Well-being

LH Group and Kabushikigaisha Limited were awarded the “Happiness at Work 5+” by the Promoting Happiness Index Foundation for the seventh consecutive year. We recognise happy workplace and promote happy working environment in order to ensure positive mental well-being among our employees. By this way, we would like to attract and retain more talents to join us together to build this happy and motivative atmosphere inside the Group. Besides, we have signed the Joyful@Healthy Workplace Charter organised by Occupational Safety and Health Council to undertake that we will take actions in promoting healthy diet, physical activity and mental well-being within the Group.

To relieve employees’ stress from their daily life, we not only provide festive snacks and after-work interest classes, but also regularly published mental health information through the Company’s electronic publications and set up an online advice collection channel to help employees sort out their emotions and work efficiently.

Flexible Working Hours

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

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

Compliance

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

SOCIAL – OPERATING PRACTICES

Supply Chain Management

The Group places great emphasis on supply chain management. We support the purchases of environmentally-friendly and socially responsible products to minimize the environmental impact caused by our business operations, and thus enhance our service quality and performance standard. During the Reporting Year, we had cooperated with approximate 306 (2018: 278) Hong Kong based suppliers.

Environmentally Responsible

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

Purchases of Ingredients

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

Purchases of Cleaning Supplies

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

Purchases of Catering Equipment

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

Socially Responsible

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

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

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





Striving to Create Great Customer Experience





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

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

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

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

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

	<p>i-Queue Use your mobile phone to pick up tickets anytime and anywhere, while physical presence is not required.</p>
	<p>Booking Secure your table in our restaurants for the preferred time from 24 hours up to 60 days in advance without waiting.</p>
	<p>Member Area Get your exclusive discounts and e-coupons without bringing your physical card.</p>
	<p>Latest News Keep you updated with our latest promotion and menu.</p>

Environmental, Social and Governance Report

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

Striving to Provide Excellent Quality

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

Storage Quality Control

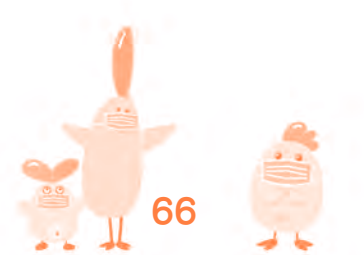
- The shelf lives of different food ingredients vary. We regularly assess the freshness of seafood, frozen meat and canned food which have shelf lives ranging generally from one day to one week, one to six months, and one to two years, respectively.
- We keep record of the delivery and expiry dates of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

Logistics Quality Control

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

Restaurant Quality Control

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





Striving to Enhance Customer Privacy

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

The membership of “TimD Card” came to an end on 31 July 2019 along with the disposal of three of our Chinese restaurants to ClubOne. “TimD Card” members could transfer the unused points to ClubOne membership and were eligible for a dedicated free “Kabu Pass”. The membership data of TimD Card were only transferred to ClubOne upon completion of the “Membership Data Transfer Consent Form” by the members. No personal information would be disclosed to third parties without the consent of our members.

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

Striving to Ensure Food Safety

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

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

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

Traceable Food Sourcing

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

Personal Hygiene

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

Environmental, Social and Governance Report

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

Food Processing

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

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

With all the effort spent, we got an average score of 94.9 (2018: 94.3) out of 100 for all the food safety inspections done by independent third party for our restaurants. The inspections were focused on several areas: Escherichia coli and Salmonella concentration on food samples; aerobic plate count; Escherichia coli and Staphylococcus aureus concentration on knives, chopping boards, fridge door handles, food storage containers and staff's hands.

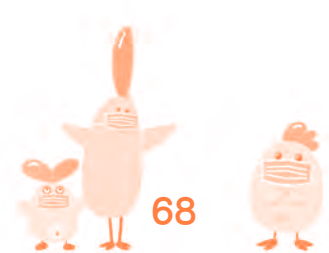
Corporate Integrity

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

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

We encourage all management and employees to report violations or suspected violations to the Group when they have serious concerns about possible improprieties in the matters of finance and accounting or other matters of suspected irregularities in the Group.

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





Caring About People

Cooperating with “Commission on Poverty (扶貧委員會)”

The Group has been engaging in charitable and social work activities to help the young and underprivileged. We have been one of the major donors supporting the “Future Stars — Upward Mobility Scholarship (明日之星 — 上游獎學金)” programme launched by the Commission on Poverty since 2015, which aims to assist Secondary 3 to 6 students from underprivileged backgrounds by way of scholarships of HK\$5,000 each.

Except making donations, some of our employees took part in the “2019 Future Stars Mentoring Programme (明日之星 — 星伴同行師友計劃)” organised by the Commission on Poverty and supported by the Salvation Army. The programme run from June to January of next year, mentors meet the mentees individually for at least four times during the programme. Mentors share their own experience with their mentees, guide them in their life planning and widen their exposure. It is hoped that students with underprivileged background can maintain a positive attitude towards life and learning in adversities, and enhance their capacity of climbing the social ladder.

Supporting “Orbis World Sight Day”

The Group acted as the “Darkness to Go Action Partner” in supporting “Orbis World Sight Day 2019” to focus global attention on blindness and visual impairment. To show our support in this meaning event, HK\$5-HK\$10 will be donated to Orbis upon purchase of specific food items in our restaurants during the campaign period.

Mid-Autumn Festival Themed Volunteering

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

Acted as corporate partner for university projects

The Group acted as a corporate partner for the Company Consultancy Projects for marketing final year students of the City University of Hong Kong. Students were given different topics based on real business situation and they had to conduct marketing research and provide business solutions for the company. Our marketing colleagues acted as advisers and provide feedback to the students’ proposals. It was a great learning opportunity for both our colleagues and the students. Students had a chance to work for a real business case, which enhance their business acumen and prepare them for the future career challenges. On the other hand, the students provided creative ideas and valuable insights to the Company.

Suspended Meals Scheme (膳心待用飯計劃)

The Group has been running Suspended Meals Scheme since September 2018 whereas anyone can purchase suspended meals (pay for meals in advance for people in need) in our restaurants or send payment to us through bank transfer or cheque. Together with the extra one meal donated by our Group upon every purchase of four meals, we have collected over 1,000 suspended meals as at 31 December 2019. We cooperated with Hong Kong Church Network for the Poor (教會關懷貧窮網絡) to distribute the suspended meals to people in need.

Caring About the Environment

Clean up the To Tau Wan Village, Wu Kwai Sha

In response to the WWF's Coastal Watch Programme, a team of employees was formed to participate in a clean-up at To Tau Wan Village, Wu Kwai Sha. The Group is planning to participate in more similar activities in the future.

Support Environmental Protection by Saving and Waste Reduction

The Group promotes green work and life through various measures, such as posting tips regarding environmental protection to guide and remind employees to conserve electricity and actively participate in the green recycling programmes organised in the shopping malls and the communities.

“Plastic-Free Takeaway, Use Reusable Tableware” Campaign

The Group promotes plastic-free lifestyle by participating in “Plastic-Free Takeaway, Use Reusable Tableware” campaign co-organized by the Environmental Protection Department and Environmental Campaign Committee. It arouse people's awareness of reducing plastic disposables and develop the habit of using reusable tableware even when ordering takeaway.

Discourage the use of straws

No straws were distributed to customers proactively. Partnering with “BottLess”, we provide straws made of sugar cane fibres as an alternative only upon request by the customers with \$2 charged for each straw. We also offered price deduction for certain meal sets if the customers do not use a straw. We aim to create greater incentives for customers to reduce not only the use of plastic materials, but also reduce solid waste.

Reuse and Recycling of Lai See Envelopes

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

	2019	2018
Charitable donations (in HK\$)	438,000	1,621,000
Corporate charitable activities:		
Aggregate hours spent on charitable activities by employee volunteers	28	219
Number of employee volunteers	63	39

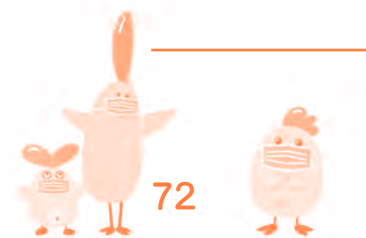




HKEX Environmental, Social and Governance Guide Content Index

Aspect	Description	Chapter
A1 Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Environmental Matters – Compliance
KPI A1.1	The types of emissions and respective emissions data.	Act Green – Energy Saving Drive Green – Vehicle Emission Standard
KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Act Green – Energy Saving Drive Green – Vehicle Emission Standard
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Not Applicable
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Eat Green – Food Waste Reduction
KPI A1.5	Description of measures to mitigate emissions and results achieved.	Act Green
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Eat Green – Food Waste Reduction

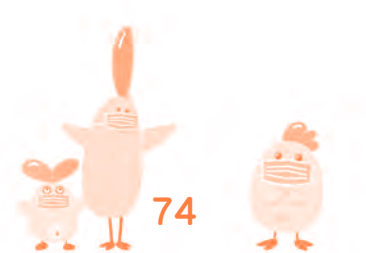
Aspect	Description	Chapter
A2 Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Act Green
KPI A2.1	Direct and/ or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Act Green – Energy Saving Drive Green – Vehicle Emission Standard
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Act Green – Recycling & Reduction
KPI A2.3	Description of energy use efficiency initiatives and results achieved.	Act Green – Recycling & Reduction Act Green – Energy Saving
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Act Green – Recycling & Reduction
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Act Green – Recycling & Reduction
A3 The Environment and Natural Resources		
General Disclosure	Policies on minimizing the issuer's significant impact on the environment and natural resources.	Eat Green
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Eat Green





Aspect	Description	Chapter
B1 Employment		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Social – Our Partners – Compliance
KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	Promote Diversity at Workplace
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Promote Diversity at Workplace
B2 Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	“Cool” Kitchen Social – Employment and Labour Practice – Compliance
KPI B2.1	Number and rate of work-related fatalities.	“Cool” Kitchen
KPI B2.2	Lost days due to work injury.	Not Disclose
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Care About Well-being of Employees

Aspect	Description	Chapter
B3 Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Developing Talent
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Not Disclose
KPI B3.2	The average training hours completed per employee by gender and employee category.	Not Disclose
B4 Labour Standards		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Social – Our Partners – Compliance
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Social – Our Partners – Compliance
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Social – Our Partners – Compliance





Aspect	Description	Chapter
B5 Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Supply Chain Management
KPI B5.1	Number of suppliers by geographical region.	Supply Chain Management
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Supply Chain Management Environmentally Responsible Socially Responsible
B6 Product Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Striving to Create Great Customer Experience Striving to Ensure Food Safety Striving to Enhance Customer Privacy
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Not Disclose
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	Not Disclose
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Striving to Create Great Customer Experience

Environmental, Social and Governance Report

Aspect	Description	Chapter
KPI B6.4	Description of quality assurance process and recall procedures ² .	Striving to Provide Excellent Quality Striving to Ensure Food Safety
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Striving to Enhance Customer Privacy

B7 Anti-corruption

General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Corporate Integrity
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Corporate Integrity
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Corporate Integrity

² Recall procedures are not applicable.



Aspect	Description	Chapter
B8 Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Caring About People Caring About the Environment
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Caring About People Caring About the Environment
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	Caring About People Caring About the Environment

Independent Auditor's Report

TO THE SHAREHOLDERS OF LH GROUP LIMITED

(incorporated in the Cayman Islands with limited liability)

OPINION

What we have audited

The consolidated financial statements of LH GROUP LIMITED (the “**Company**”) and its subsidiaries (the “**Group**”) set out on pages 83 to 155, which comprise:

- the consolidated statement of financial position as at 31 December 2019;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 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.

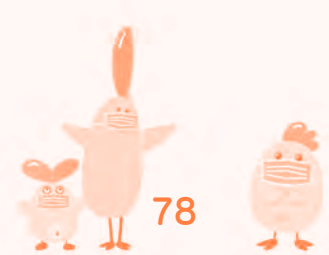
BASIS FOR OPINION

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (“**the Code**”), and we have fulfilled our other ethical responsibilities in accordance with the Code.





KEY AUDIT MATTERS

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

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

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Impairment assessment of the Group's underperforming restaurant outlets</p> <p>Refer to note 2.8 and 13(a)&(b) to the consolidated financial statements for the Group's accounting policy on impairment of non-financial assets and note on property, plant and equipment ("PPE") and right-of-use assets ("ROU").</p> <p>The Group operates restaurant outlets on leased properties with lease terms ranging from 2 to 6 years. Management considered that each restaurant outlet constitutes a cash generating unit ("CGU"). Certain of the Group's restaurant outlets were loss making which require assessment of impairment of the relevant outlets' PPE and ROU. As at 31 December 2019, provision for impairment of PPE and ROU amounted to HK\$22.5 million and HK\$48.5 million respectively.</p> <p>Management's judgement is required to identify those outlets requiring provision for impairment of PPE and ROU, including the identification of PPE and ROU impairment indicators. The determination of the recoverable amount for PPE and ROU involves the use of key assumptions in a discounted cash flow forecast model (the "Forecast") including estimated revenue growth rate, restaurant costs and discount rate.</p> <p>We focused on this area because the assessment requires the use of the significant estimates and judgements by management in the Forecast of revenue growth, operating costs and discount rate.</p>	<p>In respect of management's impairment assessment of PPE and ROU, we carried out the following audit procedures:</p> <ul style="list-style-type: none"> • obtained an understanding of and evaluated management's procedures in identifying the relevant CGUs having impairment indicators and preparing the Forecast for impairment testing; • compared the Group's budgets of the relevant CGUs with the historical financial information upon which the Forecast is based; • assessed the reasonableness of key assumptions used in the Forecast: <ul style="list-style-type: none"> — for estimated revenue growth rate and operating costs, reconciling the key input data to the Group's business development plans and budgets, historical financial information of the relevant CGUs and made reference to our understanding and knowledge of the Group's business as well as other available external data in the market; and — for discount rate, made reference to the comparable external information in the industry; • evaluated management's sensitivity analysis around the key assumptions adopted to assess the potential adverse impact of a range of possible outcomes; and • tested the mathematical accuracy of the Forecast. <p>Based on our audit procedures performed, we found the significant judgements and assumptions used by management in the assessment were supportable with evidence obtained.</p>

OTHER INFORMATION

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

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

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

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

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's 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 HKSAAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

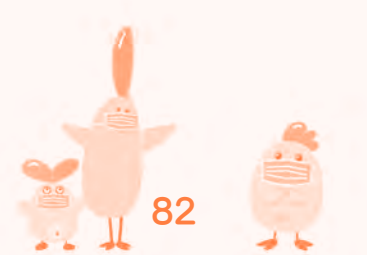
Independent Auditor's Report

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

The engagement partner on the audit resulting in this independent auditor's report is Chan Kam Chiu, Raymond.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 30 March 2020



Consolidated Statement of Comprehensive Income



For the year ended 31 December 2019

	Note	2019 HK\$'000	2018 HK\$'000
Revenue	5(a)	1,005,776	1,004,105
Other income	6	4,519	3,853
Cost of food and beverages		(292,786)	(287,937)
Staff costs	9	(301,392)	(303,899)
Depreciation and amortisation		(44,214)	(50,658)
Depreciation of right-of-use assets	13(b)	(98,805)	—
Property rentals and related expenses		(73,602)	(181,510)
Fuel and utility expenses		(24,924)	(28,583)
Advertising and marketing expenses		(11,629)	(12,982)
Other operating expenses		(94,800)	(87,302)
Provision for impairment of property, plant and equipment	13(a)	(20,176)	(4,157)
Provision for impairment of right-of-use assets	13(b)	(48,444)	—
Provision for impairment of intangible assets	15	(569)	—
Provision for impairment of financial assets	18	(3,832)	(1,854)
Listing expenses		—	(8,027)
Gain on disposal of subsidiaries	30	13,101	—
Loss on disposal of financial assets at fair value through profit or loss	25(b)	(5,000)	—
Finance income	7	4,150	2,686
Finance costs	7	(8,321)	—
(Loss)/profit before taxation	8	(948)	43,735
Income tax expense	10	(10,320)	(8,575)
(Loss)/profit and total comprehensive (loss)/income for the year		(11,268)	35,160
Attributable to:			
Shareholders of the Company		(11,226)	35,211
Non-controlling interests		(42)	(51)
		(11,268)	35,160
Basic and diluted (loss)/earnings per share (HK cents)	12	(1.40)	4.90

Consolidated Statement of Financial Position

As at 31 December 2019

	Note	2019 HK\$'000	2018 HK\$'000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	13(a)	126,710	130,567
Right-of-use assets	13(b)	227,331	—
Investment property	14	695	720
Intangible assets	15	6,015	7,227
Rental and utilities deposits	18	43,216	45,532
Prepayments for purchase of property, plant and equipment	18	575	1,414
Deferred income tax assets	23	23,875	17,192
		428,417	202,652
CURRENT ASSETS			
Inventories	16	24,517	26,144
Trade receivables	17	6,156	13,045
Prepayments, deposits and other receivables	18	18,277	38,733
Tax recoverable		1,737	2,894
Short term bank deposits	20	132,352	148,000
Cash and cash equivalents	20	130,759	142,289
		313,798	371,105
Total assets		742,215	573,757
EQUITY AND LIABILITIES			
Equity attributable to shareholders of the Company			
Share capital	28	80,000	80,000
Share premium	24	122,781	122,781
Reserves	24	71,492	207,716
		274,273	410,497
Non-controlling interests		—	49
Total equity		274,273	410,546
NON-CURRENT LIABILITIES			
Provision for reinstatement costs	22	15,009	13,227
Lease liabilities	13(b)	157,100	—
Deferred income tax liabilities	23	5,839	2,572
		177,948	15,799

Consolidated Statement of Financial Position



As at 31 December 2019

	<i>Note</i>	2019 HK\$'000	2018 HK\$'000
CURRENT LIABILITIES			
Trade payables	21	44,774	42,327
Other payables and accruals	22	65,102	72,137
Contract liabilities		22,952	25,911
Tax payable		25,694	7,037
Lease liabilities	13(b)	131,472	—
		289,994	147,412
Total liabilities		467,942	163,211
Total equity and liabilities		742,215	573,757

Consolidated Statement of Changes in Equity

For the year ended 31 December 2019

	Attributable to shareholders of the Company			Non- controlling Interests	Total
	Share capital (Note 28) HK\$'000	Reserves (Note 24) HK\$'000	Total HK\$'000		
At 1 January 2018	—	201,502	201,502	—	201,502
Profit and total comprehensive income for the year	—	35,211	35,211	(51)	35,160
Transactions with shareholders					
Dividends (Note 11)	—	(28,997)	(28,997)	—	(28,997)
Capitalisation issue	60,000	(60,000)	—	—	—
Share issued pursuant to the initial public offerings (“IPO”)	20,000	200,000	220,000	—	220,000
Transactions costs attributable to the IPO	—	(17,219)	(17,219)	—	(17,219)
Investment from non-controlling interests	—	—	—	100	100
At 31 December 2018	80,000	330,497	410,497	49	410,546
Change in accounting policy (Note 2.1(c))	—	(2,118)	(2,118)	—	(2,118)
Restated balance at 1 January 2019	80,000	328,379	408,379	49	408,428
Profit and total comprehensive income for the year	—	(11,226)	(11,226)	(42)	(11,268)
Transactions with shareholders					
Dividends (Note 11)	—	(122,880)	(122,880)	—	(122,880)
Acquisition of non-controlling interests	—	—	—	(7)	(7)
At 31 December 2019	80,000	194,273	274,273	—	274,273



Consolidated Statement of Cash Flows

For the year ended 31 December 2019

	Note	2019 HK\$'000	2018 HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	25(a)	244,840	108,980
Interest received		402	14
Hong Kong profits tax (paid)/refunded, net		(270)	(9,130)
Net cash flows generated from operating activities		244,972	99,864
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property, plant and equipment		(35,395)	(55,074)
Acquisition of a subsidiary	35	(35,008)	—
Cash and cash equivalents disposed from disposal of subsidiaries	30	(5,865)	—
Proceed from disposal of financial assets at fair value through profit or loss	25(b)	23,500	—
Payment for obtaining tradename		—	(3,945)
Interest received		3,481	1,355
Decrease/(increase) in short term bank deposits		15,648	(148,000)
Net cash flows used in investing activities		(33,639)	(205,664)
CASH FLOWS FROM FINANCING ACTIVITIES			
Listing expenses paid		(27)	(13,004)
Proceeds from issuance of shares under the IPO		—	220,000
Dividend paid	11	(122,880)	(28,997)
Investment from non-controlling interests		—	100
Acquisition of non-controlling interests	34	(7)	—
Principal elements of lease payments	25(c)	(99,949)	—
Net cash flows (used in)/generated from financing activities		(222,863)	178,099
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at the beginning of the year		142,289	69,990
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	20	130,759	142,289

Notes to the Consolidated Financial Statements

1 GENERAL INFORMATION

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

The Company is an investment holding company and its subsidiaries are principally engaged as full-service restaurants operator serving Asian cuisine including Japanese, Korean, Cantonese and Shanghainese cuisine in Hong Kong.

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

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

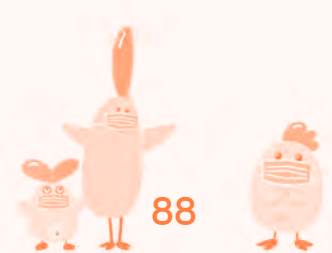
2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

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

The preparation of these consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to these consolidated financial statements are disclosed in Note 4.





2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

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

The Group has applied the following new and amended standards, improvements and interpretation for the first time for their annual reporting period commencing 1 January 2019:

Annual Improvements Project (Amendment)	Annual Improvements 2015–2017 Cycle
HKAS 19 (Amendment)	Plan amendment, curtailment or settlement
HKAS 28 (Amendment)	Long-term interests in associates and joint ventures
HKFRS 9 (Amendment)	Prepayment features with negative compensation
HKFRS 16	Leases
HK (IFRIC) Int 23	Uncertainty over income tax treatments

The Group had to change its accounting policies as a result of adopting HKFRS 16. The Group elected to adopt the new rules retrospectively but recognised the cumulative effect of initially applying the new standard on 1 January 2019. This is disclosed in note 2.1(c). Most of the other amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

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

		Effective for annual periods beginning on or after
HKAS 1 and HKAS 8 (Amendments)	Definition of material	1 January 2020
HKFRS 3 (Amendments)	Definition of a business	1 January 2020
HKFRS 17	Insurance contracts	1 January 2021
Conceptual framework for financial reporting 2018	Revised conceptual framework for financial reporting	1 January 2020
HKFRS 10 and HKAS 28 (Amendment)	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

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

The above accounting standards and interpretations have been published that are not mandatory for 31 December 2019 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

(c) *Changes in accounting policies*

The Group has elected the modified retrospective approach for transition to the new standard of leases. In accordance with the transition provisions in HKFRS 16, the new rules have been adopted retrospectively with the cumulative effect of initially applying the new standard recognised on 1 January 2019. Comparatives for the 2018 financial year have not been restated.

The amount by which each financial statement line item is affected by the application of HKFRS 16 as compared to HKAS 17 (previously in effect) is as follows:

Consolidated statement of financial position (extract)	31 December 2018		1 January 2019 Restated HK\$'000
	As originally presented HK\$'000	HKFRS 16 reclassification HK\$'000	
Non-current assets			
Property, plant and equipment	130,567	(6,063)	124,504
Right-of-use assets	—	273,569	273,569
Investment property	720	—	720
Intangible assets	7,227	—	7,227
Rental and utilities deposits	45,532	—	45,532
Prepayments for purchase of property, plant and equipment	1,414	—	1,414
Deferred income tax assets	17,192	2,803	19,995
	<u>202,652</u>	<u>270,309</u>	<u>472,961</u>



2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

(c) Changes in accounting policies (continued)

Consolidated statement of financial position (extract)	31 December 2018	HKFRS 16 reclassification	1 January 2019
	As originally presented		Restated
	HK\$'000	HK\$'000	HK\$'000
Non-current liabilities			
Lease liabilities	—	199,375	199,375
Provision for reinstatement costs	13,227	—	13,227
Deferred income tax liabilities	2,572	—	2,572
	<u>15,799</u>	<u>199,375</u>	<u>215,174</u>
Current liabilities			
Lease liabilities	—	85,120	85,120
Trade payables	42,327	—	42,327
Contract liabilities, other payables and accruals	98,048	(12,068)	85,980
Tax payable	7,037	—	7,037
	<u>147,412</u>	<u>73,052</u>	<u>220,464</u>
Equity attributable to shareholders of the Company			
Share capital	80,000	—	80,000
Share premium	122,781	—	122,781
Reserves	207,716	(2,118)	205,598
	<u>410,497</u>	<u>(2,118)</u>	<u>408,379</u>
Non-controlling interests	49	—	49
	<u>410,546</u>	<u>(2,118)</u>	<u>408,428</u>

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

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

As indicated in note 2.1 (a) above, the group has adopted HKFRS 16 Leases retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening consolidated statement of financial position on 1 January 2019. The new accounting policies are disclosed in note 2.22.

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of HKAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 2.24%.

(i) *Practical expedients applied*

In applying HKFRS 16 for the first time, the group has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review — there were no onerous contracts as at 1 January 2019
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the group relied on its assessment made applying HKAS 17 and Interpretation 4 Determining whether an Arrangement contains a Lease.





2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

(c) Changes in accounting policies (continued)

(ii) Measurement of lease liabilities

	2019 HK\$'000
Operating lease commitments disclosed as at 31 December 2018	327,290
Discounted using the Group's incremental borrowing rate of 2.24%	(18,129)
Less: Short-term leases recognised on a straight-line basis as expenses	(24,666)
	<u>284,495</u>
Lease liabilities recognised as at 1 January 2019	284,495
Of which are:	
Current lease liabilities	85,120
Non-current lease liabilities	199,375
	<u>284,495</u>

(iii) Measurement of right-of-use assets

The associated right-of-use assets for property leases were measured on a retrospective basis as if the new rules had always been applied. Other right-of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

(c) Changes in accounting policies (continued)

(iv) Adjustments recognised in the balance sheet on 1 January 2019

The change in accounting policy affected the following items in the balance sheet on 1 January 2019:

- property, plant and equipment — decrease by approximately HK\$6,063,000
- right-of-use assets — increase by approximately HK\$273,569,000
- deferred tax assets — increase by approximately HK\$2,803,000
- lease liabilities — increase by approximately HK\$284,495,000
- other payables and accruals — decrease by approximately HK\$12,068,000.

The net impact on retained earnings on 1 January 2019 was a decrease of HK\$2,118,000.

2.2 Subsidiaries

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

2.2.1 Business combinations

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

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



2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Subsidiaries (continued)

2.2.1 Business combinations (continued)

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

2.2.2 Separate financial statements

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

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

2.3 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

2.4 Segment reporting

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Property, plant and equipment

Land and buildings comprise mainly central processing and logistic centre and offices. Leasehold land classified as finance lease and all other property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated statements of comprehensive income during the financial period in which they are incurred.

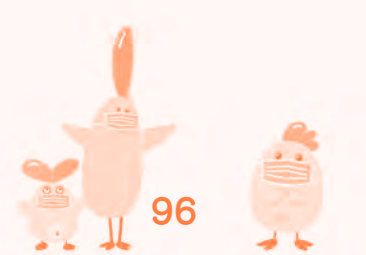
Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

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

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.8).

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





2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Investment property

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

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

2.7 Intangible assets

(a) *Franchises*

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

(b) *Tradenname*

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

2.8 Impairment of non-financial assets

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.9 Financial assets

2.9.1 Classification

The Group classifies its financial assets in the following categories:

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

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

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

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

2.9.2 Measurement

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

Debt instruments

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





2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.9 Financial assets (continued)

2.9.2 Measurement (continued)

Equity instruments

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

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

2.9.3 Recognition and derecognition

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

2.10 Offsetting financial instruments

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

2.11 Impairment of financial assets

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.11 Impairment of financial assets (continued)

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

2.12 Inventories

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

2.13 Trade and other receivables

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

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

2.14 Cash and cash equivalents

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

2.15 Share capital

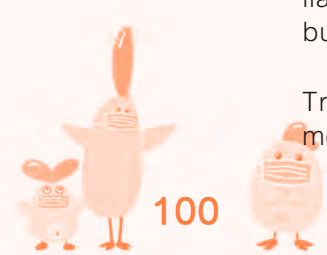
Ordinary shares are classified as equity.

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

2.16 Trade and other payables

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

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.





2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.17 Current and deferred income tax

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

(a) Current income tax

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

(b) Deferred income tax

Inside basis differences

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.17 Current and deferred income tax (continued)

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

Outside basis differences

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

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

(c) **Offsetting**

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

2.18 Employee benefits

(a) **Pension obligations**

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

(b) **Employee leave entitlements**

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

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





2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.18 Employee benefits (continued)

(c) Long service payments

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

(d) Provision for bonus plans

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

2.19 Provisions

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

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

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

2.20 Customer loyalty programme

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.21 Revenue recognition

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

Revenues are recognised when or as the control of the good is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the good or service may be transferred over time or at a point in time. Control of the good or service is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the asset. Specific criteria where revenue is recognised are described below.

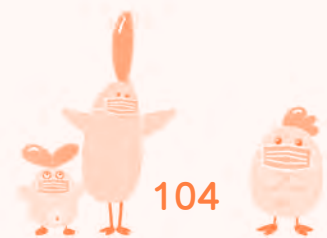
(a) Restaurant operations

(i) Sale of catering services

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

(ii) Sale of membership

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





2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.21 Revenue recognition (continued)

(b) *Sale of food ingredients*

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

(c) *Interest income*

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

2.22 Leases

As explained in Note 2.1(c) above, the Group has changed its accounting policy for leases where the Group is the lessee. The new policy is described below and the impact of the change in Note 2.1(c).

Leases in which a significant portion of the risks and rewards of ownership were not transferred to the Group as lessee were classified as operating leases (note 26). Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the Group under residual value guarantees
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.22 Leases (continued)

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

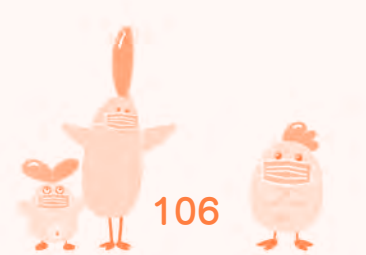
- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third party financing, and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. While the Group revalues its land and buildings that are presented within property, plant and equipment, it has chosen not to do so for the right-of-use buildings held by the Group.





2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.22 Leases (continued)

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term (Note 14). Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the balance sheet based on their nature. The Group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

2.23 Earnings per share

(i) **Basic earnings per share**

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

(ii) **Diluted earnings per share**

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

2.24 Dividend distribution

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

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

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to variety financial risks: market risk (cash flow and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner. Because of the simplicity of the financial structure and the current operations of the Group, no hedging activities are undertaken by management.

(a) Interest rate risk

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

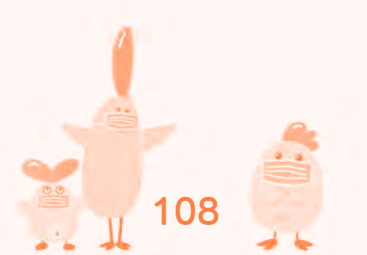
As at 31 December 2019, if interest rates on all interest-bearing bank deposits had been 100 basis-points higher/lower with all other variables held constant, loss after taxation would have decreased/increased by approximately HK\$1,534,000 (2018: HK\$2,035,000) respectively, mainly as a result of higher/lower interest income on variable rate bank deposits.

(b) Credit risk

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

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

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





3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

Cash and cash equivalents and short term bank deposit

As at 31 December 2019, the credit risk on cash at banks and short term bank deposits is limited because the counterparties are reputable and creditworthy banks, which management believes are of high-credit-quality without significant credit risk.

Trade receivables

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

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

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

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

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

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

Deposits and other receivables

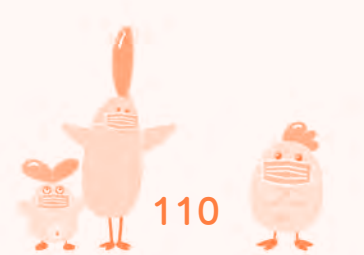
The directors of the Group consider the probability of default upon initial recognition of asset and whether there has been significant increase in credit risk on an ongoing basis. To assess whether there is a significant increase in credit risk the Group compares risk of a default occurring on the assets as at 31 December 2019 with the risk of default as at the date of initial recognition. Especially the following indicators are incorporated.

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

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

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

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





3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

Deposits and other receivables (continued)

As at 31 December 2019, management consider other receivables as low credit risk as counterparties have a strong capacity to meet its contractual cash flow obligations in the near term. The Group has assessed that the expected credit losses for these receivables are immaterial under 12 months expected losses method. Thus, the loss allowance provision recognised for the year for these balances is immaterial.

(c) Liquidity risk

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

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

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

Contractual maturities of financial liabilities	At 31 December 2019			
	Less than one year HK\$'000	Between one and two years HK\$'000	Between two and five years HK\$'000	Total contractual undiscounted cash flows HK\$'000
Trade payables	44,774	—	—	44,774
Other payables and accruals	50,966	—	—	50,966
Lease liabilities	110,023	99,541	89,430	298,994
	205,763	99,541	89,430	394,734

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(c) Liquidity risk (continued)

Contractual maturities of financial liabilities	At 31 December 2018			
	Less than one year <i>HK\$'000</i>	Between one and two years <i>HK\$'000</i>	Between two and five years <i>HK\$'000</i>	Total contractual undiscounted cash flows <i>HK\$'000</i>
Trade payables	42,327	—	—	42,327
Other payables and accruals	45,133	—	—	45,133
	87,460	—	—	87,460

3.2 Capital risk management

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

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

3.3 Fair value estimation

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

3.4 Offsetting financial assets and financial liabilities

There is no material offsetting, enforceable master netting arrangement and similar agreements as at 31 December 2019.





4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

(a) Impairment of property, plant and equipment, right-of-use assets, investment property and intangible assets

Property, plant and equipment, right-of-use assets, investment property and intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. These calculations require the use of judgements and estimates.

Management judgement is required in the area of asset impairment particularly in assessing: (i) whether an event has occurred that may indicate that the related asset values may not be recoverable; (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs to sell or net present value of future cash flows which are estimated based upon the continued use of the asset in the business; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management in assessing impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test and as a result affect the Group's financial position and results of operations.

(b) Current income taxes and deferred income taxes

Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current income tax and deferred tax provisions in the period in which such determination is made.

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(c) Contract liabilities of customer loyalty programme

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

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

5 REVENUE AND SEGMENT INFORMATION

(a) Revenue

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

	2019 HK\$'000	2018 HK\$'000
Recognised at a point in time:		
Restaurant operations	991,090	987,989
Sale of food ingredients	14,686	16,116
	1,005,776	1,004,105

(b) Segment information

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

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





5 REVENUE AND SEGMENT INFORMATION (continued)

(b) Segment information (continued)

The Group has the following reporting segments:

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

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

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

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

The major operating entities of the Group were domiciled in Hong Kong. All revenue of the Group was derived in Hong Kong. As at 31 December 2019, all non-current assets of the Group were located in Hong Kong.

5 REVENUE AND SEGMENT INFORMATION (continued)

(b) Segment information (continued)

An analysis of the Group's revenue, (loss)/profit before taxation, depreciation and amortisation, depreciation of rights-of-use assets, and provision for impairment for the years ended 31 December 2019 and 2018 and segment assets and liabilities as at 31 December 2019 and 2018 are as follows:

	For the year ended 31 December 2019				
	Cantonese cuisine — self-owned brands HK\$'000	Asian cuisine — franchised brands HK\$'000	Asian cuisine — self-owned brands HK\$'000	Sale of food ingredients HK\$'000	Total HK\$'000
Segment revenue					
Revenue	148,972	566,354	275,764	126,270	1,117,360
Inter-segment revenue	—	—	—	(111,584)	(111,584)
External revenue	<u>148,972</u>	<u>566,354</u>	<u>275,764</u>	<u>14,686</u>	<u>1,005,776</u>
Segment (loss)/profit	<u>(25,931)</u>	<u>80,945</u>	<u>(6,376)</u>	<u>2,619</u>	<u>51,257</u>
Depreciation and amortisation	<u>(5,807)</u>	<u>(23,497)</u>	<u>(12,683)</u>	<u>—</u>	<u>(41,987)</u>
Depreciation of right-of-use assets	<u>(16,238)</u>	<u>(50,042)</u>	<u>(28,235)</u>	<u>—</u>	<u>(94,515)</u>
Provision for impairment	<u>(29,500)</u>	<u>(11,319)</u>	<u>(32,202)</u>	<u>—</u>	<u>(73,021)</u>
Segment profit					51,257
Unallocated depreciation and amortisation					(2,227)
Unallocated depreciation of right-of-use assets					(4,290)
Unallocated costs					(57,565)
Unallocated finance income					4,150
Unallocated finance costs					(374)
Unallocated gain on disposal of subsidiaries					13,101
Unallocated loss on disposal of financial assets through profit or loss					(5,000)
Loss before taxation					<u>(948)</u>
Segment assets	<u>30,982</u>	<u>211,644</u>	<u>126,837</u>	<u>90,501</u>	<u>459,964</u>
Segment liabilities	<u>(47,332)</u>	<u>(220,406)</u>	<u>(126,566)</u>	<u>(24,901)</u>	<u>(419,205)</u>



5 REVENUE AND SEGMENT INFORMATION (continued)

(b) Segment information (continued)

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

5 REVENUE AND SEGMENT INFORMATION (continued)

(b) Segment information (continued)

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

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Segment assets	459,964	284,339
Unallocated assets	282,251	289,418
	742,215	573,757

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

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Segment liabilities	419,205	132,706
Unallocated liabilities	48,737	30,505
	467,942	163,211

(c) Contract liabilities

The Group recognised the following revenue-related contract liabilities:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Advances from customers	330	9,266
Deferred revenue	22,622	16,645
Total contract liabilities	22,952	25,911

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



5 REVENUE AND SEGMENT INFORMATION (continued)

(c) Contract liabilities (continued)

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

	2019 HK\$'000	2018 HK\$'000
Restaurant operations	23,079	24,845

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

6 OTHER INCOME

	2019 HK\$'000	2018 HK\$'000
Forfeiture of deposits received from customers	86	526
Rental income	291	134
Sponsorship income	254	427
Promotion income from a credit card company	2,800	2,000
Sundry income	1,088	766
	4,519	3,853

7 FINANCE INCOME AND COSTS

	2019 HK\$'000	2018 HK\$'000
Interest income from bank deposits	4,150	2,686
Finance cost paid for lease liabilities (<i>Note 13(b)</i>)	(6,466)	—
Finance cost on financial assets	(1,855)	—
Finance costs	(8,321)	—

8 (LOSS)/PROFIT BEFORE TAXATION

(Loss)/profit before taxation is arrived at after charging the following:

	Note	2019 HK\$'000	2018 HK\$'000
Depreciation of property, plant and equipment	13(a)	43,546	50,385
Depreciation of investment property	14	25	25
Amortisation of intangible assets	15	643	248
Lease payments under operating leases in respect of land and buildings:			
— Minimum lease payments	13(b)	21,763	129,706
— Contingent rental		12,935	10,935
		34,698	140,641
Auditors' remuneration:			
— Audit services		2,200	2,347
— Non-audit services		550	550

9 EMPLOYMENT COSTS

	2019 HK\$'000	2018 HK\$'000
Wages and salaries	253,222	257,864
Discretionary bonuses	13,875	15,001
Directors' remuneration (Note 33)	8,818	7,004
Retirement benefit scheme contributions	12,457	12,736
Staff welfare	9,231	9,309
Provision for untaken annual leave	4,304	101
(Reversal of provision for)/provision for long service payment	(515)	1,884
	301,392	303,899



9 EMPLOYMENT COSTS (continued)

(a) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group include three (2018: three) directors whose emoluments are reflected in Note 33. The emoluments payable to the remaining two (2018: two) individuals are as follows:

	2019 HK\$'000	2018 HK\$'000
Salaries, allowances and benefits in kind	2,134	1,968
Discretionary bonuses	411	478
Retirement benefit scheme contribution	36	36
	2,581	2,482

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

	2019	2018
Nil to HK\$1,000,000	—	—
HK\$1,000,001 to HK\$1,500,000	2	2

10 INCOME TAX EXPENSE

Hong Kong profits tax has been provided on the estimated assessable profits at a rate of 16.5% for the year ended 31 December 2019 (2018: 16.5%).

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

	2019 HK\$'000	2018 HK\$'000
Hong Kong profits tax		
Current income tax	18,385	13,046
Under/(over) provision in prior year	1,223	(478)
Deferred income tax (<i>Note 23</i>)	(9,288)	(3,993)
Total tax charge for the year	10,320	8,575

10 INCOME TAX EXPENSE (continued)

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

	2019 HK\$'000	2018 HK\$'000
(Loss)/profit before taxation	(948)	43,735
Tax at the statutory tax rates of 16.5%	(156)	7,216
Income not subject to tax	(2,846)	(443)
Expenses not deductible for tax	12,679	3,000
Tax rebate	(580)	(720)
Under/(over) provision in prior year	1,223	(478)
Income tax expense	10,320	8,575

11 DIVIDENDS

	2019 HK\$'000	2018 HK\$'000
Final dividend in respect of previous year, declared and paid during the year		
— HK5.40 cents (2018: Nil) per share	43,200	—
Interim dividend declared and paid		
— HK4.96 cents (2018: Nil) per share	39,680	—
Special dividend declared and paid		
— HK5.00 cents (2018: Nil) per share	40,000	—
Dividends paid (<i>Note</i>)	—	28,997
	122,880	28,997

Note:

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

The Board did not propose a final dividend for the year ended 31 December 2019.





12 (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

(a) Basic

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

	2019	2018
(Loss)/profit attributable to shareholders of the Company (HK\$'000)	(11,226)	35,211
Weighted average number of shares in issue	800,000,000	718,356,164
Basic (loss)/earnings per share (HK cents)	(1.40)	4.90

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

(b) Diluted

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

13(a) PROPERTY, PLANT AND EQUIPMENT

	Land and buildings HK\$'000	Leasehold improvements HK\$'000	Restaurant and kitchen equipment HK\$'000	Furniture and fixtures HK\$'000	Office equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
At 1 January 2018							
Cost	28,855	171,074	105,497	13,850	2,321	4,230	325,827
Accumulated depreciation	(7,594)	(103,437)	(71,338)	(11,314)	(2,321)	(2,214)	(198,218)
Accumulated impairment	—	(925)	(893)	(2)	—	—	(1,820)
Net carrying amount	21,261	66,712	33,266	2,534	—	2,016	125,789
Year ended 31 December 2018							
Opening net carrying Amount	21,261	66,712	33,266	2,534	—	2,016	125,789
Additions	—	35,865	22,651	804	—	—	59,320
Depreciation	(748)	(31,071)	(16,639)	(1,228)	—	(699)	(50,385)
Provision for impairment	—	(2,957)	(1,148)	(52)	—	—	(4,157)
Closing net carrying amount	20,513	68,549	38,130	2,058	—	1,317	130,567
At 31 December 2018							
Cost	28,855	189,353	115,940	13,415	2,321	4,228	354,112
Accumulated depreciation	(8,342)	(119,389)	(76,842)	(11,305)	(2,321)	(2,911)	(221,110)
Accumulated impairment	—	(1,415)	(968)	(52)	—	—	(2,435)
Net carrying amount	20,513	68,549	38,130	2,058	—	1,317	130,567



13(a) PROPERTY, PLANT AND EQUIPMENT (continued)

	Land and buildings HK\$'000	Leasehold improvements HK\$'000	Restaurant and kitchen equipment HK\$'000	Furniture and fixtures HK\$'000	Office equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
Year ended 31 December 2019							
Net carrying amount as at 31 December 2018	20,513	68,549	38,130	2,058	—	1,317	130,567
Change in accounting policy (Note 2.1(c))	—	(6,063)	—	—	—	—	(6,063)
Opening net carrying Amount	20,513	62,486	38,130	2,058	—	1,317	124,504
Acquisition of a subsidiary (Note 35)	39,488	—	—	—	—	—	39,488
Additions	—	16,600	13,970	249	—	22	30,841
Disposal of subsidiaries (Note 30)	—	(3,426)	(653)	(322)	—	—	(4,401)
Depreciation	(1,423)	(24,816)	(15,833)	(924)	—	(550)	(43,546)
Provision for impairment	(1,689)	(11,494)	(6,802)	(191)	—	—	(20,176)
Closing net carrying amount	56,889	39,350	28,812	870	—	789	126,710
At 31 December 2019							
Cost	68,343	150,440	109,179	9,918	2,321	4,253	344,454
Accumulated depreciation	(9,765)	(98,325)	(72,611)	(8,793)	(2,321)	(3,464)	(195,279)
Accumulated impairment	(1,689)	(12,765)	(7,756)	(255)	—	—	(22,465)
Net carrying amount	56,889	39,350	28,812	870	—	789	126,710

13(b) LEASES**(i) Amounts recognised in the balance sheet**

The consolidated statement of financial position shows the following amounts relating to leases:

	2019 HK\$'000	1 January 2019* HK\$'000
Right-of-use assets		
Restaurant outlets	218,143	260,707
Offices	8,572	12,862
Warehouse	616	—
	<u>227,331</u>	<u>273,569</u>

The consolidated statement of financial position shows the following amounts relating to leases:

	2019 HK\$'000	1 January 2019* HK\$'000
Lease liabilities		
Current	131,472	85,120
Non-current	157,100	199,375
	<u>288,572</u>	<u>284,495</u>

* In the previous year, the Group did not recognise right-of-use assets and lease liabilities in relation to operating leases. For adjustments recognised on adoption of HKFRS 16 on 1 January 2019, please refer to Note 2.1(c).



13(b) LEASES (continued)

(ii) Amounts recognised in the statement of profit or loss

The consolidated statement of comprehensive income shows the following amounts relating to leases:

	2019 HK\$'000	2018 HK\$'000
Depreciation charge of right-of-use assets		
Restaurant outlets	94,427	—
Offices	4,290	—
Warehouse	88	—
	98,805	—
Finance costs	6,466	—
Expense relating to short-term leases (included in property rentals and related expenses)	21,763	—
Expense relating to variable lease payments not included in lease liabilities (included in property rentals and related expenses)	12,935	—
Provision for impairment of right-of-use assets	48,444	—

The total cash outflow for leases in 2019 was approximately HK\$134,647,000.

(iii) The Group's leasing activities and how these are accounted for

The Group leases various offices, warehouses and restaurant outlets. Rental contracts are typically made for fixed periods of 2 to 6 years.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

(iv) Variable lease payments

Some property leases contain variable payment terms that are linked to sales generated from a restaurant outlet. For individual restaurants, up to 34.1% of lease payments are on the basis of variable payment terms with percentages ranging from 10% to 15% of sales. Variable payment terms are used for a variety of reasons, including minimising the fixed costs base for newly established restaurant outlets. Variable lease payments that depend on sales are recognised in profit or loss in the period in which the condition that triggers those payments occurs.

14 INVESTMENT PROPERTY

	Land and building <i>HK\$'000</i>
At 1 January 2018	
Cost	1,005
Accumulated depreciation	(260)
Net carrying amount	745
Year ended 31 December 2018	
Opening net carrying amount	745
Depreciation	(25)
Closing net carrying amount	720
At 31 December 2018	
Cost	1,005
Accumulated depreciation	(285)
Net carrying amount	720
Year ended 31 December 2019	
Opening net carrying amount	720
Depreciation	(25)
Closing net carrying amount	695
At 31 December 2019	
Cost	1,005
Accumulated depreciation	(310)
Net carrying amount	695





14 INVESTMENT PROPERTY (continued)

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

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Rental income from operating leases	108	134
Direct operating expenses from property that generated rental income	(14)	(18)
	94	116

- (b) The Group had no unprovided contractual obligations for future repairs and maintenance.
- (c) The investment properties are leased to tenants under operating leases with rentals payable monthly. There are no other variable lease payments that depend on an index or rate.
- (d) The Group's investment property was valued at 31 December 2019 by management of the Company using the direct comparison approach with reference to market price per square foot of comparable properties in close proximity.

Fair value hierarchy

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

	Fair value measurement using significant other observable inputs (Level 2)	
	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Recurring fair value measurements Investment property	4,000	4,180

15 INTANGIBLE ASSETS

	Franchises HK\$'000	Tradename HK\$'000	Total HK\$'000
At 1 January 2018			
Cost	4,505	—	4,505
Accumulated amortisation	(975)	—	(975)
Net carrying amount	3,530	—	3,530
Year ended 31 December 2018			
Opening net carrying amount	3,530	—	3,530
Addition (Note (i))	—	3,945	3,945
Amortisation	(248)	—	(248)
Closing net carrying amount	3,282	3,945	7,227
At 31 December 2018			
Cost	4,505	3,945	8,450
Accumulated amortisation	(1,223)	—	(1,223)
Net carrying amount	3,282	3,945	7,227
Year ended 31 December 2019			
Opening net carrying amount	3,282	3,945	7,227
Amortisation	(248)	(395)	(643)
Provision for impairment	(569)	—	(569)
Closing net carrying amount	2,465	3,550	6,015
At 31 December 2019			
Cost	4,505	3,945	8,450
Accumulated amortisation	(1,471)	(395)	(1,866)
Accumulated impairment	(569)	—	(569)
Net carrying amount	2,465	3,550	6,015

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



16 INVENTORIES

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Food and consumables for restaurant operations and sale of food ingredients	24,517	26,144

The cost of food and consumables for restaurant operations and sale of food ingredients recognised as expense and included in cost of food and beverages amounted to approximately HK\$292,786,000 (2018: HK\$287,937,000) for the year ended 31 December 2019.

17 TRADE RECEIVABLES

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

An ageing analysis of the trade receivables as at 31 December 2019, based on the invoice date, is as follows:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Within 30 days	5,451	11,904
31–60 days	401	34
61–180 days	304	1,107
	6,156	13,045

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

The maximum exposure to credit risk at 31 December 2019 and 2018 is the carrying value of trade receivables mentioned above. The Group does not hold any collateral as security.

18 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Prepayments	7,852	14,286
Rental and utilities deposits	52,549	68,014
Other receivables	1,667	3,379
	62,068	85,679
Less: non-current portion		
— Rental and utilities deposits	(43,216)	(45,532)
— Prepayments for purchase of property, plant and equipment	(575)	(1,414)
Current portion	18,277	38,733

The maximum exposure to credit risk as at 31 December 2019 and 2018 was the carrying value of each class of receivable mentioned above. The Group did not hold any collateral as security. The carrying amounts of deposits and other receivables approximate to their fair values and are denominated in HK\$.





19 RELATED PARTY TRANSACTIONS

(a) Related party transactions

During the year, there was no related party transaction (2018: Nil).

(b) Key management compensation

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

Compensation of key management personnel of the Group, including directors' remuneration as disclosed in Note 33 to these consolidated financial statements, is as follows:

	2019 HK\$'000	2018 HK\$'000
Salaries and other short-term employee benefits	8,616	6,926
Discretionary bonuses	1,924	1,999
Retirement benefit scheme contribution	138	141
	10,678	9,066

20 CASH AND CASH EQUIVALENTS AND SHORT TERM BANK DEPOSITS

	2019 HK\$'000	2018 HK\$'000
Cash on hand	2,724	5,025
Cash at banks	128,035	137,264
Cash and cash equivalents	130,759	142,289
Short term bank deposits — time deposits with initial maturity period over three months	132,352	148,000

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

The maximum exposure to credit risk of the Group is cash at banks and short term bank deposit amounting to HK\$260,387,000 (2018: HK\$285,264,000).

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

21 TRADE PAYABLES

	2019 HK\$'000	2018 HK\$'000
External suppliers	44,774	42,327

An ageing analysis of the trade payables as at 31 December 2019 and 2018, based on the invoice date, is as follows:

	2019 HK\$'000	2018 HK\$'000
Within 30 days	28,452	31,798
31–60 days	16,150	10,294
61–180 days	45	24
Over 180 days	127	211
	44,774	42,327

The trade payables are non-interest-bearing with payment terms of 30–60 days in general (2018: 30–60 days). The carrying amounts of trade payables approximate to their fair values and are denominated in HK\$.

22 OTHER PAYABLES AND ACCRUALS

	2019 HK\$'000	2018 HK\$'000
Rent payable	1,940	1,835
Provision for effective rental	—	13,598
Accrued employee benefit expenses	19,731	21,530
Provision for long service payment	2,285	3,029
Provision for untaken annual leave	8,453	4,149
Provision for reinstatement costs (<i>Note (a)</i>)	18,407	19,455
Accrued listing expenses	—	77
Other accrued expenses	26,236	13,812
Payables for purchase of property, plant and equipment	2,427	7,820
Others payables	632	59
	80,111	85,364
Less: non-current portion		
— Provision for reinstatement costs	(15,009)	(13,227)
Current portion	65,102	72,137



22 OTHER PAYABLES AND ACCRUALS (continued)

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

(a) Provision for reinstatement costs

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

	2019 HK\$'000	2018 HK\$'000
At the beginning of the year	19,455	18,464
Additional provision during the year	2,236	3,626
Disposal of subsidiaries (Note 30)	(3,065)	—
Settlement	(219)	(2,635)
At the end of the year	18,407	19,455

23 DEFERRED INCOME TAX

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

	2019 HK\$'000	2018 HK\$'000
At the end of the prior year	14,620	10,627
Change in accounting policy (Note 2.1(c))	2,803	—
At the beginning of the year	17,423	10,627
Acquisition of a subsidiary (Note 35)	(4,277)	—
Disposal of subsidiaries (Note 30)	(4,398)	—
Credited to the consolidated statement of comprehensive income (Note 10)	9,288	3,993
At the end of the year	18,036	14,620

The movements in deferred income tax assets and liabilities for each of the years ended 31 December 2019 and 2018 with taking into consideration the offsetting of balances arising from right-of-use assets and lease liabilities within the same jurisdiction, are as follows:

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

	Lease liabilities <i>HK\$'000</i>	Decelerated tax depreciation <i>HK\$'000</i>	Tax losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2018	—	4,753	8,015	12,768
Credited to the consolidated statement of comprehensive income	—	1,413	3,011	4,424
At 31 December 2018	—	6,166	11,026	17,192
Change in accounting policy	46,942	—	—	46,942
Set-off of deferred tax liabilities pursuant to set-off provisions	(44,139)	—	—	(44,139)
At 1 January 2019	2,803	6,166	11,026	19,995
Disposal of subsidiaries (<i>Note 30</i>)	—	(835)	(3,563)	(4,398)
Credited to the consolidated statement of comprehensive income	673	396	580	1,649
Set-off of deferred tax liabilities pursuant to set-off provisions	6,629	—	—	6,629
At 31 December 2019	10,105	5,727	8,043	23,875



23 DEFERRED INCOME TAX (continued)

Deferred income tax liabilities

	Right-of-use assets <i>HK\$'000</i>	Accelerated tax depreciation <i>HK\$'000</i>
At 1 January 2018	—	2,141
Charged to the consolidated statement of comprehensive income	—	431
At 31 December 2018	—	2,572
At 31 December 2018	—	2,572
Change in accounting policy	44,139	—
Set-off of deferred tax liabilities pursuant to set-off provisions	(44,139)	—
At 1 January 2019	—	2,572
Acquisition of a subsidiary (<i>Note 35</i>)	—	4,277
Credited to the consolidated statement of comprehensive income	(6,629)	(1,010)
Set-off of deferred tax liabilities pursuant to set-off provisions	6,629	—
At 31 December 2019	—	5,839

There is no significant unrecognised deferred income tax. Deferred income tax assets are recognised for tax loss carry-forwards to the extent that realisation of the related tax benefit through future taxable profits is probable. Tax losses amounting to HK\$48,745,000 (2018: HK\$ HK\$66,824,000) as at 31 December 2019, have no expiry date.

24 RESERVES

	Share premium <i>HK\$'000</i>	Retained earnings <i>HK\$'000</i>	Other reserves <i>(Note a)</i> <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2018	—	173,883	27,619	201,502
Profit and total comprehensive income for the year	—	35,211	—	35,211
Dividends <i>(Note 11)</i>	—	(28,997)	—	(28,997)
Capitalisation issue <i>(Note 28)</i>	(60,000)	—	—	(28,997)
Share issued pursuant to the IPO <i>(Note 28)</i>	200,000	—	—	200,000
Transactions costs attributable to the IPO <i>(Note 28)</i>	(17,219)	—	—	(17,219)
At 31 December 2018	122,781	180,097	27,619	330,497
Change in accounting policy <i>(Note 2.1(c))</i>	—	(2,118)	—	(2,118)
Restated balance at 1 January 2019	122,781	177,979	27,619	328,379
Profit and total comprehensive income for the year	—	(11,226)	—	(11,226)
Dividends <i>(Note 11)</i>	—	(122,880)	—	(122,880)
At 31 December 2019	122,781	43,873	27,619	194,273

- (a) As at 31 December 2019 and 2018, other reserves mainly represented the excess of the aggregated capital of the companies now comprising the Group over the deemed distribution in respect of the non-controlling interest acquired during Reorganization.



25 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Cash generated from operations

	Note	2019 HK\$'000	2018 HK\$'000
(Loss)/profit before taxation		(948)	43,735
Adjustments for:			
Depreciation of property, plant and equipment	13(a)	43,546	50,385
Depreciation of right-of-use assets	13(b)	98,805	—
Depreciation of investment property	14	25	25
Provision for impairment of property, plant and equipment	13(a)	20,176	4,157
Provision for impairment of right-of-use assets	13(b)	48,444	—
Provision for impairment of intangible asset	15	569	—
Provision for impairment of financial assets		3,832	1,854
Amortisation of intangible assets	15	643	248
Gain on disposal of subsidiaries	30	(13,101)	—
Loss on disposal of financial assets at fair value through profit or loss (<i>Note (b)</i>)		5,000	—
Finance costs	7	8,321	—
Finance income		(4,150)	(2,686)
		211,162	97,717
Changes in working capital			
Inventories		552	(260)
Trade receivables		6,546	(363)
Prepayments, deposits and other receivables		(1,581)	1,076
Trade payables		5,879	6,540
Contract liabilities, other payables and accruals		22,282	4,269
		244,840	108,980

25 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

- (b) In the consolidated statement of cash flows, proceeds from disposal of financial assets at fair value through profit or loss comprise:

	2019 HK\$'000	2018 HK\$'000
Fair value of put option and 2% equity interest of Aetna International Limited (<i>Note 30</i>)	28,500	—
Loss on disposal of financial assets at fair value through profit or loss	(5,000)	—
Proceeds from disposal of financial assets at fair value through profit or loss	23,500	—

- (c) Reconciliation of liabilities arising from financing activities is as follows:

	Lease liabilities HK\$'000
At 1 January 2019	284,495
Addition	110,743
Principal elements of lease payments	(99,949)
Interest expense on lease liabilities	6,466
Disposal of subsidiaries (<i>Note 30</i>)	(13,184)
At 31 December 2019	288,571



26 OPERATING LEASE AND CAPITAL COMMITMENTS

(a) Operating lease rental payables — as lessee

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

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

	2019 HK\$'000	2018 HK\$'000
As lessees		
Within one year	—	117,819
In the second to fifth years, inclusive	—	207,539
Beyond five years	—	1,932
	—	327,290

Note: From 1 January 2019, the Group has recognised right-of-use assets for these leases, except for short-term leases.

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

(b) Operating lease rental receivables — as lessor

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

	2019 HK\$'000	2018 HK\$'000
As lessor		
Within one year	—	108

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

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

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Leasehold improvements Contracted but not provided for	73	10,248

27 FINANCIAL INSTRUMENTS BY CATEGORY

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Assets as per consolidated statement of financial position		
Financial assets at amortised cost:		
— Trade receivables	6,156	13,045
— Deposits and other receivables	54,216	71,393
— Short term bank deposits	132,352	148,000
— Cash and cash equivalents	130,759	142,289
Total	323,483	374,727
Liabilities as per consolidated statement of financial position		
Financial liabilities at amortised cost:		
— Trade payables	44,774	42,327
— Other payables and accruals	50,996	45,133
— Lease liabilities	288,572	—
Total	384,342	87,460



28 SHARE CAPITAL

(a) Authorised:

	2019 Number of shares	Nominal value HK\$'000	2018 Number of shares	Nominal value HK\$'000
At beginning of the year	4,000,000,000	400,000	3,800,000	380
Increase in authorised share capital (Note (i))	—	—	3,996,200,000	399,620
At end of the year	4,000,000,000	400,000	4,000,000,000	400,000

(b) Issued and fully paid:

	2019 Number of shares	Nominal value HK\$'000	2018 Number of shares	Nominal value HK\$'000
At beginning of the year	800,000,000	80,000	10	—
Capitalisation issue of shares (Note (ii))	—	—	599,999,990	60,000
Shares issued pursuant to the global offering (Note (iii))	—	—	200,000,000	20,000
At end of the year	800,000,000	80,000	800,000,000	80,000

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

29 AMOUNTS DUE FROM/(TO) SUBSIDIARIES

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

30 DISPOSAL OF SUBSIDIARIES

During the year, LHG Chinese Catering Limited, a wholly-owned subsidiary of the Company, has disposed of the entire issued shares in Fameco (H.K.) Limited, The Banqueting House (TST) Co. Limited, The China House (KF) Limited, each being a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company and intercompany loans in exchange for 2% equity interest in Aetna International Limited and a put option. The transaction was completed on 30 April 2019.

	<i>HK\$'000</i>
Net assets disposed of:	
Property, plant and equipment	4,401
Right-of-use assets	11,968
Deferred tax assets	4,398
Trade receivables	343
Prepayments, deposits and other receivables	18,305
Inventories	1,075
Tax recoverable	444
Cash and cash equivalents	5,865
Amount due from fellow subsidiaries	632
Trade payables	(3,432)
Provision for reinstatement	(3,065)
Lease liabilities	(13,184)
Other payables and accruals	(1,919)
Contract liabilities	(10,432)
	<u>15,399</u>
Gain on disposal of subsidiaries	<u>13,101</u>
	<u>28,500</u>

	<i>HK\$'000</i>
Satisfied by:	
Financial assets at fair value through profit or loss (<i>Note 25 (b)</i>)	<u>28,500</u>

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

	<i>HK\$'000</i>
Cash consideration	—
Cash and cash equivalents disposed of	<u>(5,865)</u>
Net outflow of cash and cash equivalents in respect of the disposal	<u>(5,865)</u>





31 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

(a) Statement of financial position of the Company

	<i>Note</i>	2019 HK\$'000	2018 HK\$'000
ASSETS			
NON-CURRENT ASSETS			
Investments in subsidiaries		93	93
Amounts due from subsidiaries	29	190,984	190,194
		191,077	190,287
CURRENT ASSET			
Prepayment		508	1,599
Cash and cash equivalents		148,171	206,414
Total assets		339,756	398,300
EQUITY AND LIABILITIES			
Equity attributable to shareholders of the Company			
Share capital		80,000	80,000
Share premium		122,781	122,781
Accumulated losses		(22,336)	(22,744)
Capital reserve		159,267	159,267
Total equity		339,712	339,304
CURRENT LIABILITIES			
Accruals and other payables		44	77
Amounts due to subsidiaries	29	—	58,919
Total liabilities		44	58,996
Total equity and liabilities		339,756	398,300

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

(b) Reserve movement of the Company

	Share premium <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Capital reserve <i>(Note (i))</i> <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2018	—	(16,143)	188,264	172,121
Loss and total comprehensive loss for the year	—	(6,601)	—	(6,601)
Dividends (<i>Note 11</i>)	—	—	(28,997)	(28,997)
Capitalisation issue (<i>Note 28</i>)	(60,000)	—	—	(60,000)
Share issued pursuant to the IPO	200,000	—	—	200,000
Transactions costs attributable to the IPO	(17,219)	—	—	(17,219)
At 31 December 2018 and 1 January 2019	122,781	(22,744)	159,267	259,304
Profit and total comprehensive income for the year	—	123,288	—	123,288
Dividends (<i>Note 11</i>)	—	(122,880)	—	(122,880)
At 31 December 2019	122,781	(22,336)	159,267	259,712

Notes:

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



32 SUBSIDIARIES

Details of the principal subsidiaries as at 31 December 2019 are as follows:

Name	Place of incorporation and kind of legal entity	Issued and fully paid share capital	Effective interest held as at		Principal activities
			2019	2018	
Directly held subsidiaries:					
KABUSHIKIGAISHA HOLDINGS LIMITED	BVI	US\$11,990	100%	100%	Investment holding
LHG CHINESE CATERING LIMITED	BVI	US\$1	100%	100%	Investment holding
LHG MANAGEMENT LIMITED	BVI	US\$1	100%	100%	Investment holding
LHG PROCUREMENT LIMITED	BVI	US\$1	100%	100%	Investment holding
Indirectly held subsidiaries:					
AB CATERING LIMITED	BVI	US\$1	100%	100%	Investment holding
BRIDGE CEDAR LIMITED	Hong Kong	HK\$1	100%	100%	Restaurant operation in Hong Kong
BRIDGE PINE LIMITED	Hong Kong	HK\$1,000,000	100%	100%	Restaurant operation in Hong Kong
FAMECO (H.K.) LIMITED	Hong Kong	HK\$1,000	N/A	100%	Restaurant operation in Hong Kong
FIRST BENEFIT (SHA TIN) LIMITED	Hong Kong	HK\$500,000	100%	100%	Restaurant operation in Hong Kong
GOAL YIELD LIMITED	Hong Kong	HK\$1	100%	100%	Restaurant operation in Hong Kong
HERITAGE CAPITAL LIMITED	Hong Kong	HK\$1	100%	100%	Restaurant operation in Hong Kong
HONG KONG FOOD CULTURE LIMITED	Hong Kong	HK\$1	100%	100%	Inactive
HOTPOT PNP HOLDINGS LIMITED	BVI	US\$1	100%	100%	Investment holding

32 SUBSIDIARIES (continued)

Name	Place of incorporation and kind of legal entity	Issued and fully paid share capital	Effective interest held as at		Principal activities
			2019	2018	
KABU (DEVELOPMENT) LIMITED	Hong Kong	HK\$1	100%	100%	Property holding
KABU (HR) LIMITED	Hong Kong	HK\$1	100%	100%	Provision of management service in Hong Kong
KABU (NEW SHOP) LIMITED	Hong Kong	HK\$1	100%	100%	Inactive
KABU KOWLOON BAY LIMITED	Hong Kong	HK\$1	100%	95%	Restaurant operation in Hong Kong
KABU LEGEND LIMITED	BVI	US\$1	100%	100%	Investment holding
KABU ONE LIMITED	BVI	US\$1	100%	100%	Investment holding
KABUSHIKIGAISHA LIMITED	Hong Kong	HK\$28,000,000	100%	100%	Provision of management service in Hong Kong
KEEN WISE (MONG KOK) LIMITED	Hong Kong	HK\$1	100%	100%	Restaurant operation in Hong Kong
KOREAN CATERING LIMITED	Hong Kong	HK\$10,000	100%	100%	Investment holding
LHG CATERING LIMITED	Hong Kong	HK\$1	100%	100%	Provision of management service in Hong Kong
LUCKY HOUSE GROUP LIMITED	Hong Kong	HK\$2	100%	100%	Provision of management service in Hong Kong
MAX FLOW (EAST CITY) LIMITED	Hong Kong	HK\$1	100%	100%	Restaurant operation in Hong Kong
MAX GRANDS LIMITED	Hong Kong	HK\$500,000	100%	100%	Restaurant operation in Hong Kong
MAX MAX LIMITED	Hong Kong	HK\$1	100%	100%	Restaurant operation in Hong Kong



32 SUBSIDIARIES (continued)

Name	Place of incorporation and kind of legal entity	Issued and fully paid share capital	Effective interest held as at		Principal activities
			2019	2018	
MOU MOU CLUB (FANLING) LIMITED	Hong Kong	HK\$1	100%	100%	Restaurant operation in Hong Kong
MOU MOU CLUB (HH) LIMITED	Hong Kong	HK\$1	100%	100%	Restaurant operation in Hong Kong
MOU MOU CLUB (KB) LIMITED	Hong Kong	HK\$1	100%	100%	Restaurant operation in Hong Kong
MOU MOU CLUB (KF) LIMITED	Hong Kong	HK\$2	100%	100%	Restaurant operation in Hong Kong
MOU MOU CLUB (LF) LIMITED	Hong Kong	HK\$1	100%	100%	Restaurant operation in Hong Kong
MOU MOU CLUB (No 9) LIMITED	Hong Kong	HK\$1	100%	100%	Restaurant operation in Hong Kong
MOU MOU CLUB (PRINCE EDWARD) LIMITED	Hong Kong	HK\$300,000	100%	100%	Restaurant operation in Hong Kong
MOU MOU CLUB (SSW) LIMITED	Hong Kong	HK\$1	100%	100%	Restaurant operation in Hong Kong
MOU MOU CLUB (TST) LIMITED	Hong Kong	HK\$300,000	100%	100%	Restaurant operation in Hong Kong
MOU MOU CLUB (TW) LIMITED	Hong Kong	HK\$1	100%	100%	Restaurant operation in Hong Kong
MOU MOU CLUB LIMITED	Hong Kong	HK\$1	100%	100%	Restaurant operation in Hong Kong
MOU MOU HOLDINGS LIMITED	BVI	US\$1	100%	100%	Investment holding
MULTI PROSPECTS LIMITED	Hong Kong	HK\$500,000	100%	100%	Restaurant operation in Hong Kong
MULTI SUCCESS (KOWLOON TONG) LIMITED	Hong Kong	HK\$1,000,000	100%	100%	Restaurant operation in Hong Kong

32 SUBSIDIARIES (continued)

Name	Place of incorporation and kind of legal entity	Issued and fully paid share capital	Effective interest held as at		Principal activities
			2019	2018	
MULTI VICTORIES LIMITED	Hong Kong	HK\$1	100%	100%	Restaurant operation in Hong Kong
NEKKETSU ICHIRYU LIMITED	Hong Kong	HK\$10,000,000	100%	100%	Investment holding
PEACE CUISINE (YT) LIMITED	Hong Kong	HK\$1	100%	100%	Restaurant operation in Hong Kong
SALES BOOM LIMITED	Hong Kong	HK\$1	100%	N/A	Restaurant operation in Hong Kong
SHABUSHABU (CAUSEWAY BAY) LIMITED	Hong Kong	HK\$1	100%	100%	Restaurant operation in Hong Kong
SHABUSHABU LIMITED	Hong Kong	HK\$10,000	100%	100%	Investment holding
TAMASHII (WK) LIMITED	Hong Kong	HK\$1	100%	100%	Restaurant operation in Hong Kong
THE BANQUETING HOUSE (TST) CO. LIMITED	Hong Kong	HK\$12,000,000	N/A	100%	Restaurant operation in Hong Kong
THE CHINA HOUSE (KF) LIMITED	Hong Kong	HK\$1	N/A	100%	Restaurant operation in Hong Kong
TREMENDOUS LUCK RESTAURANT LIMITED	Hong Kong	HK\$1	100%	100%	Restaurant operation in Hong Kong
TRIPLE BRILLIANT DEVELOPMENT LIMITED	Hong Kong	HK\$10,000	100%	100%	Provision of procurement and logistics services and trading of ingredients in Hong Kong
UNLIMITED REVENUE LIMITED	Hong Kong	HK\$1	100%	N/A	Inactive
UPRISE BENEFIT (TSUEN WAN) LIMITED	Hong Kong	HK\$1,000,000	100%	100%	Restaurant operation in Hong Kong
WAY SURE LIMITED	Hong Kong	HK\$100	100%	N/A	Property holding



32 SUBSIDIARIES (continued)

Name	Place of incorporation and kind of legal entity	Issued and fully paid share capital	Effective interest held as at		Principal activities
			2019	2018	
WEALTHY PRAISE LIMITED	Hong Kong	HK\$1	100%	100%	Restaurant operation in Hong Kong
WEALTHY (TIN SHUI WAI) LIMITED	Hong Kong	HK\$1	100%	100%	Restaurant operation in Hong Kong
YAKINIKU (ABERDEEN) LIMITED	Hong Kong	HK\$1	100%	100%	Restaurant operation in Hong Kong
YAKINIKU (CB) LIMITED	Hong Kong	HK\$1	100%	100%	Restaurant operation in Hong Kong
YAKINIKU (HK) LIMITED	Hong Kong	HK\$1,000,000	100%	100%	Investment holding
YAKINIKU (KB) LIMITED	Hong Kong	HK\$1	100%	100%	Restaurant operation in Hong Kong
YAKINIKU (MK) LIMITED	Hong Kong	HK\$1	100%	100%	Restaurant operation in Hong Kong
YAKINIKU (TAI PO) LIMITED	Hong Kong	HK\$1	100%	100%	Restaurant operation in Hong Kong
YAKINIKU (TM) LIMITED	Hong Kong	HK\$1	100%	100%	Restaurant operation in Hong Kong
YAKINIKU (TW) LIMITED	Hong Kong	HK\$1	100%	100%	Restaurant operation in Hong Kong
YAKINIKU (YL) LIMITED	Hong Kong	HK\$1	100%	100%	Restaurant operation in Hong Kong

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

The remuneration of every director for each of the years ended 31 December 2019 and 2018 were as follows:

	Fees HK\$'000	Salaries HK\$'000	Discretionary bonuses HK\$'000	Retirement benefit scheme contributions HK\$'000	Total HK\$'000
Year ended 31 December 2019					
<i>Chairman</i>					
Mr. Wong Kit Lung, Simon Prof, JP	—	2,969	840	38	3,847
<i>Executive directors</i>					
Ms. Ko Sau Chee, Grace	—	2,470	520	47	3,037
Mr. Ho Chi Wai	—	1,043	153	18	1,214
<i>Independent non-executive directors</i>					
Ms. Hung Lo Shan Lusan (note (vi))	240	—	—	—	240
Mr. Hung Wai Man Prof, JP (note (vi))	240	—	—	—	240
Mr. Sin Yat Kin SBS, CSDSM (note (vi))	240	—	—	—	240
	840	6,362	1,513	103	8,818
Year ended 31 December 2018					
<i>Chairman</i>					
Mr. Wong Kit Lung, Simon Prof, JP	—	2,102	820	38	2,960
<i>Executive directors</i>					
Ms. Ko Sau Chee, Grace	—	1,942	590	49	2,581
Mr. Ho Chi Wai	—	914	111	18	1,043
<i>Independent non-executive directors</i>					
Ms. Hung Lo Shan Lusan (note (vi))	140	—	—	—	140
Mr. Hung Wai Man Prof, JP (note (vi))	140	—	—	—	140
Mr. Sin Yat Kin SBS, CSDSM (note (vi))	140	—	—	—	140
	420	4,958	1,521	105	7,004



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

- (i) The remuneration shown above represents remuneration received and receivable from the Group by these directors in their capacity as employees to the subsidiaries and no directors waived and agreed to waive any emolument during each of the years ended 31 December 2019 and 2018.
- (ii) No director fees were paid to these directors in their capacity as directors of the Company or the subsidiaries and no emoluments were paid by the Company or the subsidiaries to the directors as an inducement to join the Company or the subsidiaries, or as compensation for loss of office during each of the years ended 31 December 2019 and 2018.
- (iii) During each of the years ended 31 December 2019 and 2018, no retirement benefits, payments or benefits in respect of termination of directors' services were paid or made, directly or indirectly, to the directors; nor are any payable. No consideration was provided to or receivable by third parties for making available directors' services.
- (iv) During each of the years ended 31 December 2019 and 2018, other than those disclosed in Note 19, no significant transactions, agreements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had material interest, whether directly or indirectly, subsisted at the end of each of the years ended 31 December 2019 and 2018.
- (v) During each of the years ended 31 December 2019 and 2018, other than those disclosed in Note 19, there were no loans, quasi-loans and other dealing arrangements in favour of the directors, or controlled body corporates and connected entities of such directors.
- (vi) Ms. Hung Lo Shan Lusan, Mr. Hung Wai Man *Prof, JP* and Mr. Sin Yat Kin *SBS, CSDSM* were appointed as independent non-executive directors of the Company on 30 May 2018.

34 TRANSACTIONS WITH NON-CONTROLLING INTERESTS

On 26 June 2019, the group acquired an additional 5% of the issued shares of Kabu Kowloon Bay Limited for approximately HK\$7,000. Immediately prior to the purchase, the carrying value of the existing 5% non-controlling interest in Kabu Kowloon Bay Limited was approximately HK\$7,000. The Group recognised a decrease in non-controlling interests of approximately HK\$7,000 and a decrease in equity attributable to owners of the parent of approximately HK\$7,000. The effect on the equity attributable to the owners of Kabu Kowloon Bay Limited during the year is summarised as follows:

	2019 HK\$'000	2018 HK\$'000
Carrying amount of non controlling interests acquired	7	—
Consideration paid to non controlling interests	(7)	—
Excess of consideration paid recognised in the transactions with non controlling interests reserve within equity	—	—

There were no transactions with non-controlling interests in 2018.

35 ACQUISITION OF A SUBSIDIARY THAT IS NOT BUSINESS

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

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

The property is used by the Group to expand its operations and existing central processing and logistic centre.

The above acquisition has been accounted for by the Group as an acquisition of assets as the entity acquired by the Group do not constitute a business.

The net assets acquired by the Group as at 17 June 2019 in the above transaction are as follows:

	<i>HK\$'000</i>
Net assets acquired:	
Property, plant and equipment (<i>Note 13a</i>)	39,488
Prepayments, deposits and other receivables	3
Cash and cash equivalents	171
Other payables and accruals	(174)
Tax payable	(32)
Deferred tax liabilities	(4,277)
	<u>35,179</u>
Satisfied by:	
Cash	<u>35,179</u>

An analysis of the cash flows in respect of the acquisition of Way Sure is as follows:

	<i>HK\$'000</i>
Cash consideration	(35,000)
Transaction costs of the acquisition	(179)
Cash and cash equivalents acquired	<u>171</u>
Net outflow of cash and cash equivalents in respect of the acquisition	<u>(35,008)</u>





36 SUBSEQUENT EVENTS

Following the outbreak of Coronavirus Disease 2019 (“the COVID-19 outbreak”) in early 2020, a series of precautionary and control measures have been and continued to be implemented in Hong Kong, including suspension of school, work from home practice, encouraged social distancing, restrictions and controls over the inbound and outbound travelling and heightening of hygiene and epidemic prevention requirements in restaurants.

The Group’s business is adversely affected by the COVID-19 outbreak. In February 2020, “Mou Mou Club” and “On-Yasai” restaurants were closed for at least two weeks due to public concern cast by confirmed COVID-19 cases in relation to the potential risk of infection associated with aerosol transmission from hot pot dining. In late March 2020, new measures and requirements specific to catering business in Hong Kong have also been imposed by directions issued by the Secretary for Food and Health, which among other things, limited the seating capacity to no more than 50% at any time for our catering premises, required a distance of at least 1.5 metres to be ensured between tables, and limited to 4 persons that may be seated together in each table. These new directions were effective from 28 March 2020 for a period of 14 days and are subject to adjustments by the government from time to time in view of the latest development of the disease.

Subsequent to 31 December 2019 and up to the date of this report, the Group noted a decrease in revenue on an overall basis as compared to the same period in 2019. The Group has been proactively negotiating with landlords on rent concession and reduction, and adjusted the operating hours of the restaurant outlets and roster of staff members in order to optimise staff and other operating costs.

In preparing this set of consolidated financial statements, the Group tested property, plant and equipment and right-of-use assets for impairment and relevant provision for impairment was made. In performing this assessment, the Group determined the value-in-use by estimating the present value of future cash flows of the cash-generating-units (“CGUs”) based on the conditions as at 31 December 2019. As at 31 December 2019, the carrying values of property, plant and equipment and right-of-use assets are HK\$126,710,000 and HK\$227,331,000 respectively. In the impairment test on property, plant and equipment and right-of-use assets to be performed in 2020, COVID-19 outbreak and its impact on the present value of estimated future cash flows of the CGUs will be considered.

Up to the date on which this set of consolidated financial statements were authorised for issue, the Group is still in the process of assessing the impacts of the COVID-19 outbreak on the Group’s performance in 2020 and is currently unable to estimate the quantitative impacts to the Group.

Summary Financial Information

A summary of the consolidated results of the Group for the years ended 31 December 2015, 2016, 2017, 2018 and 2019 and the consolidated assets, liabilities and non-controlling interests of the Group as at 31 December 2015, 2016, 2017, 2018 and 2019 as extracted from the Company's published audited financial statements is set out below:

RESULTS

	Year ended 31 December				
	2019 HK\$'000	2018 HK\$'000	2017 (Note) HK\$'000	2016 (Note) HK\$'000	2015 (Note) HK\$'000
Revenue	1,005,776	1,004,105	829,152	743,046	771,168
(Loss)/profit before taxation	(948)	43,735	32,224	49,153	55,802
Income tax expense	(10,320)	(8,575)	(8,227)	(8,602)	(9,120)
(Loss)/profit for the year	(11,268)	35,160	23,997	40,551	46,682
(Loss)/profit attributable to:					
Shareholders of the Company	(11,226)	35,211	22,391	36,281	41,913
Non-controlling interests	(42)	(51)	1,606	4,270	4,769
	(11,268)	35,160	23,997	40,551	46,682

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December				
	2019 HK\$'000	2018 HK\$'000	2017 (Note) HK\$'000	2016 (Note) HK\$'000	2015 (Note) HK\$'000
TOTAL ASSETS	742,215	573,757	346,959	428,867	399,407
TOTAL LIABILITIES	(467,942)	(163,211)	(145,457)	(169,152)	(173,363)
	274,273	410,546	201,502	259,175	226,044
EQUITY					
Equity attributable to shareholders of the Company	274,273	410,497	201,502	219,547	187,721
Non-controlling interests	—	49	—	40,168	38,323
	274,273	410,546	201,502	259,175	226,044

Note: The financial data of 2015, 2016 and 2017 are extracted from the prospectus of the Company dated 15 May 2018.