



**LHGROUP**

**叙福樓集團**

**LH GROUP LIMITED**

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 1978

# ANNUAL REPORT 2021



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# Corporate Information

## BOARD OF DIRECTORS

### Executive Directors

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

### Independent non-executive Directors

Mr. Sin Yat Kin *SBS, CSDSM, JP*  
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, JP*

## REMUNERATION COMMITTEE

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

## NOMINATION COMMITTEE

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

## JOINT COMPANY SECRETARIES

Ms. Chan Hiu Yi (*ACG, HKACG*)  
Ms. Yu Wing Sze (*ACG, HKACG*)

## AUDITOR

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

## AUTHORISED REPRESENTATIVES

Ms. Chan Hiu Yi  
Ms. Ko Sau Chee Grace

## LEGAL ADVISER

ONC Lawyers  
19th Floor, Three Exchange Square  
8 Connaught Place  
Central, Hong Kong

## REGISTERED OFFICE

Walkers Corporate Limited  
190 Elgin Avenue  
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  
190 Elgin Avenue  
George Town  
Grand Cayman KY1-9008  
Cayman Islands

### **PRINCIPAL BANKERS**

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

### **COMPANY WEBSITE**

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

### **STOCK CODE**

1978

### **LISTING DATE**

30 May 2018

# Financial Highlights and Calendar

## FINANCIAL HIGHLIGHTS

For the year ended 31 December

	2021	2020
	<i>HK\$ million</i>	<i>HK\$ million</i>
Revenue	997.9	802.9
Profit attributable to the shareholders of the Company	90.1	140.3
Earnings per share Basic and diluted ( <i>HK cents</i> )	11.26	17.54
Interim dividend per share ( <i>HK cents</i> )	2.40	—
(Proposed) final dividend per share ( <i>HK cents</i> )	6.05	13.16

## CALENDAR

Interim Results Announcement	27 August 2021
Annual Results Announcement	28 March 2022
Closure periods of Register of Members	
For Annual General Meeting	7 June 2022–10 June 2022 (both dates inclusive)
For proposed final dividend	16 June 2022–20 June 2022 (both dates inclusive)
Annual General Meeting	10 June 2022
Payable date of final dividend	On or around 30 June 2022

# Chairman's Statement

To all shareholders:

On behalf of the board (the “**Board**”) of directors (the “**Directors**”), I am pleased to present to you the annual results of LH Group Limited (the “**Company**”), together with its subsidiaries (the “**Group**”), for the year ended 31 December 2021.

Looking back to the past year, the outbreak of the COVID-19 pandemic continued to spread around the world, which severely affected various economies and industries, with the local catering industry being one of the industries to bear the brunt. As a matter of fact, the Group's turnover for January and February 2021 was severely affected by the stringent and mandatory social distancing measures implemented in early 2021, resulting in an operating loss during those months. However, as the industry continues to adjust to the new market norm and with the continuous support from our customers, the Group demonstrated strong resilience and flexibility during the months following mid-February 2021, when social distancing measures started to gradually relax. Meanwhile, the Group's brand had proven its market appeal, our turnover rebounded rapidly and returned to pre-COVID-19 levels in the second half of the year. The rebound not only offset the loss incurred at the beginning of the year, but also helped the Group navigate the industry challenges during the year ended 31 December 2021 and deliver outstanding business performance.

Apart from our customers' support, we would also like to thank all of our employees for their concerted effort. Meanwhile, through the fourth round of Anti-Epidemic Fund relief measures, the Hong Kong Government offered timely assistance to affected local industries during the most dire moments in the business environment, which helped the industry and the Group deal with the impact of the COVID-19 pandemic.

## MULTI-BRAND STRATEGY

We strive to realize an effective multi-brand strategy to achieve the goal of providing customers with value-for-money food and dining experiences through different brands. We have always believed in the theory of crisis create opportunities. Despite the negative impact of the COVID-19 pandemic, our determination for business expansion is not compromised. During the year, the Group actively identified business opportunities and materialized new shop opening plans, laying a sound foundation for our future revenue growth. We opened eight new restaurants in 2021, including two new self-owned brand restaurants “Wing Wah Allday” in the second half of the year. In January 2022, we introduced a restaurant under the new franchised brand of “The Matcha Tokyo” in Causeway Bay, providing customers with diversified catering experience and further expand our business presence to traditional local cuisine restaurants and fine casual cafés.

In 2022, we will accelerate the process of identifying strategic locations to set up new shops under different brands and introduce new brands to the local market, including but not limited to new concept hot pot restaurants. We will deploy more resources in opening casual dining restaurants and cafes, with an aim to attract customers with different catering needs. Combined with strategies and actions both in place, we will consolidate our market position and actively expand our business and brand portfolio.

### LOOKING AHEAD TO 2022

As the uncertainties of the outbreak of the COVID-19 pandemic became the new normal, being an operator in the industry, we need to brace ourselves for the possible waves of outbreak in the future, and also the disruptions they may bring. In fact, at the time of preparation of this report, the fifth wave of outbreak since the beginning of 2022 has materially impacted different industries in Hong Kong.

As large-scale vaccination programs were implemented globally, in the coming year, many countries will gradually reopen their borders that were long closed due to the pandemic. The global economy is expected to be on the road to recovery. We anticipate a resumption to the normal way of life and optimistic consumer sentiments for the second half of the year. The local catering industry shall step out of the misery and embrace a bright future ahead. In terms of local factors, the growing vaccination rate in Hong Kong, along with the new round of consumption vouchers shall act as the catalyst for quick recovery of the local consumption market, which can provide considerable growth opportunities for the Group's business.

Facing with uncertainties in 2022, I will closely monitor the latest development and dynamic of the pandemic and industry with the management of the Group. We will actively rejuvenate our operations and seek development opportunities among the changes. With a robust financial position and brand layout and the aforementioned factors, the management remains optimistic regarding the Group's financial performance in the second half of 2022, provided that the pandemic situation in Hong Kong would not deteriorate in 2022. We believe the Group will weather the storm and achieve further growth and create value for our Shareholders in 2022.

### DIVIDEND

The Group overcame various challenges during the year and achieved outstanding business performance. We wish to share the results with all Shareholders. After considering the economic outlook, financial position of the Group, its future expansion plans and other factors, the Board recommended the payment of a final dividend of HK6.05 cents per share. Together with the interim dividend of HK2.40 cents per share paid during the year ended 31 December 2021, amounted to a total of HK8.45 cents per share. The total dividend payout ratio was approximately 75%.

## APPRECIATION AND BLESSINGS

On behalf of the Board, I would like to express my sincere gratitude and appreciation to the staff of the Group for their dedication and efforts 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 with the Group during these difficult times. To our shareholders, I am grateful for your trust in the Group.

Finally, I wish you all the best of health.

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

*Chairman*

Hong Kong, 28 March 2022

# Management Discussion and Analysis



日本焼肉専門店



牛角ビュッフェ  
日本焼肉食べ放題



焼肉屋の焼肉丼



日本涮涮鍋専門店



台灣火鍋  
#HAP TaiwaneseHotpot



MouMouClub  
all-you-can-eat shabu-shabu  
牛涮鍋



MouMouMotto  
enjoy shabu-shabu more  
牛涮鍋 もっと



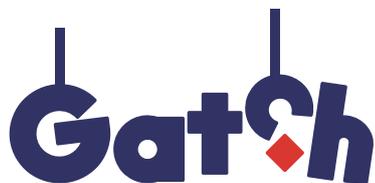
PEACE CUISINE



WING WAH ALLDAY  
— 源於1945香港 —



SINCE 1981



煲仔菜專門店

## Management Discussion and Analysis

Owing to the outbreak of the COVID-19 pandemic since early 2020 and the stringent and mandatory social distancing measures implemented in early 2021, the revenue of the Group was severely affected in January and early February 2021, resulting in an operating loss in those months. However, as the industry continues to adjust to new market norm, and with the continuous support from our customers, the Group showcased strong resilience and agility during the months following mid-February 2021, when social distancing measures started to gradually relax. Revenue rebounded rapidly and returned to pre-COVID-19 levels in the second half of the year. This not only offset the losses from the beginning of the year, but also helped the Group navigate the industry challenges during the year ended 31 December 2021 and deliver outstanding business performance.

Apart from our customers' support, we would also like to thank all of our employees for their concerted effort. Meanwhile, through the fourth round of Anti-Epidemic Fund relief measures, the Hong Kong Government offered timely assistance to affected local industries during the most trying moments in the business environment, which helped the industry and the Group deal with the impact of the COVID-19 pandemic.

In light of the relatively stable situation of the local COVID-19 pandemic since April 2021 and benefitting from the steady rise in the vaccination rate among Hong Kong citizens, in combination with the "consumption voucher" scheme that was introduced for the first time in the year, economic activities and local consumption in Hong Kong were gradually revived, which boosted customer traffic in our restaurants and thus our revenue. During the year ended 31 December 2021, the Group's revenue increased significantly to approximately HK\$997.9 million, representing a year-to-year increase of approximately 24.3% compared to the year ended 31 December 2020. The surge in revenue was attributable to more restaurants in operation and the significant growth in the revenue of comparable restaurants. During the year ended 31 December 2021, profit attributable to the shareholders of the Company was approximately HK\$90.1 million (2020: approximately HK\$140.3 million). Excluding significant incidental items i.e. government grants and subsidies, net gains from lease modification and provisions for impairment of property, plant and equipment and right-of-use assets, the core profit before tax from our operation for the year ended 31 December 2021 was approximately HK\$88.1 million, representing a significant increase of approximately 222.8%, or approximately HK\$60.8 million, from approximately HK\$27.3 million for the corresponding period last year.

### BUSINESS REVIEW

The Group is a full service multi-brand restaurant group in Hong Kong specialising in Asian (in particular Japanese) and Cantonese cuisine, with value-for-money, quality service and quality food as our major competitiveness.

As at 31 December 2021, the Group operated one Cantonese restaurant under the self-owned brand “Pot Master (煲仔王)” in Hong Kong; and 44 Asian restaurants under three self-owned brands, namely, “Mou Mou Club (牛涮鍋)”, “Peace Cuisine (和平飯店)” and “Wing Wah Allday (永華日常)”, 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. The Group prides itself in the extensive market coverage of its brand portfolio, which allows it to tap into customer segments spanning across mid-to-high end market to mass market with different culinary preferences. As at 31 December 2021, the Group had over 98,000 members under its “Kabu Pass” loyalty programme.

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

	As at 31 December	
	2021	2020
<b>Cantonese cuisine restaurants</b>		
— Self-owned brands	1	1
<b>Asian cuisine restaurants</b>		
— Self-owned brands	14	13
— Franchised brands	30	24
<i>Sub-total of Asian restaurants:</i>	44	37
<b>Total:</b>	45	38

### FINANCIAL REVIEW

#### Revenue

When the anti-pandemic and social distancing measures began to relax since mid-February 2021, consumption sentiment was gradually restored, the Group showed strong resilience and agility, which had rapidly recouped the revenue to the Group for 2021.

The Group’s revenue increased significantly by approximately 24.3%, or approximately HK\$195.1 million, from approximately HK\$802.9 million for the year ended 31 December 2020 to approximately HK\$997.9 million for the year ended 31 December 2021.

## Management Discussion and Analysis

The revenue from Asian cuisine restaurants — franchised brands increased significantly by approximately HK\$187.6 million or approximately 35.0%, from approximately HK\$536.7 million for the year ended 31 December 2020 to approximately HK\$724.3 million for the year ended 31 December 2021. The surge in revenue was attributable to more restaurants in operation and the significant growth in the revenue of comparable restaurants. Asian cuisine restaurants — franchised brands remained as the main pillar of revenue, constituting approximately 72.6% of the total revenue of the Group for the year ended 31 December 2021 (2020: 66.8%).

The revenue from Asian cuisine restaurants — self-owned brands increased by approximately HK\$32.7 million or approximately 16.6%, from approximately HK\$196.5 million for the year ended 31 December 2020 to approximately HK\$229.2 million for the year ended 31 December 2021.

The decrease in revenue from Cantonese cuisine restaurants is due to the closure of one Cantonese cuisine restaurant in September 2020.

	For the year ended 31 December			
	2021		2020	
	Revenue HK\$'000	% of total Revenue (%)	Revenue HK\$'000	% of total Revenue (%)
<b>Cantonese cuisine restaurants</b>				
— Self-owned brands	40,136	4.0	65,999	8.2
<b>Asian cuisine restaurants</b>				
— Self-owned brands	229,174	23.0	196,512	24.5
— Franchised brands	724,259	72.6	536,674	66.8
Sub-total of restaurant operations	993,569	99.6	799,185	99.5
Sale of food ingredients and others	4,350	0.4	3,667	0.5
<b>Total</b>	<b>997,919</b>	<b>100.0</b>	<b>802,852</b>	<b>100.0</b>

### Other income and gains

The Group's other income and gains decreased significantly by approximately 69.7%, or approximately HK\$66.2 million, from approximately HK\$95.0 million for the year ended 31 December 2020 to approximately HK\$28.8 million for the year ended 31 December 2021. The decrease was due to a decrease in government subsidies of approximately HK\$33.9 million from approximately HK\$43.8 million for the year ended 31 December 2020 to approximately HK\$9.9 million for the year ended 31 December 2021 and a decrease in net gains from lease modification of approximately HK\$37.0 million for the year ended 31 December 2021.

### **Cost of food and beverages**

The Group's cost of food and beverages increased by approximately 24.6%, or approximately HK\$62.0 million, from approximately HK\$252.1 million for the year ended 31 December 2020 to approximately HK\$314.2 million for the year ended 31 December 2021. The increase was in line with the increase in revenue during the year ended 31 December 2021.

Despite the overall increase in the prices for food in the global supply chain, the Group managed to control the food costs through bulk purchases and closely monitor the prices and change to similar or higher quality alternatives. As a result, the cost of food and beverages as a percentage of revenue steadily maintained at approximately 31.5% for the year ended 31 December 2021 (2020: 31.4%).

### **Staff costs**

The Group's staff costs increased by approximately 36.8%, or approximately HK\$78.6 million, from approximately HK\$213.8 million for the year ended 31 December 2020 to approximately HK\$292.5 million for the year ended 31 December 2021. Such increase was mainly due to the absence of wage subsidies from the Employment Support Scheme under the Anti-Epidemic Fund launched by the Hong Kong Government for the year ended 31 December 2021 (2020: approximately HK\$43.1 million). The staff costs as a percentage of revenue increased to approximately 29.3% for the year ended 31 December 2021 (2020: 26.6%).

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

The Group's property rentals and related expenses increased by approximately 50.8%, or approximately HK\$17.1 million, from approximately HK\$33.7 million for the year ended 31 December 2020 to approximately HK\$50.9 million for the year ended 31 December 2021. The increase was mainly due to the decrease in rental concessions granted by the landlords by approximately HK\$10.2 million, from approximately HK\$14.3 million for the year ended 31 December 2020 to approximately HK\$4.2 million for the year ended 31 December 2021 and the increase in contingent rental payment of approximately HK\$7.4 million for the year ended 31 December 2021.

### **Profit for the year**

As a result of the foregoing, profit for the year ended 31 December 2021 decreased by approximately 35.8%, or approximately HK\$50.2 million, from approximately HK\$140.3 million for the year ended 31 December 2020 to approximately HK\$90.1 million for the year ended 31 December 2021. Such decrease was mainly due to the effect of decrease in other income and gains and other factors discussed above.

Excluding significant incidental items i.e. government grants and subsidies, net gains from lease modification and provision for impairment of property, plant and equipment and right-of-use assets, the core profit before tax from the Group's operation for the year ended 31 December 2021 was approximately HK\$88.1 million, representing a significant increase by approximately 222.8%, or approximately HK\$60.8 million, from approximately HK\$27.3 million for the year ended 31 December 2020.

### LIQUIDITY AND FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group financed its business with internally generated cash flows and capital contributions from shareholders of the Company. As at 31 December 2021, the Group had short term bank deposits of approximately HK\$83.4 million (2020: approximately HK\$159.6 million) and cash and cash equivalents of approximately HK\$241.9 million (2020: approximately HK\$179.1 million). Most bank deposits and cash were denominated in Hong Kong dollar. The Group will continue to use the internal generated cash flows and capital contributions from shareholders of the Company as a source of funding for future developments.

As at 31 December 2021, the Group's total current assets and current liabilities were approximately HK\$415.7 million (2020: approximately HK\$397.8 million) and approximately HK\$290.3 million (2020: approximately HK\$217.1 million) respectively, while the current ratio was about 1.4 times (2020: about 1.8 times).

As at 31 December 2021, the gearing ratio of the Group was nil (2020: nil) 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%.

There has been no change in the capital structure of the Company during the year ended 31 December 2021.

### SIGNIFICANT INVESTMENTS

As at 31 December 2021, the Group did not hold any significant investments.

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

The Group has no material acquisition or disposal of subsidiaries, associates or joint ventures during the year ended 31 December 2021.

### PLEDGE OF ASSETS

As at 31 December 2021, the Group did not pledge any its assets.

### EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2021, the Group had 1,499 employees (2020: 1,344 employees). The Group has developed its human resources policy that 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 remuneration of individual employee is reviewed regularly with reference to the employee's performance and qualifications.

## Management Discussion and Analysis

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. The Group would provide induction trainings for new employees and continuous trainings to existing employees regularly.

No share option was granted during the year ended 31 December 2021. Since the date of adoption of the Share Option Scheme and up to 31 December 2021, the Company had not granted any share option under the Share Option Scheme and had no outstanding share option under the Share Option Scheme.

### FOREIGN EXCHANGE EXPOSURE

Most of the transactions of the Group are denominated in Hong Kong dollars and the Group is not exposed to any significant foreign exchange exposure. As at 31 December 2021, the Group did not have any foreign exchange investment and did not engage in any hedging transactions or enter into any hedging instruments.

### CONTINGENT LIABILITIES

As at 31 December 2021, 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 and had no capital commitments or any specific plans for material investments or capital assets as at 31 December 2021.

### PROSPECTS

In 2021, dine-in restrictions and social distancing measures against COVID-19 were relaxed, the industry welcomed a long-anticipated respite in the second half of 2021 that has just passed. However, as uncertainties about the coronavirus pandemic have become the new normal, being an operator in the industry, we need to brace ourselves for the possible waves of outbreak in the future, and also the disruptions they may bring. In fact, as at the date of this report, the fifth wave of the pandemic outbreak since the beginning of 2022 has already severely affected the operations of numerous industries in Hong Kong.

As large-scale vaccination programs were implemented globally, various countries are planning to reopen their borders that were long closed due to the pandemic. Global economy is expected to be on the road to recovery. We anticipate a resumption to the normal way of life and optimistic consumer sentiments for the second half of the year. The local catering industry is expecting a better future. In terms of local factors, the growing vaccination rate in Hong Kong and the distribution of next round of consumption voucher scheme later this year may be the catalyst for a quick recovery in the local consumption market, which can provide considerable growth opportunities for the Group's business.

## Management Discussion and Analysis

After over two years of pandemic along with various difficulties and challenges, the Group became stronger through hardship, making breakthrough in all aspects such as cost control, management quality and crisis management, with its overall capacity reaching the highest point since its listing and continues to improve. The management is confident that the Group is better positioned than ever before to overcome the difficulties that may arise in the future.

Crisis creates opportunities. Faced with uncertainties due to the pandemic, the Group is actively paving the way to grow its future revenue. In 2021, the Group opened eight new restaurants in total, including two new restaurants under the self-owned brand “Wing Wah Allday” in the second half of the year. In January 2022, we introduced a restaurant under the new franchised brand “The Matcha Tokyo” in Causeway Bay, to provide a more diverse dining experience to customers, and further expand the Group’s business presence to traditional local cuisines restaurants and fine casual cafés. With a robust financial position and brand layout of the Group and the above-mentioned external factors, provided that the pandemic situation in Hong Kong does not deteriorate in 2022, the management remains optimistic about the financial performance of the Group in the second half of 2022 and believes that the Group will achieve further growth.

# Directors and Senior Management

## EXECUTIVE DIRECTORS

**Mr. WONG Kit Lung Simon (黃傑龍)**, *Prof, BBS, JP*, aged 48, 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 and is the chairperson of the nomination committee of the Company (the “**Nomination Committee**”) and a member of the remuneration committee of the Company (the “**Remuneration Committee**”). 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 24 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
2021	Environmental Campaign Committee	Chairman
2021	Environment and Conservation Fund Committee	Member
2020	Quality Tourism Services Association	Chairman
2019	Employees Retraining Board	Vice Chairman
2019	Hong Kong Tourism Board	Member
2018	Commission on Poverty	Member
2017	Finance Committee of the Mandatory Provident Fund Schemes Authority	Chairman
2017	Mandatory Provident Fund Schemes Authority	Non-executive director
2017	Catering Industry Training Advisory Committee	Chairman
2017	Food Wise Hong Kong Steering Committee	Member
2017	Advisory Council on the Environment	Member
2016	Advisory Committee on Enhancing Self-Reliance Through District Partnership Programme	Member
2016	Hong Kong Japanese Food and Cuisine Association	Founding Chairman
2014	Institution of Dining Professionals	Honorary President
2012	Food Business and Related Services Task Force of the Business Facilitation Advisory Committee	Member

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. He has received the Bronze Bauhinia Star awarded by the HKSAR Government in 2021.

**Ms. KO Sau Chee Grace (高秀芝)**, aged 56, 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 26 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.

### INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. SIN Yat Kin (單日堅)**, SBS, CSDSM, JP, aged 64, has been appointed as the independent non-executive Director with effect from 30 May 2018. Mr. Sin is also the chairperson of the Remuneration Committee and a member of each of the Nomination Committee and the audit committee of the Company (the “**Audit Committee**”). Mr. Sin has more than 40 years of experience in public corporate governance.

Prior to joining the Group, from June 1979 to December 2014, Mr. Sin worked at the Hong Kong Correctional Services Department where his final position was the Commissioner of Correctional Services. From September 2016 to present, he has been the consultation council member of the Hong Kong Army Cadets Association. From April 2019 to present, he has been the council member of The Hong Kong Polytechnic University. From July 2021 to present, he has been the chairman of the Hong Kong Playground Association. From September 2021 to present, he has been the chairman of Disciplinary Committee of the Hong Kong Football Association. Since June 2021, Mr. Sin has been the vice chairman of AMTD Group.

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. Since July 2021, he has been appointed as Justice of the Peace.

**Ms. HUNG Lo Shan Lusan (熊璐珊)**, aged 55, was appointed as the independent non-executive Director with effect from 30 May 2018. Ms. Hung is also the chairperson of the Audit Committee and a member of the Remuneration Committee. Ms. Hung has over 35 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 to 30 September 2020. She served as a member of the Housing Authority — Finance Committee (2014–2019) and Subsidised Housing Committee (2014–2017). 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 the Hong Kong representative of the Beijing Women’s Federation since 2014 and a member of executive committee since 2019, and a member of 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 a member 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 and a Chartered Tax Adviser since 2021.

## Directors and Senior Management

Ms. Hung obtained her Bachelor of Commerce in Accounting 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 53, was appointed as the independent non-executive Director of the Company in May 2018. He is also a member of each of the Audit Committee and the Nomination Committee. 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 over 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 a Deputy to the 13th National People's Congress, Vice President of Guangdong's Association For Promotion of Cooperation between Guangdong, Hong Kong and Macao, Chairman of Hong Kong Road Safety Association, 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 a Standing Committee Member of the 11th 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 and LLD from the Renmin University of China, a Master of Public Administration from Tsinghua University, a Master of Business Administration (Executive) from City University of Hong Kong and a PhD in Business Administration from Bulacan State University, the Philippines.

Prof. Hung currently is an independent non-executive director of Sino Hotels (Holdings) Limited (Stock Code: 1221) and Sprocomm Intelligence Limited (Stock Code: 1401), the shares of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). Prof. Hung was an independent non-executive director of VSTECS Holdings Limited (Stock Code: 856) from 31 May 2016 to 25 May 2021.

# Report of the Directors

The Directors present their report together with the audited financial statements of the Group for the year ended 31 December 2021 (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 31 to the financial statements.

## BUSINESS REVIEW

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

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

- (i) The COVID-19 pandemic has severely affected the economy and consumers’ sentiment in Hong Kong. The outbreak of the COVID-19 pandemic may continue or renew in the foreseeable future in Hong Kong and globally;
- (ii) Due to the continuous outbreak of the COVID-19 pandemic, social distancing measures, including dine-in restrictions, opening hours of restaurants and seating capacity restrictions may continue or even tighten in the future;
- (iii) The limited choices of commercially attractive locations, failure to renew existing leases, breach of lease agreements, or increase in rental expenses;
- (iv) We may not be able to implement and manage our growth strategies effectively;
- (v) Uncertainties on obtaining or renewing the licenses and permits for our operations for factors beyond our control;
- (vi) 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;
- (vii) 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;
- (viii) 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;
- (ix) The operations are susceptible to fluctuation in the supply, quality or costs of food ingredients; and
- (x) 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 takes 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 47 to 83 of this report.

### COMPLIANCE WITH LAWS AND REGULATIONS

As far as the Board is aware, the Group has in all material aspects complied with the relevant laws and regulations that may cause a significant impact on the business and operation of the Group during the Reporting Year.

### 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 90 to 157 of this report.

After considering the economic outlook and financial position of the Group, the Group hopes to share the results with all the Shareholders. The Directors recommended the payment of a final dividend of HK6.05 cents per share for the year ended 31 December 2021 (2020: HK13.16 cents per share), subject to the Shareholders’ approval at the forthcoming Annual General Meeting scheduled to be held on 10 June 2022 (the “**AGM**”). If the resolution for the proposed final dividend is passed at the AGM, the proposed final dividend will be payable on or around Thursday, 30 June 2022.

Together with the interim dividend of HK2.40 cents per share paid during the year ended 31 December 2021, the total dividend payout ratio was approximately 75%, amounted to a total of HK8.45 cents per share.

Details of dividends for the Reporting Year are set out in Note 11 to the financial statements.

### DIVIDEND POLICY

The Company has adopted a dividend policy for declaration and payment of dividends by the Company. Pursuant to the dividend policy of the Company, 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;

## Report of the Directors

- (d) restrictions under the Cayman Islands 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.

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. However, it should be noted that the dividend policy will be reviewed from time to time and there can be no assurance that a dividend or a certain percentage of the profit will be proposed or declared as dividend in any specific periods.

For the Reporting Year, the proposed final dividend together with the interim dividend paid, represented approximately 75% of profit and total comprehensive income after tax attributable to the Shareholders.

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

## USE OF NET PROCEEDS FROM LISTING

The net proceeds from the Initial Public Offering of the Company's shares on 30 May 2018 after deducting share issuance expenses and listing expenses (the "**Net Proceeds**") was approximately HK\$178,610,000. After the listing, part of these proceeds have been applied for the purposes as set out in the prospectus of the Company dated 15 May 2018 (the "**Prospectus**"). On 26 April 2021, the Board resolved to change the allocation of the use of the unutilised Net Proceeds. An announcement for the change in the use of the Net Proceeds was made on 26 April 2021 (the "**Announcement**"). As at 31 December 2021, the Company had used approximately HK\$136,100,000 of the Net Proceeds for the purposes as set out in the Prospectus and the Announcement, representing approximately 76.2% of the Net Proceeds. The following table sets out the details of the use of the Net Proceeds:

Use of Net Proceeds	Revised planned application of the Net Proceeds according to the Announcement HK\$'000	Amount utilised during the year ended 31 December 2021 HK\$'000	Amount utilised as at 31 December 2021 HK\$'000	Unutilised Net Proceeds as at 31 December 2021 HK\$'000	Expected timeline for utilisation of the unutilised Net Proceeds
Opening a total of eight restaurants under our self-owned brands					
— One Cantonese cuisine restaurant	—	—	—	—	—
— Seven Asian cuisine restaurants	22,716	—	22,716	—	—
Opening 19 restaurants under franchised brands	57,526	5,184	57,526	—	—
Additional working capital, strategic investment and other generate corporate purposes	17,889	—	17,889	—	—
Opening restaurants under our self-owned and franchised brands	80,479	37,969	37,969	42,510	On or before 31 December 2022
<b>Total</b>	<b>178,610</b>	<b>43,153</b>	<b>136,100</b>	<b>42,510</b>	

## Report of the Directors

According to the Announcement, the Board resolved to consolidate the parts of planned use of Net Proceeds from opening a total of eight restaurants under the Group's self-owned brands and opening a total of 19 restaurants under its franchised brands to opening new restaurants under its self-owned brands and franchised brands. The Board was of the view that the change in the use of the Net Proceeds was made in response to the transformation of customers' demand and the outbreak of the COVID-19 pandemic. The change in the use of the Net Proceeds would allow the Group to expand its business with greater agility and flexibility in developing its restaurants network and brand portfolio.

The Company has applied the Net Proceeds according to the disclosure in the Prospectus and the Announcement during the year ended 31 December 2021 and will apply the Net Proceeds according to the disclosure in the Announcement. For further details on the change in the use of the Net Proceeds, please refer to the disclosure in the Announcement.

## 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 158 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 has purchased, sold or redeemed any of the Company's listed securities for the year ended 31 December 2021.

## 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 93 of this report and Notes 24 and 30(b) to the financial statements, respectively.

### DISTRIBUTABLE RESERVES

As at 31 December 2021, the distributable reserves of the Company, including the share premium account, calculated in accordance with the Companies Act (Cap. 22, Law 3 of 1961 as consolidated and revised) of the Cayman Islands, amounted to approximately HK\$332,540,000.

### EQUITY-LINKED AGREEMENTS

Saved for the Share Option Scheme mentioned in this report, 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 105 of this annual report.

### CHARITABLE DONATIONS

During the Reporting Year, charitable donations made by the Group amounted to approximately HK\$251,000 (2020: approximately HK\$381,000). Details of the charity activities and donations are set out in the ESG Report on pages 47 to 83 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 27.7% (2020: 24.8%) of the total purchases for the Reporting Year. The aggregate purchases attributable to the Group’s five largest suppliers represented 52.5% (2020: 54.4%) 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 on the Stock Exchange (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, BBS, JP (Chairman and Chief Executive Officer)*

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

#### Independent non-executive Directors

Mr. Sin Yat Kin *SBS, CSDSM, JP*

Ms. Hung Lo Shan Lusan

Mr. Hung Wai Man *Prof, JP*

Pursuant to the Articles of Association, Ms. Ko Sau Chee Grace 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.

### BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

The biographical details of the Directors and senior management of the Company are set out on pages 16 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, and such term was renewed for further three years from 30 May 2021. 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 letter of appointment with the Company for a term of three years commencing from 30 May 2018, and such term was renewed for further three years from 4 May 2021. 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 letter of appointment 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.

None of the Directors proposed for re-election at the forthcoming AGM has a service agreement/letter of appointment with the Company and/or any of its subsidiaries, which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

### DIRECTORS' REMUNERATION

Details of the remuneration of the Directors are set out in Note 32 to the financial statements, which are recommended by the Remuneration Committee 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	
	2021	2020
Nil to HK\$1,000,000	—	1
HK\$1,000,001 to HK\$1,500,000	—	—
HK\$1,500,001 to HK\$2,000,000	1	1
	1	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 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 2021, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Appendix 10 of the Listing Rules (the "Model Code") are as follows:

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

*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")). 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 2021, 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 2021, within the knowledge of the Directors, the following persons (other than the Directors or chief executive of the Company) had an interest or a short position in the Shares or underlying Shares which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

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

## 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 18.33% and 68.33% 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). 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 2021, 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.

## DEED OF NON-COMPETITION

As set out in the Prospectus, the Company's controlling shareholders, namely LHG Holdings, 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 (the "**Covenantors**") entered into the deed of non-competition (the "**Deed of Non-competition**") in favour of the Company (for itself and as trustee for other members of the Group) on 4 May 2018.

Each of the Covenantors has provided to the Company a written confirmation in respect of his/her/its compliance with the Deed of Non-competition for the year ended 31 December 2021. The independent non-executive Directors of the Company have reviewed the written confirmations made by each of the Covenantors in respect of his/her/its compliance with the undertakings in the Deed of Non-competition and have confirmed that, as far as they can ascertain, there is no breach of any of the undertakings in the Deed of Non-competition given by the Covenantors.

### SHARE OPTION SCHEME

On 4 May 2018, the Share Option Scheme was approved and adopted by the Shareholders. The purpose of the Share Option Scheme is to incentivize and recognize and acknowledge the employees or directors of members of the Group or associated companies of the Company or any advisors, consultants, suppliers, clients, distributors etc. (the “**Eligible Persons**”) for their contribution to the Group and attract and retain talent or otherwise maintain an on-going business relationship with them.

Pursuant to the Share Option Scheme, the Board (including any committee or delegate of the Board appointed by the Board to perform any of its functions pursuant to the rules of the Share Option Scheme) may, at its absolute discretion, offer to grant an option to subscribe for such number of Shares as the Board may determine to an Eligible Person.

The maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of the Company must not in aggregate exceed 10% of the total number of Shares in issue as at the listing date of the Company (the “**Listing Date**”), being 80,000,000 Shares, or such higher limit as the Stock Exchange may allow pursuant to a waiver granted at the Stock Exchange’s discretion (the “**Scheme Mandate Limit**”).

The total number of Shares which may be issued on the exercise of options granted and to be granted under the Share Option Scheme is 80,000,000 Shares, representing 10% of the issued share capital of the Company as at the date of this report.

Options lapsed in accordance with the terms of the Share Option Scheme and any other scheme of the Company will not be counted for the purpose of calculating the Scheme Mandate Limit.

At any time, the maximum number of Shares which may be issued upon exercise of all outstanding options granted and not yet exercised under the Share Option Scheme and any other schemes of the Company to Eligible Persons must not exceed 30% of the total number of Shares in issue from time to time.

No options shall be granted to any Eligible Person under the Share Option Scheme and any other schemes of the Company which, if exercised, would result in such Eligible Person becoming entitled to subscribe for such number of Shares as, when aggregated with the total number of Shares already issued or to be issued to him under all options granted to him (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of offer of such options, exceeds 1% of the Shares in issue at such date or such higher limit as the Stock Exchange may allow pursuant to a waiver granted at the Stock Exchange’s discretion. Any further grant of options to an Eligible Person in excess of this 1% limit or such higher limit as the Stock Exchange may allow pursuant to a waiver granted at the Stock Exchange’s discretion shall be subject to the approval of the Shareholders in general meeting with such Eligible Person and his close associates (or if such Eligible Person is a connected person of the Company, his associates) abstaining from voting.

## Report of the Directors

The share options granted shall be open for acceptance before the acceptance date (as prescribed by the Company). An offer of share options not accepted within the said period shall be deemed irrevocably declined. An amount of HK\$1.00 is payable upon acceptance of the grant of the share options and such payment shall not be refundable and shall not be deemed to be a part payment of the exercise price.

The exercise price shall be such price as determined by the Board and notified to an option-holder and which shall not be less than the higher of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotation sheets on the date of offer of the option; (ii) the average of the closing price of the Shares as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of offer of the option; and (iii) the nominal value of the Shares.

The Share Option Scheme shall be valid and effective for a period of ten years commencing on the date of its adoption on 4 May 2018, and will lapse on 4 May 2028. Accordingly, as at 31 December 2021, the remaining life of the Share Option Scheme is approximately 6.5 years.

Any option shall be vested on an option-holder immediately upon his acceptance of the offer of options provided that if any vesting schedule and/or conditions are specified in the offer of the option, such option shall only be vested on an option-holder according to such vesting schedule and/or upon the fulfillment of the vesting conditions (as the case may be). Any vested option which has not lapsed and which conditions have been satisfied or waived by the Board in its sole discretion may, unless the Board determines otherwise in its absolute discretion, be exercised at any time from the day after the offer of options is deemed to be granted and accepted. Any option which remain unexercised shall lapse upon the expiry of the option period, which period shall be determined by the Board and shall not exceed ten years from the offer date of the option.

No share options had been granted under the Share Option Scheme since its adoption (including the year ended 31 December 2021). There was no outstanding share options as at 31 December 2021.

## 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 Chapter 14A of the Listing Rules. The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

## CONNECTED TRANSACTIONS

During the Reporting Year, the Group did not enter into any connected transactions or continuing connected transactions which were required to be disclosed in this report under Chapter 14A of the Listing Rules.

### EVENT AFTER THE REPORTING YEAR

Following the outbreak of Coronavirus Disease Omicron (“**the Omicron Outbreak**”) in Hong Kong in January 2022, 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. In early January 2022, the HKSAR Government has been imposing stricter social distancing and anti-pandemic measures, which among other things, prohibited selling food or drink for consumption on the premises of the business after six o’clock every evening, reduced the maximum number of persons per table for catering premises under Types B, C and D Modes of Operation to two, four and six, respectively. These new directions were effective from 7 January 2022 to 20 April 2022 and are subject to adjustments by the government from time to time in view of the latest development of the disease.

The Group’s business was continuously adversely affected by the Omicron Outbreak. From 28 February 2022, the Group has suspended the operation of all the restaurants of the Group. Certain restaurants of the Group reopened and resumed limited business operation in mid of March 2022.

Subsequent to 31 December 2021 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 2021. 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.

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 Omicron Outbreak on the Group’s performance in 2022 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, BBS, JP*  
*Chairman*

Hong Kong, 28 March 2022

# 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 Rules Governing the Listing of Securities (the “**Listing Rules**”) on the Stock Exchange as its own code of corporate governance. The references made to the CG Code in this report has been updated to the Latest amendments to the Listing Rules effective on 1 January 2022.

During the year ended 31 December 2021, save for the deviation from code provision C.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 for Securities Transactions by Directors of Listed Issuer (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules 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 year ended 31 December 2021.

## 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.

## Corporate Governance Report

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 five members, consisting of two 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, BBS, JP (Chairman and Chief Executive Officer)*

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

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

Mr. Sin Yat Kin *SBS, CSDSM, JP*

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 16 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/her 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 with reference to the independence criteria under Rule 3.13 of the Listing Rules.

## 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 held on 3 June 2021
	Board	Nomination Committee	Remuneration Committee	Audit Committee	
<b>Executive Directors</b>					
Mr. Wong Kit Lung Simon <i>Prof, BBS, JP</i>	4/4	1/1	1/1	—	1/1
Ms. Ko Sau Chee Grace	4/4	—	—	—	1/1
<b>Independent non-executive Directors</b>					
Mr. Sin Yat Kin <i>SBS, CSDSM, JP</i>	4/4	1/1	1/1	2/2	1/1
Ms. Hung Lo Shan Lusan	4/4	—	1/1	2/2	1/1
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 C.2.1 of the CG Code, the roles of chairperson and the chief executive officer should be separate 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 two 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, and was renewed for further three years from 30 May 2021. 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 letter of appointment with the Company for a term of three years commencing from 30 May 2018, and was renewed for further three years from 4 May 2021. 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, Ms. Ko Sau Chee Grace 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.

### BOARD DIVERSITY POLICY

The Board has adopted a board diversity policy (the “**Board Diversity Policy**”) pursuant to requirement of the CG Code. The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance.

With a view to achieving a sustainable and balanced development, the Company sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development.

In designing the Board’s composition, board diversity has been considered from a wide range of aspects, including but not limited to gender, age, cultural background and educational background, ethnicity, professional experience and qualifications, skills, knowledge and length of service, and any other factors that the Board may consider relevant and applicable from time to time. High emphasis is placed on ensuring a balanced composition of skills and experience at the Board level in order to provide a range of perspectives, insights and challenge that enable the Board to discharge its duties and responsibilities effectively, support good decision making in view of the core businesses and strategy of the Group, and support succession planning and development of the Board. For achieving an optimal board, additional measurable objectives/specific diversity targets may be set and reviewed from time to time to ensure their appropriateness.

Selection of candidates will be based on the Company’s nomination policy and will take into account the Board Diversity Policy. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board, having due regard to the benefits of diversity on the Board and also the needs of the Board without focusing on a single diversity aspect.

The Board will take opportunities to increase the proportion of female members over time when selecting and making recommendation on suitable candidates for board appointments. The Board would ensure that appropriate balance of gender diversity is achieved with reference to stakeholders’ expectation and international and local recommended best practices, with the ultimate goal of bringing the Board to gender parity. The Board also aspires to having an appropriate proportion of Directors who have direct experience in the Group’s core markets, with different ethnic backgrounds, and reflecting the Group’s strategy.

## CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS

During the Reporting Year, all Directors had participated in continuous professional development activities either by attending training courses, reading materials or 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 C.1.4 of the CG Code.

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

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

Notes:

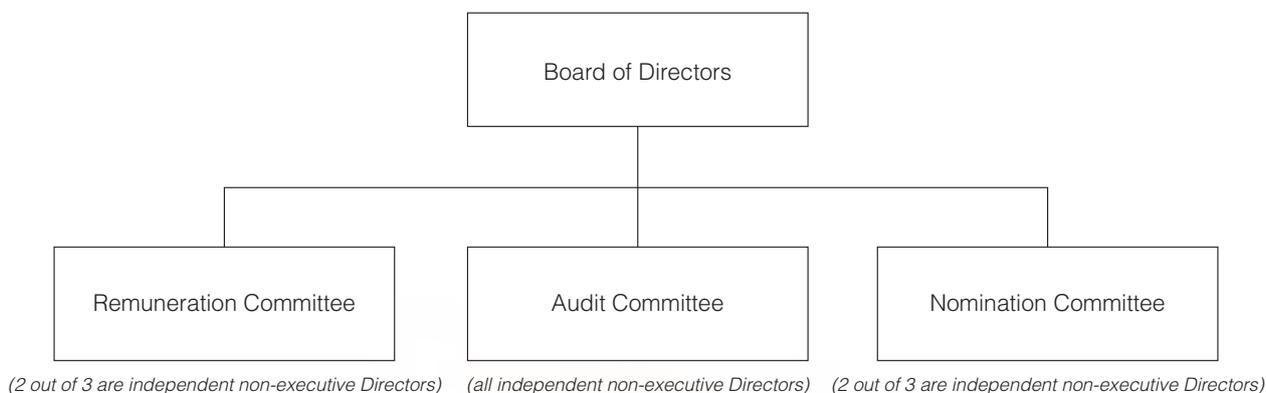
A: Attending seminars and/or conference and/or forums

B: Reading relevant materials

C: Attending relevant laws and regulations training

## BOARD COMMITTEES

The Board has established three committees, namely, the Nomination Committee, the Remuneration Committee and 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. The 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:

**Executive Director:**

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

**Independent non-executive Directors:**

Mr. Sin Yat Kin *SBS, CSDSM, JP*

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 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 during the Reporting Year 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.

### **Nomination criteria**

Pursuant to the mandatory disclosure requirements effective in 2019, the Company should disclose its policy for nomination of directors in the summary of work performed by the Nomination Committee in its corporate governance report. In evaluating and selecting any candidate for the directorship, the following criteria should be considered:

- (i) character and integrity;
- (ii) qualifications including professional qualifications, skills, knowledge and experience, and diversity aspects under the Board Diversity Policy that are relevant to the Company's business and corporate strategy;
- (iii) any measurable objectives adopted for achieving diversity on the Board;
- (iv) for independent non-executive Directors, whether the candidate would be considered independent with reference to the independence guidelines set out in the Listing Rules;
- (v) any potential contributions the candidate can bring to the Board in terms of qualifications, skills, experience, independence and gender diversity;
- (vi) willingness and ability to devote adequate time to discharge duties as a member of the Board and/or Board committee(s) of the Company; and
- (vii) such other perspectives that are appropriate to the Company's business and succession plan and where applicable may be adopted and/or amended by the Board and/or the Nomination Committee from time to time for nomination of directors and succession planning.

### **Nomination Procedures**

The Company has put in place the following director nomination procedures:

#### ***Appointment of New and Replacement Directors***

- (i) If the Board determines that an additional or replacement Director is required, it will deploy multiple channels for identifying suitable director candidates, including referral from Directors, shareholders, management, advisors of the Company and external executive search firms.
- (ii) Upon compilation and interview of the list of potential candidates, the Nomination Committee will shortlist candidates for consideration by the Nomination Committee/Board based on the selection criteria and such other factors that it considers appropriate. The Board has the final authority on determining suitable director candidate for appointment.

### **Re-election of Directors and Nomination from Shareholders**

- (i) Where a retiring Director, being eligible, offers himself for re-election, the Board shall consider and, if consider appropriate, recommend such retiring Director to stand for re-election at a general meeting. A circular containing the requisite information on such retiring Director will be sent to shareholders prior to a general meeting in accordance with the Listing Rules.
- (ii) Any shareholder of the Company who wishes to nominate a person to stand for election as a Director at a general meeting must lodge with the company secretary of the Company within the lodgement period specified in the relevant shareholder circular (a) a written nomination of the candidate, (b) written confirmation from such nominated candidate of his willingness to stand for election, and (c) biographical details of such nominated candidate as required under the Listing Rules. Particulars of the candidate so proposed will be sent to all shareholders for information by a supplementary circular.

## REMUNERATION COMMITTEE

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

### **Executive Director:**

Mr. Wong Kit Lung Simon *Prof, BBS, JP*

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

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

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 during the Reporting Year 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;
- (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, JP*

The Audit Committee is delegated with the authority from the Board primarily to make recommendations to the Board on the appointment, reappointment and removal of external auditor, review the financial statements and provide material advice in respect of financial reporting, oversee the financial reporting process, internal control, risk management systems and audit process of the Group and perform other duties and responsibilities assigned by the Board. The composition of the Audit Committee meets the requirements of Rule 3.21 of Listing Rules.

The Audit Committee held two meetings during the Reporting Year. All members of the Audit Committee attended the meetings. The external auditors were also invited to attend the meeting. During the Reporting Year, the Audit Committee also met with the auditor in the absence of management to discuss any matters the auditor wish to raise.

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 during the Reporting Year 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;

## Corporate Governance Report

- (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.

### AUDITOR'S REMUNERATION

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

	<b>Fees paid/ payable</b> <i>HK\$'000</i>
Audit services	2,200
Non-audit services	
— Taxation	659
— Consultancy	514
Total	<u>3,373</u>

### 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 11 years of experience in the company secretarial position.

Ms. Chan is an associate member of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute 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](mailto:ir.lhgroup@lhg.com.hk)

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

There are no provisions allowing Shareholders to move new resolutions at the general meetings under the Companies Law (Revised) of Cayman Islands. However, pursuant to the Articles of Association, Shareholders who wish to move a resolution may by means of requisition 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 general meetings.

The AGM of the Company will be held on Friday, 10 June 2022. The notice of AGM will be sent to Shareholders at least 20 clear business days before the AGM.

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

## **CONSTITUTIONAL DOCUMENTS**

Pursuant to a special resolution of the Shareholders passed on 4 May 2018, the Articles of Association were adopted with effect from the date of the listing of the Shares on the Stock Exchange on 30 May 2018. During the Reporting Year, there had been no change in the Company's Memorandum of Association and Articles of Association. 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. Such review would be done at least on an annual basis for each financial year. 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 2021, 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.

Upon the recommendation of the Audit Committee, the Board considered that the risk management and internal control system of the Group 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 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 2021. 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 84 to 89 of this report.

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

# Environmental, Social and Governance Report

## APPROACH

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

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

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

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

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

### **Our Vision and Mission**

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





**Team 6 株式会社有限公司**

### 三管齊下增強APP的互動功能 助品牌全面增值

**愈** 來愈多食肆透過手機應用程式 (APP)，增進與客戶的雙向溝通，株式会社有限公司 (下稱株式会社) 推出的Kabu APP覆蓋旗下多間餐廳，並配備「逐距取票」功能，助用戶縮短輪候座位的時間；小組需進一步加強該應用程式的互動性，與客戶保持緊密聯繫，為Kabu APP的成效增值。

為更了解大眾對Kabu APP的意見，小組不但進行了問卷調查，還透過株式會社的協助，邀請多位他們的會員參與焦點小組討論，從中掌握他們日常使用APP的習慣和喜好，以便更準確地就顧客體驗、期望和需要，提出優化應用程式建議，及具成效的宣傳推廣及互動遊戲，吸引更多人士使用Kabu APP。

在顧客體驗方面，小組認為APP的版面設計可增添亮麗色彩，特別在節慶時加入相應的節日裝飾，一掃白色為主的平淡；針對宣傳推廣，小組建議公司利用送贈積分換禮品，鼓勵會員每日登入APP簽到；此外，小組為Kabu APP設計了一款有趣的網絡遊戲，參加者需在限時內製作飯餐，以贏取餐廳優惠，再配合餐廳頁面上新增設的燒肉技巧等趣味小知識，令更多人有興趣下載Kabu APP，並與品牌有更多互動，提升品牌忠誠度。

小組指這次企業顧問計劃令他們長大，還記得焦點小組舉行當日巧遇颱風，他們須兵分兩路，即時與老師和公司高討應變安排，同時亦要跟參加者保持聯絡，平衡各方要求，同要兼顧整項計劃的進度，溝通過程殊不簡單。最後小組特感謝老師和公司的支持，讓他們得到投身市場營銷行業最佳的實戰演練。

左起：朱裕德、羅曉珊、劉曉明、吳卓琳、吳泳霖、柯沛儀、王嘉穎、黎思慧

主辦機構：香港中小企業發展局

## 友商有良 2021

Partner Employer Award 嘉許計劃

### 嘉許企業嘉許狀

#### 叙福樓集團有限公司

**宗旨**

1. 實踐學生或本地應屆畢業生
2. 學生人士
3. 少數族裔
4. 退休人士
5. 持有認證架構認可資歷的人士
6. 殘疾人士
7. 再培訓人士

**目的**

會員可累積工作經驗，培養積極正面的工作態度，以提升在職場上之競爭力。從而讓這香港企業充分發揮與國際接軌精神，推動社會共融之精神，企業既可回饋社會，亦可透過此計劃提升企業形象，吸引更多有潜力的新力量加盟，有利企業的可持續發展。

### 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 2021 to 31 December 2021.

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

- Anti-pandemic measures
- 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 2021.

#### Information and Feedback

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

## OUR STAKEHOLDERS

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

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

## Gaining Social Recognition for 2021

### Awards

### Organizers

Social Capital Builder Logo Award 社會資本動力標誌獎	Community Investment and Inclusion Fund
Service Talent Award: The Potential Brand Award — Gold Award 傑出服務獎: 最具潛質品牌獎 — 金獎	Hong Kong Retail Management Association
Service Talent Award: New Participating Brands — Food Shops (Supervisory Level) Gold Award and Silver Award 傑出服務獎: STA新秀 — 食品及餐廳組別 (主管級別) 金獎及銀獎	Hong Kong Retail Management Association
Service Talent Award: New Participating Brands — Food Shops (Junior Frontline Level) Silver Award 傑出服務獎: STA新秀 — 食品及餐廳組別 (基層級別) 銀獎	Hong Kong Retail Management Association
Service Talent Award: Outstanding Flagship Service Store (Top 10) 傑出服務獎: 十大傑出旗艦服務店	Hong Kong Retail Management Association
Service Talent Award: My Favourite Outstanding Service Retail Brand (Top 10) 傑出服務獎: 十大我最喜愛傑出服務零售品牌	Hong Kong Retail Management Association
Service Talent Award: Flagship Service Recognition 傑出服務獎: 旗艦服務認證	Hong Kong Retail Management Association
Service Talent Award: Retail Ambassador 傑出服務獎: 零售大使	Hong Kong Retail Management Association
Service Talent Award: Excellent Service Stars 傑出服務獎: 優質服務之星	Hong Kong Retail Management Association
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
Outstanding Award for Employers 傑出僱主獎	The Employees Retraining Board

## Environmental, Social and Governance Report

### Awards

### Organizers

Innovations Movers — Business Transformer 創新推動者 — 睿智企業	Hong Kong Science and Technology Parks Corporation (HKSTP)
Inno ESG Prize 2021	Society Next Foundation
Renewable Energy Contribution Award 可再生能源貢獻大獎	CLP
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 — Persistently Outstanding Service Company 天高服務獎 — 持續超卓表現機構	Tiptop Consultants Limited
5 Years Plus Caring Company 商界展關懷5+	The Hong Kong Council of Social Service
Good MPF Employer Award 積金好僱主	Mandatory Provident Fund Schemes Authority
e-Contribution Award 電子供款獎	Mandatory Provident Fund Schemes Authority
MPF Support Award 積金推動獎	Mandatory Provident Fund Schemes Authority
Leadership Award for Business Resilience & Community Contribution 傑出抗逆貢獻領袖	Hong Kong Quality Assurance Agency
Frontline Award for Business Resilience & Community Contribution 傑出抗逆貢獻前線人員	Hong Kong Quality Assurance Agency
Management Award for Business Resilience & Community Contribution (Employee Partnership for Excellence) 傑出抗逆貢獻管理大獎(全人策動員工參與)	Hong Kong Quality Assurance Agency
Equal Opportunity Employer for Family Status Equality 平等機會僱主 — 家庭崗位平等	Equal Opportunities Commission

### Environmental Matters

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

#### **Act Green**

In response to the “Sustainable Development Goals” proposed by the United Nations and the rapid changes on a global climate change and resource scarcity, we are committed to contribute to the sustainable development of the world. We have joined the “Partnership for Sustainability Leadership in Business” initiated by the Centre for Civil Society and Governance of The University of Hong Kong and supported by The Hongkong and Shanghai Banking Corporation Limited (HSBC). We pledge not only to adhere to the principles of sustainable development in our strategic management and operations work, but also work closely with SMEs to provide resources and guidance to build a cooperative ecosystem in the pursuit of sustainable development.

On 26 April 2021, we are one of the 15 pioneering companies who signed the “Business with Purpose: Pledge in action” initiated by the Hong Kong Management Association and Social Ventures Hong Kong. We commit to recognize and embed P.U.R.P.O.S.E into our core business strategies, with each of the seven letters representing:

**P**urpose in action: prioritize purpose in business strategy through an action-based approach;

**U**niversal employee development: foster a culture of inclusion, wellbeing, innovation and co-creation in the workplace;

**R**esponsible investing: support ESG-aligned investments, and community ventures for collective impact;

**P**lanet-friendly practices: develop eco-friendly workplace and infrastructures, as well as solutions to combat climate change;

**O**perational impact & accountability: reinforce corporate governance, supported by impact evaluations and a shared value approach;

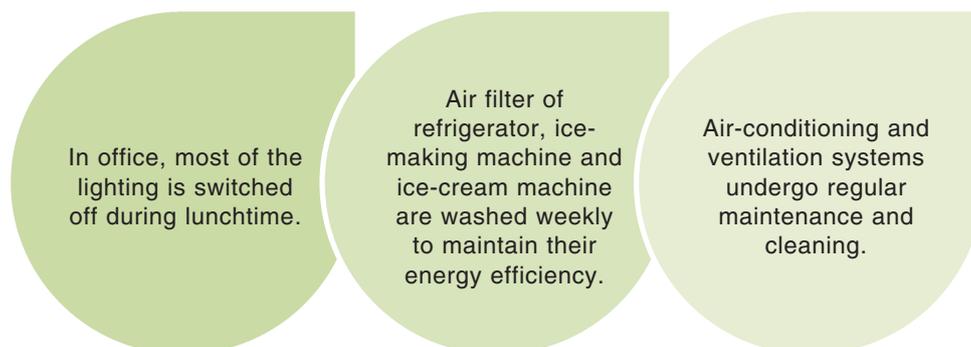
**S**upply chain sustainability: build collective actions and partners, with the view to adopt an integrated lifecycle model; and

**E**thical consumption: facilitate a conscious consumption movement, and promote sustainable living for the next generation.

## Environmental, Social and Governance Report

### 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, wok range 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 implemented an intelligent air conditioning blower control system in restaurants to adjust temperature and fan speed automatically. 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.

Since July 2021, some of our restaurants started using energy saving dishwashers. The dishwashers make use of heat recovery techniques which preserve the heat from the steam and maintain the temperature. This can reduce the electricity consumption by about 35% in average.

## Energy Consumption, Emissions and GHGs Emissions

### Gaseous Fuel Consumption

	<i>Unit</i>	<b>2021</b>	<b>2020</b>
Consumption	<i>Kilograms</i>	5,010,808	4,563,365
Consumption intensity	<i>Kilograms/HK\$ million revenue</i>	5,021	5,684
Nitrogen oxides emissions	<i>Kilograms</i>	101	86
Sulphur oxides emissions	<i>Kilograms</i>	1	1
Direct GHGs emissions	<i>Kilograms</i>	14,525,330	13,266,201
Indirect GHGs emissions	<i>Kilograms</i>	293,156	248,216
Total GHGs emissions	<i>Kilograms</i>	14,818,486	13,514,417
Total GHGs emissions intensity	<i>Kilograms/HK\$ million revenue</i>	14,850	16,832

We target to reduce the total GHGs emissions intensity from gaseous fuel consumption by 10% in the coming year.

### Electricity Consumption

	<i>Unit</i>	<b>2021</b>	<b>2020</b>
Electricity consumption	<i>kWh</i>	8,708,028 <sup>(1)</sup>	8,460,002 <sup>(1)</sup>
Electricity consumption intensity	<i>kWh/HK\$ million revenue</i>	8,726	10,537
GHGs emissions	<i>Kilograms</i>	4,737,624 <sup>(2)</sup>	4,560,655 <sup>(2)</sup>
GHGs emissions intensity	<i>Kilograms/HK\$ million revenue</i>	4,748	5,680

(1) The effect of electricity produced by renewable energy purchased from CLP Power Hong Kong Limited/the Hongkong Electric Co. Ltd, was excluded.

(2) Included the effect of the amount of electricity produced by renewable energy purchased from CLP Power Hong Kong Limited/the Hongkong Electric Co. Ltd which reduce GHGs emissions.

We target to reduce the total GHGs emissions intensity from electricity consumption by 10% in the coming year.

### Recycling & Reduction

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

### Recycling box

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

### Printing practices

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

### Wastes trimming

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

Since May 2019, no plastic straws are distributed to our customers. We provide straws made of sugar cane fibres only upon request by the customers. Straws made of sugar cane fibres are natural and bio-degradable. They are free of plastic and eco-friendly. We also offered HK\$10 deduction for specific drinks if the customers do not use a straw. No disposable tableware sets were provided to customers proactively for takeaway. Request for each tableware set is subject to surcharge of HK\$2. 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	2021	2020
Takeaway boxes	<i>Kilograms</i>	43,077	97,303
Plastic bags	<i>Kilograms</i>	7,971	2,666
Paper bags	<i>Kilograms</i>	6,380	10,122

Packaging materials for takeaways had increased significantly since the epidemic in 2020, especially when restrictions on dine-in hours were in place. While the increase in takeaway is unavoidable, we hope to be more environmentally friendly. We offer an extra 5% off for customers who bring their own containers for takeaway. To safeguard the hygiene of the food and avoid cross-contamination, restaurant staff present the food on the table and customers put the food into their own containers themselves. Even when takeaway boxes are required, most of our takeaway boxes are reusable, in a hope that customers will reuse them. We hope we can arouse citizens' awareness to reducing disposables and develop the habit of bringing own containers when ordering takeaway.

### Water Usage

#### Water Consumption

	<i>Unit</i>	<b>2021</b>	<b>2020</b>
Water consumption	<i>Cubic metres</i>	223,205.95	230,590.34
Water consumption intensity	<i>Cubic metres/HK\$ million revenue</i>	223.68	287.20

The water consumption decreased by 7,384.39 cubic metres compared with previous year to 223,205.95 cubic metres for the Reporting Year. The average water consumption per HK\$ million revenue decreased by approximately 22% for the Reporting Year.

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. We aim to reduce the water consumption intensity to below 200 cubic metres per HK\$ million revenue by 2023.

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. Some of our restaurants started using energy saving dishwashers which consumes about one litre less water than other dishwashers in the market for each usage. We have also installed water flow controllers in some of our restaurants to control the water flow to avoid excessive water flow.

We monitor water usage on a monthly basis, and will continue to implement above practices to more restaurants and 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 Group 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 also offered sustainable seafood in our menu.

## Environmental, Social and Governance Report

### Low-carbon Meal

We partner with organizations such as GreenMonday and Impossible Foods Inc. to offer vegetarian dishes in all of our restaurants 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. Along the way, we take a big leap forward to practice environmental protection.

We offer plant-based burger steaks, “Omnipork” and “Impossible foods” 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. Compared to beef from cow, Impossible Beef made from plants uses 87% less water and 89% less greenhouse gas emissions.

During the Reporting Year, we participated in the World Environment Day on June 5, 2021 which is the day for encouraging worldwide awareness and action to protect our environment. Impossible Foods partnered with One Tree Planted to plant a tree for every “Impossible foods” dish ordered from June 5 to 14, 2021. We contributed to planting 168 trees in this campaign.

### Food Waste Reduction

	<i>Unit</i>	<b>2021</b>
Food waste from customers	<i>Kilograms</i>	157,902
Food waste from kitchen (“Inactivated” food remains from kitchen)	<i>Kilograms</i>	152,054
Total food waste	<i>Kilograms</i>	309,956
Food waste intensity	<i>Kilograms/HK\$ million revenue</i>	310.61
“Activated” food remains from kitchen	<i>Kilograms</i>	26,218
% of “activated” food remains from kitchen	<i>Percentage</i>	14.7%

We target to increase the % of “activated” food remains from kitchen to over 20% in the coming year.

The food remains from kitchen mainly arises from the slicing of meat especially beef. We try to better utilize the remains of meat to make dishes such as minced meat and use as ingredients for soup base, so some of the food remains from kitchen are “activated” and not wasted. We will continue to invent new dishes which can “activate” more types of food remains to reduce the food waste from kitchen.

To reduce food waste from customers, coupons would be given to wise eaters at all-you-can-eat shops including “Mou Mou Club”, “Gyu-kaku” and “Gyu-kaku Buffet” etc. By finishing all food in the plates, customers will be awarded a coupon for their next visit, and we will donate HK\$5 to the World Green Organization for “Mou Mou Club” and World Wide Fund for Nature (WWF) for restaurants other than “Mou Mou Club” to support environmental conservation.

In addition, 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 8,440 (2020: 8,315) 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 sulphur contents than the ultra-low sulphur diesel in the local market.

During the Reporting Year, we owned a fleet of 8 (2020: 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>	<b>2021</b>	<b>2020</b>
Total mileage travelled	<i>Kilometers</i>	237,084	210,051
Total fuel consumed	<i>Liters</i>	40,443	38,731
Nitrogen oxides emissions	<i>Grams</i>	384,150	334,184
Sulphur oxides emissions	<i>Grams</i>	647	620
Particulate matter	<i>Grams</i>	36,958	32,147
GHGs emissions <sup>(1)</sup>	<i>Kilograms</i>	109,660	105,157

(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.

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

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With the worldwide rampant spread of COVID-19, experts appealed to us to wear masks and maintain social distance. The frontline employees stood fast at their positions and exerted the greatest endeavor to create one and another moving stories. In order to praise the frontline staff, the 2021 customer experience enhancement program was launched again with the theme of "being together", during which "my favorite customer outlet" was selected by customers. The program enabled employees to win recognition with satisfactory service and built our excellent service culture.

### Welfare and Benefits

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



### **Staff Meals**

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

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

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

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

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

### *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.

Since 2019, the Group proactively participated in the competitions for HKRMA Service & Courtesy Award to reward frontline staff with excellent service, in order to improve their service level, broaden their insight and enhance cohesion. In 2021, five elite service staff from Kornhill Branch of Gyu-kaku attended the competition, which motivated the team, and fostered excellent service culture.

### *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 target 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.

The Group obtained the honor of “2021 Social Capital Builder-Logo Award” for three consecutive years, which commended the contributions to the social capital development in Hong Kong, and enabled social circles to witness the achievements of the establishment of social capital in Hong Kong.

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.

The Group had also awarded the Equal Opportunity Employer Recognition Scheme — Equal Opportunity Employer for Family Status Equality from Equal Opportunities Commission for the first time, in recognition for excellent implementation of equal opportunity employment policies, making the workplace with equality, diversity and inclusion.

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.

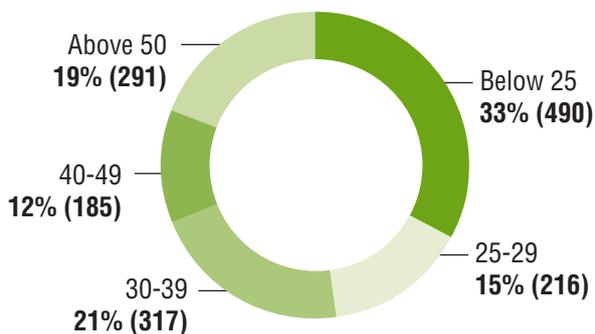
## Environmental, Social and Governance Report

As at 31 December 2021, the Group had 1,499 (2020: 1,344) 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 684 (2020: 936) 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						
2021	5%	5%	3%	3%	2%	4%	4%
2020	7%	5%	5%	5%	6%	6%	6%

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, 5,920 (2020: 3,494) hours of training were recorded.

100% of employees had attended trainings during the Reporting Year. The average training hours completed per employee by gender and employee category for the Reporting Year is as follows:

	Male	Female
Frontline staff	12 hours	12 hours
Office staff	4 hours	4 hours

## Environmental, Social and Governance Report

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.

The online training platform (LMS) has been established, in order to provide more non-face-to-face training and more interactive learning mode for employees during the pandemic period. More than 35 online courses are currently available, covering company culture and service philosophy, professional knowledge and skills of frontline employees, occupational and food safety, anti-corruption and good faith training and character and management philosophy etc, which will be updated regularly.

### **“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. No record of work-related fatality was recorded in the last three years.

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”. The equipment offers a number of features, which helps make our kitchen “cool”.

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

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

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

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

## Environmental, Social and Governance Report

### *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 facilitate staff to inject COVID-19 vaccination and rest after injection, we offered one day full paid sick leave to eligible employees after each dose of injection. Confronted with the COVID-19, in addition to the annual free influenza vaccination program, the Group also provided anti-pandemic materials (including alcohol hand sanitizers and masks) for colleagues. The Group released the personal preventive and sanitary measures in the monthly electronic bulletin, and posted them in the information column at the obvious position. Each colleague is required to attend online courses for the prevention of COVID-19 infection, have their temperature examined and fill in the record form before going to work, use alcohol hand sanitizers, and clean and disinfect hands at fixed time. All the employees mutually inspected personal sanitary and health conditions, and enhanced their consciousness of supervision, in order to guarantee their health and fight against the pandemic with concerted efforts.

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.

During the Reporting Year, there were 20 reported injuries and a loss of 809 days due to the work injuries. Occupational health and safety are high priorities in the Group, we wish to avoid any work-related injuries. 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.

## Environmental, Social and Governance Report

### *Mental Well-being*

LH Group and Kabushikigaisha Limited were awarded the “Happiness at Work 5+” by the Promoting Happiness Index Foundation for the ninth consecutive year. A happy workplace and environment can 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 also offered work-from-home options for office employees in view of the COVID-19 pandemic.

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.

### **Compliance**

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

## **SOCIAL — OPERATING PRACTICES**

### **Supply Chain Management**

The Group places great emphasis on supply chain management. We support the purchases of environmentally-friendly and socially responsible products to minimize the environmental impact caused by our business operations, and thus enhance our service quality and performance standard. During the Reporting Year, we had cooperated with approximate 278 (2020: 255) Hong Kong based suppliers.

## Environmental, Social and Governance Report

We review regulatory updates and announcements from the Government, read news and pay special attention on environmental, food safety, and information about suppliers we are cooperating with regularly. We also attend seminars and exhibition to receive industry updates, and communicate with our suppliers regularly to get the most updated information they had regarding the products they provided. When we identify any environmental or social risks along the supply chain, we inform the management about the potential risks, assess the likelihood and impact of the risks and discuss in meetings. We then take follow up actions if necessary, including but not limited to stop using the products and find alternatives.

### 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 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.

In the face of epidemic, more customers prefer to order takeaway and stay at home for meals. In order to cater for the needs of these customers, we have opened up and strengthened our food delivery and takeaway services, through our online food delivery platform “Kabu-go” and also third-party platforms. Through these platforms, customers can still enjoy our meals while staying at home.

The Group 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.



#### **i-Queue**

Use your mobile phone to pick up tickets anytime and anywhere, while physical presence is not required.



#### **Booking**

Secure your table in our restaurants for the preferred time from 24 hours up to 60 days in advance without waiting.



#### **Member Area**

Get your exclusive discounts and e-coupons without bringing your physical card.



#### **Latest News**

Keep you updated with our latest promotion and menu.

Customers' opinions and feedback help to drive continuous improvement and are vital to our pursuit of excellence. Various communication channels such as emails, facebook and customer service hotline have been established with the aim to better address our customers' concerns. During the Reporting Year, we have received 359 complaints and 378 compliments through various channels. Upon receipt of a complaint, shop manager/customer service staff obtain preliminary information from the customer and fill in the "Incident Report". The shop manager/customer service staff forward the "Incident Report" to the responsible personnel, investigate into the matter and take appropriate remedy actions in a timely manner. If the complaint is unsubstantiated, no actions will be taken. No matter the complaint is substantiated or not, the investigation results will be communicated to the customer.

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

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

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

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

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

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

#### *Traceable Food Sourcing*

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

#### *Personal Hygiene*

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

## 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 92.4 (2020: 92.2) 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.

During the Reporting Year, an anti-corruption training is provided to all directors and staff in the LMS system. The training lasts for half an hour and all staff are required to complete the training and pass the test. The anti-corruption training consisted of video sharing on topics including monitoring of money, receiving of benefits, inventory management, contact with suppliers and purchases decision. Through the training, we hope to emphasis the importance of anti-corruption in the Group.

### Caring About People

#### Pioneering Anti-pandemic Measures

As a socially responsible restaurant group, we care about the well being of staff and customers. We have implemented a series of pioneering anti-pandemic measures in our restaurants before relevant regulatory requirements, including but not limited to setting up of partitions since February 2020, setting up the role of “Designated Table Cleaners” since 31 July 2020, self-checks conducted to ensure each of our restaurants has ventilation of a minimum of six air changes per hour since late August 2020.

Our restaurants continued to obtain the “Anti-Epidemic Hygiene Measures Certification” issued by the Hong Kong Quality Assurance Agency (HKQAA) in 2021, which requires implementation of ten hygiene measures by the restaurants and unannounced on-site audit by HKQAA.

#### 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. Our staff acted as mentors in the “Life Buddies” programme to provide inspiration and advice to the younger generation, particularly senior secondary students, to help them improve their life skills, enhance their exposure, develop a vision for their future, and make preparation for achieving their goals.

#### Supporting “Orbis World Sight Day”

The Group acted as the “Darkness to Go Action Partner” in supporting “Orbis World Sight Day 2021” to focus global attention on blindness and visual impairment. To show our support in this meaning event, HK\$5 will be donated to Orbis upon purchase of specific food items in our restaurants during the campaign period.

#### 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.

## Caring About the Environment

### 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.

### Support “World Environment Day” by planting trees

We participated in the World Environment Day on June 5, 2021, in which Impossible Foods partnered with One Tree Planted to plant a tree for every “Impossible foods” dish ordered from June 5 to 14, 2021 for participating restaurants. During the period, we contributed to planting 168 trees in this campaign.

### Discourage the use of disposable tableware

No disposable tableware sets were provided to customers proactively for takeaway. Request for each tableware set is subject to surcharge of HK\$2. We aim to encourage customers to reduce the use of 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. We provide straws made of sugar cane fibres as an alternative only upon request by the customers. We also offered price deduction for specific drinks 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.

	2021	2020
Charitable donations (in HK\$)	251,000	381,000
Corporate charitable activities:		
Aggregate hours spent on charitable activities by employee volunteers	—	—
Number of employee volunteers	—	—

Note:

No corporate charitable activities were held in 2021 and 2020 due to the outbreak of COVID-19.

**HKEX Environmental, Social and Governance Guide Content Index**

<b>Aspect</b>	<b>Description</b>	<b>Chapter</b>
<b>A1 Emissions</b>		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Environmental Matters – Compliance
KPI A1.1	The types of emissions and respective emissions data.	Act Green – Energy Saving Drive Green – Vehicle Emission Standard
KPI A1.2	Direct (Scope 1) and energy indirect (Scope 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 emission target(s) set and steps taken to achieve them.	Act Green
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	Eat Green — Food Waste Reduction

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

Aspect	Description	Chapter
<b>A4 Climate Change</b>		
General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	Act Green
KPI A4.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Act Green
<b>B1 Employment</b>		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Social – Our Partners – Compliance
KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	Promote Diversity at Workplace
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Promote Diversity at Workplace

Aspect	Description	Chapter
<b>B2 Health and Safety</b>		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	“Cool” Kitchen Social – Employment and Labour Practice – Compliance
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	“Cool” Kitchen
KPI B2.2	Lost days due to work injury.	Care About Well-being of Employees
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Care About Well-being of Employees
<b>B3 Development and Training</b>		
General Disclosure	Policies on improving employees’ knowledge and skills for discharging duties at work. Description of training activities.	Developing Talent
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Developing Talent
KPI B3.2	The average training hours completed per employee by gender and employee category.	Developing Talent

## Environmental, Social and Governance Report

Aspect	Description	Chapter
<b>B4 Labour Standards</b>		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Social – Our Partners – Compliance
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Social – Our Partners – Compliance
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Social – Our Partners – Compliance
<b>B5 Supply Chain Management</b>		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Supply Chain Management
KPI B5.1	Number of suppliers by geographical region.	Supply Chain Management
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Supply Chain Management Environmentally Responsible Socially Responsible
KPI B5.3	Description of practice used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Supply Chain Management
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Supply Chain Management Environmentally Responsible Socially Responsible

Aspect	Description	Chapter
<b>B6 Product Responsibility</b>		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Striving to Create Great Customer Experience Striving to Ensure Food Safety Striving to Enhance Customer Privacy
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Not applicable
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	Striving to Create Great Customer Experience
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Striving to Create Great Customer Experience
KPI B6.4	Description of quality assurance process and recall procedures.	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

## Environmental, Social and Governance Report

Aspect	Description	Chapter
<b>B7 Anti-corruption</b>		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Corporate Integrity
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Corporate Integrity
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Corporate Integrity
KPI B7.3	Description of anti-corruption training provided to directors and staff.	Corporate Integrity
<b>B8 Community Investment</b>		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Caring About People Caring About the Environment
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Caring About People Caring About the Environment
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	Caring About People Caring About the Environment

# Independent Auditor's Report

## To the Shareholders of LH Group Limited

*(incorporated in the Cayman Islands with limited liability)*

## OPINION

### What we have audited

The consolidated financial statements of LH Group Limited (the “**Company**”) and its subsidiaries (the “**Group**”), which are set out on pages 90 to 157, comprise:

- the consolidated statement of financial position as at 31 December 2021;
- 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 significant accounting policies and other explanatory information.

### 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 2021, 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><b>Impairment assessment of the Group's underperforming restaurant outlets</b></p> <p>Refer to note 2.8 and 13(a),(b)&amp;(c) to the consolidated financial statements for the Group's accounting policy on impairment of non-financial assets and notes on property, plant and equipment ("<b>PPE</b>") and right-of-use assets ("<b>ROU</b>").</p> <p>The Group operates restaurant outlets on leased properties with lease terms ranging from 2 to 5 years. Management considered that each restaurant outlet constitutes a cash generating unit ("<b>CGU</b>"). 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 2021, provision for impairment of PPE and ROU amounted to HK\$8.0 million and HK\$14.4 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 "<b>Forecast</b>") including estimated revenue growth rate, operating costs and discount rate.</p> <p>We focused on this area because the assessment requires the use of significant estimates and judgements by management in the Forecast of revenue growth, operating costs and discount rate.</p>	<p>In respect of management's impairment assessment of PPE and ROU, we carried out the following audit procedures:</p> <ul style="list-style-type: none"><li>• evaluated the outcome of prior period impairment assessment of PPE and ROU to assess the effectiveness of management's estimation process;</li><li>• obtained an understanding of and evaluated management's procedures in identifying the relevant CGUs having impairment indicators and preparing the Forecast for impairment testing;</li><li>• compared the Group's budgets of the relevant CGUs with the historical financial information upon which the Forecast is based;</li></ul>

Key Audit Matter	How our audit addressed the Key Audit Matter
	<ul style="list-style-type: none"><li>• assessed the reasonableness of key assumptions used in the Forecast:<ul style="list-style-type: none"><li>— for estimated revenue growth rate and operating costs, reconciling the key input data to the Group's business development plans and budgets, historical financial information of the relevant CGUs and made reference to our understanding and knowledge of the Group's business as well as other available external data in the market; and</li><li>— for discount rate, made reference to the comparable external information in the industry;</li></ul></li><li>• challenged management's determination of the revenue growth rate, operating costs and discount rate;</li><li>• evaluated management's sensitivity analysis around the key assumptions adopted to assess the potential adverse impact of a range of possible outcomes; and</li><li>• tested the mathematical accuracy of the Forecast.</li></ul> <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 AUDIT COMMITTEE 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.

Audit Committee is 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.

## Independent Auditor's Report

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

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

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

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

## 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, 28 March 2022

# Consolidated Statement of Comprehensive Income

For the year ended 31 December 2021

	Note	2021 HK\$'000	2020 HK\$'000
Revenue	5(a)	997,919	802,852
Other income and gains	6	28,829	95,006
Cost of food and beverages		(314,154)	(252,111)
Staff costs	9	(292,471)	(213,823)
Depreciation and amortisation		(33,706)	(32,822)
Depreciation of right-of-use assets	13(b)	(97,014)	(91,044)
Property rentals and related expenses		(50,880)	(33,732)
Fuel and utility expenses		(20,401)	(18,207)
Advertising and marketing expenses		(6,048)	(5,731)
Other operating expenses		(101,541)	(88,876)
Provision for impairment of property, plant and equipment, net	13(a)	(1,838)	(5,740)
Provision for impairment of right-of-use assets, net	13(b)	(1,979)	(10,714)
Finance income	7	1,185	3,775
Finance costs	7	(4,758)	(5,086)
Profit before taxation	8	103,143	143,747
Income tax expense	10	(13,067)	(3,419)
Profit and total comprehensive income for the year		90,076	140,328
Attributable to:			
Shareholders of the Company		90,076	140,328
Basic and diluted earnings per share (HK cents)	12	11.26	17.54

# Consolidated Statement of Financial Position

As at 31 December 2021

	Note	2021 HK\$'000	2020 HK\$'000
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	13(a)	121,694	106,952
Right-of-use assets	13(b)	171,531	169,332
Investment property	14	645	670
Intangible assets	15	5,226	5,419
Rental and utilities deposits	18	40,585	39,463
Prepayments for purchase of property, plant and equipment	18	1,133	1,805
Deferred income tax assets	23	27,326	26,040
		<b>368,140</b>	<b>349,681</b>
<b>CURRENT ASSETS</b>			
Inventories	16	49,719	32,414
Trade receivables	17	6,358	4,962
Prepayments, deposits and other receivables	18	34,238	20,983
Tax recoverable		43	686
Short term bank deposits	20	83,414	159,623
Cash and cash equivalents	20	241,947	179,148
		<b>415,719</b>	<b>397,816</b>
<b>Total assets</b>		<b>783,859</b>	<b>747,497</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to shareholders of the Company</b>			
Share capital	28	80,000	80,000
Share premium	24	122,781	122,781
Reserves	24	177,416	211,820
<b>Total equity</b>		<b>380,197</b>	<b>414,601</b>
<b>NON-CURRENT LIABILITIES</b>			
Provision for reinstatement costs	22	12,991	14,932
Lease liabilities	13(b)	93,493	95,752
Deferred income tax liabilities	23	6,888	5,155
		<b>113,372</b>	<b>115,839</b>

## Consolidated Statement of Financial Position

As at 31 December 2021

	<i>Note</i>	<b>2021</b> <b>HK\$'000</b>	2020 HK\$'000
<b>CURRENT LIABILITIES</b>			
Trade payables	21	76,859	37,657
Contract liabilities, other payables and accruals	22	117,957	81,705
Tax payable		9,673	4,294
Lease liabilities	13(b)	85,801	93,401
		<u>290,290</u>	<u>217,057</u>
<b>Total liabilities</b>		<u>403,662</u>	<u>332,896</u>
<b>Total equity and liabilities</b>		<u>783,859</u>	<u>747,497</u>

The above consolidated statement of financial position should be read in conjunction with the accompany notes.

The financial statements on pages 90 to 157 were approved by the Board of Directors on 28 March 2022 and were signed on its behalf.

**Wong Kit Lung Simon**  
*Chairman*

**Ko Sau Chee Grace**  
*Vice Chairperson*

# Consolidated Statement of Changes in Equity

For the year ended 31 December 2021

	Attributable to shareholders of the Company		
	Share capital (Note 28) HK\$'000	Reserves (Note 24) HK\$'000	Total HK\$'000
At 1 January 2020	80,000	194,273	274,273
Profit and total comprehensive income for the year	—	140,328	140,328
<b>Transactions with shareholders</b>			
Dividends (Note 11)	—	—	—
At 31 December 2020 and 1 January 2021	<b>80,000</b>	<b>334,601</b>	<b>414,601</b>
Profit and total comprehensive income for the year	—	90,076	90,076
<b>Transactions with shareholders</b>			
Dividends (Note 11)	—	(124,480)	(124,480)
At 31 December 2021	<b>80,000</b>	<b>300,197</b>	<b>380,197</b>

# Consolidated Statement of Cash Flows

For the year ended 31 December 2021

	Note	2021 HK\$'000	2020 HK\$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash generated from operations	25(a)	258,061	204,291
Interest received		248	419
Hong Kong profits tax paid, net		(6,598)	(26,616)
Net cash flows generated from operating activities		251,711	178,094
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchases of property, plant and equipment		(42,277)	(18,368)
Purchase of intangible assets		(495)	—
Proceed from disposal of property, plant and equipment		6	228
Interest received		762	2,583
Decrease/(increase) in short term bank deposits		76,209	(27,271)
Net cash flows generated from/(used in) investing activities		34,205	(42,828)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Dividend paid	11	(124,480)	—
Principal elements of lease payments, net of COVID-19-related rent concessions	25(b)	(98,637)	(86,877)
Net cash flows used in financing activities		(223,117)	(86,877)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		62,799	48,389
Cash and cash equivalents at the beginning of the year		179,148	130,759
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	20	241,947	179,148

# 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 and its shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) since 30 May 2018 (the “**Listing Date**”). The address of the Company’s registered office is Walkers Corporate Limited, 190 Elgin Avenue, 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.

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

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements. 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**”) 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 and amended standards adopted by the Group*

The Group has applied the following amendment for the first time for their annual reporting period commencing 1 January 2021:

HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 Interest Rate Benchmark Reform —  
and HKFRS 16 (Amendments) Phase 2

The Group also elected to adopt the following amendments early:

HKFRS 16 (Amendments) Covid-19-Related Rent Concessions beyond  
30 June 2021

The 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*

		<b>Effective for annual periods beginning on or after</b>
Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combinations	1 January 2022
HKAS 16 (Amendments)	Property, Plant and Equipment: Proceeds before intended use	1 January 2022
HKAS 37 (Amendments)	Onerous Contracts — Cost of Fulfilling a Contract	1 January 2022
Annual Improvements Project (Amendments)	Annual Improvements 2018–2020 Cycle	1 January 2022
HKFRS 3 (Amendments)	Reference to the Conceptual Framework	1 January 2022
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current	1 January 2023
HKFRS 17	Insurance Contracts	1 January 2023
Hong Kong Interpretation 5 (2020)	Presentation of Financial Statements — Classification by Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2023
HKAS 8 (Amendments)	Definition of Accounting Estimates	1 January 2023
HKAS 1 and HKFRS Practice Statement 2 (Amendments)	Disclosure of Accounting Policies	1 January 2023
HKAS 12 (Amendments)	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
HKFRS 10 and HKAS 28 (Amendments)	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)

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for 31 December 2021 reporting periods and have not been early adopted by the Group. These standards, amendments or interpretations are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

### 2.2 Subsidiaries

Subsidiaries are all entities (including structured entities) 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 to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

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

### 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.

### 2.5 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 any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to the consolidated statements of comprehensive income during the financial period in which they are incurred.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.5 Property, plant and equipment (continued)

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 lease term
— 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.

### 2.6 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.7 Intangible assets

#### (a) Franchises

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

#### (b) Tradename

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

### 2.9 Financial assets

#### 2.9.1 Classification

The Group classifies its financial assets in the following measurement 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.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.9 Financial assets (continued)

#### 2.9.1 Classification (continued)

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.

##### *Equity instruments*

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

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

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.9 Financial assets (continued)

#### 2.9.3 Recognition and derecognition

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

### 2.10 Offsetting financial instruments

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

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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.13 Trade and other receivables

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

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

### 2.14 Cash and cash equivalents

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

### 2.15 Share capital

Ordinary shares are classified as equity.

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

### 2.16 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are presented 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.

### 2.17 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.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

#### (a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period 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 end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

##### *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.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

#### (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.

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

### 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 can be 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 management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. 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.

### 2.21 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.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.21 Revenue recognition (continued)

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

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.

The Group has adopted Amendment to HKFRS 16 — Covid-19-Related Rent Concessions retrospectively from 1 January 2020. The amendment provides an optional practical expedient allowing lessees to elect not to assess whether a rent concession related to COVID-19 is a lease modification. Lessees adopting this election may account for qualifying rent concessions in the same way as they would if they were not lease modifications. The practical expedient only applies to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met:

- (a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- (b) any reduction in lease payments affects only payments due on or before 30 June 2021; and
- (c) there is no substantive change to other terms and conditions of the lease.

The Group has early adopted Amendment to HKFRS 16 — Covid-19-Related Rent Concessions beyond 30 June 2021, which extended the practical expedient to lease payments that were due on or before 30 June 2022.

The Group has applied the practical expedient to all qualifying COVID-19-related rent concessions (see note below).

*Note:* If the practical expedient has not been applied to all qualifying rent concessions, information about the nature of the contracts to which it has been applied should be disclosed.

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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 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.

### 2.25 Government grants

Grants from the government are recognised at their fair value when there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the profit or loss over the period necessary to match them with the costs that they are intended to compensate.

### 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 2021, if interest rates on all interest-bearing bank deposits had been 100 basis-points higher/lower with all other variables held constant, profit after taxation would have increased/decreased by approximately HK\$1,331,000 (2020: HK\$2,470,000) 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.

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

As at 31 December 2021, 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.

### 3 FINANCIAL RISK MANAGEMENT (continued)

#### 3.1 Financial risk factors (continued)

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

###### *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.

###### *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 2021 with the risk of default as at the date of initial recognition. Especially the following indicators are incorporated.

### 3 FINANCIAL RISK MANAGEMENT (continued)

#### 3.1 Financial risk factors (continued)

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

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

- 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 categorises 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.

As at 31 December 2021, management considers 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.

### 3 FINANCIAL RISK MANAGEMENT (continued)

#### 3.1 Financial risk factors (continued)

##### (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 2021			
	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	76,859	—	—	76,859
Other payables and accruals	62,590	—	—	62,590
Lease liabilities	94,348	54,096	43,248	191,692
	<b>233,797</b>	<b>54,096</b>	<b>43,248</b>	<b>331,141</b>

Contractual maturities of financial liabilities	At 31 December 2020			
	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	37,657	—	—	37,657
Other payables and accruals	47,484	—	—	47,484
Lease liabilities	99,435	69,255	28,255	196,945
	<b>184,576</b>	<b>69,255</b>	<b>28,255</b>	<b>282,086</b>

### 3 FINANCIAL RISK MANAGEMENT (continued)

#### 3.2 Capital risk management

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

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

#### 3.3 Fair value estimation

The carrying values of the Group's financial assets, including trade receivables, deposits and other receivables, short term bank deposits 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 2021.

## 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 may have a financial impact on the entity and 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 non-financial assets

Non-financial 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. 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. 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.

The Group has material operational assets (including property, plant and equipment and right-of-use assets) used in the restaurants which are subject to impairment test in the event of financial performance is below expectation. An asset impairment assessment was carried out against the underperforming restaurants and an impairment charge of property, plant and equipment of approximately HK\$1,838,000 and right-of-use assets of approximately HK\$1,979,000 were recognised for the year ended 31 December 2021. Management has performed discounted cash flow analysis on the restaurants with impairment indicator and the recoverable amounts were determined based on the higher of fair value less costs to sell and value-in-use calculations of these restaurants. Assumptions used in the calculations include the revenue growth rates, operating costs and discount rate.

## 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

### (b) Impairment of financial assets

The Group follows the guidance of HKFRS 9 to determine when financial assets are impaired. This determination requires significant judgement and estimation based on assumptions about risk of default and expected loss rates. In making this judgement and estimation, the Group evaluates, among other factors, the duration of receivables and the financial health and collection history of individual debtors and expected future change of credit risks, including the consideration of factors such as general economy measure, changes in macroeconomic indicators etc.

### (c) 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.

### (d) 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.

### (e) Provision for reinstatement costs

Provision for reinstatement costs is estimated and reassessed at the end of each reporting period with reference to the recent actual reinstatement cost incurred for restaurant outlets of similar attributes and latest available quotation from independent contractors. Estimation based on current market information may vary over time and could differ from the actual reinstatement cost upon closures or relocation of existing premises.

## 5 REVENUE AND SEGMENT INFORMATION

### (a) Revenue

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

	2021 HK\$'000	2020 HK\$'000
<b>Recognised at a point in time:</b>		
Restaurant operations	993,569	799,185
Sale of food ingredients and others	4,350	3,667
	<b>997,919</b>	<b>802,852</b>

### (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.

The Group has the following reporting segments:

- |   |   |
|---|---|
| (a) Cantonese cuisine — self-owned brands | — Operation of Cantonese restaurant under the self-established “Pot Master” brand, offering Cantonese cuisine                     |
| (b) Asian cuisine — franchised brands     | — Operation of Asian cuisine restaurants under the franchised “Gyu-Kaku”, “On-Yasai”, “Gyu-Kaku Jinan-Bou” and “Yoogane” brands   |
| (c) Asian cuisine — self-owned brands     | — Operation of Asian cuisine restaurants under self-owned brands, including “Mou Mou Club”, “Peace Cuisine” and “Wing Wah Allday” |
| (d) Sale of food ingredients and others   | — Sale of food ingredients to related parties and external third parties and other businesses                                     |

## 5 REVENUE AND SEGMENT INFORMATION (continued)

### (b) Segment information (continued)

Segment revenue and segment profit/(loss) were the measures reported to the Directors for the purpose of resources allocation and performance assessment. Segment profit/(loss), which is a measure of adjusted profit/(loss) before tax, was measured consistently with the Group's profit before tax except that finance costs and 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 contract liabilities, other payables and accruals. They exclude other payables and accruals for general use, tax payables, deferred income tax liabilities.

All operating entities of the Group were domiciled in Hong Kong. All revenue of the Group was derived in Hong Kong. As at 31 December 2021 and 2020, 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, profit before taxation, depreciation and amortisation and provision for impairment for the years ended 31 December 2021 and 2020 and segment assets and liabilities as at 31 December 2021 and 2020 are as follows:

	For the year ended 31 December 2021				Total HK\$'000
	Cantonese cuisine — self-owned brands HK\$'000	Asian cuisine — franchised brands HK\$'000	Asian cuisine — self-owned brands HK\$'000	Sale of food ingredients and others HK\$'000	
<b>Segment revenue</b>					
Revenue	40,136	724,259	229,174	102,411	1,095,980
Inter-segment revenue	—	—	—	(98,061)	(98,061)
External revenue	40,136	724,259	229,174	4,350	997,919
<b>Segment profit/(loss)</b>	6,557	125,428	28,591	(1,575)	159,001
Depreciation and amortisation	(290)	(20,946)	(7,621)	(1,381)	(30,238)
Depreciation of right-of-use assets	(28)	(64,074)	(28,630)	—	(92,732)
Provision for impairment	—	(2,040)	(1,777)	—	(3,817)
<b>Segment profit</b>					159,001
Unallocated depreciation and amortisation					(3,468)
Unallocated depreciation of right-of-use assets					(4,282)
Unallocated costs					(49,129)
Unallocated finance income					1,063
Unallocated finance costs					(42)
<b>Profit before taxation</b>					103,143
<b>Segment assets</b>	15,388	241,890	93,277	114,072	464,627
<b>Segment liabilities</b>	(8,250)	(226,380)	(86,322)	(34,371)	(355,323)

## 5 REVENUE AND SEGMENT INFORMATION (continued)

## (b) Segment information (continued)

	For the year ended 31 December 2020				Total HK\$'000
	Cantonese cuisine — self-owned brands HK\$'000	Asian cuisine — franchised brands HK\$'000	Asian cuisine — self-owned brands HK\$'000	Sale of food ingredients and others HK\$'000	
<b>Segment revenue</b>					
Revenue	65,999	536,674	196,512	91,534	890,719
Inter-segment revenue	—	—	—	(87,867)	(87,867)
External revenue	65,999	536,674	196,512	3,667	802,852
<b>Segment profit</b>	36,580	96,503	16,086	282	149,451
Depreciation and amortisation	(2,495)	(16,274)	(10,398)	(1,355)	(30,522)
Depreciation of right-of-use assets	(1,126)	(56,935)	(28,694)	—	(86,755)
Provision for impairment, net	—	(3,796)	(12,658)	—	(16,454)
<b>Segment profit</b>					149,451
Unallocated depreciation and amortisation					(2,300)
Unallocated depreciation of right-of-use assets					(4,289)
Unallocated costs					(2,750)
Unallocated finance income					3,775
Unallocated finance costs					(140)
<b>Profit before taxation</b>					143,747
<b>Segment assets</b>	11,942	200,949	90,422	82,532	385,845
<b>Segment liabilities</b>	(6,473)	(182,898)	(87,368)	(10,899)	(287,638)

## 5 REVENUE AND SEGMENT INFORMATION (continued)

### (b) Segment information (continued)

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

	2021 HK\$'000	2020 HK\$'000
Segment assets	464,627	385,845
Unallocated assets	319,232	361,652
	<b>783,859</b>	<b>747,497</b>

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

	2021 HK\$'000	2020 HK\$'000
Segment liabilities	355,323	287,638
Unallocated liabilities	48,339	45,258
	<b>403,662</b>	<b>332,896</b>

### (c) Contract liabilities

The Group recognised the following revenue-related contract liabilities:

	2021 HK\$'000	2020 HK\$'000
Advances from customers	238	21
Deferred revenue	34,547	21,798
Total contract liabilities	<b>34,785</b>	<b>21,819</b>

Advances from customers represents the payments received from customers for reservations and coupons. 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:

	2021 HK\$'000	2020 HK\$'000
Restaurant operations	21,819	22,952

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 AND GAINS

	2021 HK\$'000	2020 HK\$'000
Other income:		
Government grants ( <i>Note (a)</i> )	9,856	43,797
Promotion income from a credit card company	3,200	3,100
Rental income	89	9
Sponsorship income	2,363	—
Over-provision for litigation cost relating to claim against the vacant possession and early termination on lease in prior year	1,468	—
Compensation income from an insurance company	1,234	—
Sundry income	871	987
	<b>19,081</b>	<b>47,893</b>
Other gains:		
Net gains from lease modification ( <i>Note (b)</i> )	9,004	45,983
Gains on disposal of property, plant and equipment	6	228
Gain on reversal of provision for reinstatement cost ( <i>Note 22(a)</i> )	738	902
	<b>9,748</b>	<b>47,113</b>
Total other income and gains	<b>28,829</b>	<b>95,006</b>

## 6 OTHER INCOME AND GAINS (continued)

Note:

- (a) Government subsidies of approximately HK\$9,620,000 (2020: HK\$43,797,000) were granted from the one-off Food Licence Holders Subsidy Scheme under Anti-Epidemic Fund launched by the Government of the Hong Kong Special Administrative Region ("**HKSAR Government**"). The Group has complied with all attached conditions before 31 December 2021 and they are recognised in profit or loss in "other income and gains".
- (b) There were early termination of three leases and lease modification of one lease during the year ended 31 December 2021 (2020: early termination of two leases). Right-of-use assets of HK\$2,753,000 (2020: HK\$13,670,000) and lease liabilities of HK\$11,757,000 (2020: HK\$60,451,000) were derecognised.

## 7 FINANCE INCOME AND COSTS

	2021 HK\$'000	2020 HK\$'000
Interest income from bank deposits	1,039	3,056
Finance income on financial assets	146	719
	<u>1,185</u>	<u>3,775</u>
Finance cost on lease liabilities ( <i>Note 13(b)</i> )	<u>(4,758)</u>	<u>(5,086)</u>

## 8 PROFIT BEFORE TAXATION

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

	Note	2021 HK\$'000	2020 HK\$'000
Depreciation of property, plant and equipment	13(a)	32,993	32,201
Depreciation of investment property	14	25	25
Amortisation of intangible assets	15	688	596
COVID-19-related rent concessions	13(b)	(4,169)	(14,337)
Lease payments under operating leases in respect of land and buildings:			
— Short term lease payments	13(b)	1,938	4,194
— Contingent rental	13(b)	18,764	11,332
		<b>20,702</b>	<b>15,526</b>
Auditors' remuneration:			
— Audit services		2,200	2,100
— Non-audit services		1,173	932

## 9 STAFF COSTS

	2021 HK\$'000	2020 HK\$'000
Wages and salaries ( <i>Note (a)</i> )	238,241	173,951
Discretionary bonuses	18,808	14,906
Directors' remuneration ( <i>Note 32</i> )	9,433	8,184
Retirement benefit scheme contributions	12,023	10,994
Staff welfare	10,244	7,053
Provision for/(reversal of provision for) untaken annual leave	2,568	(218)
Provision for/(reversal of provision for) long service payment	1,154	(1,047)
	<b>292,471</b>	<b>213,823</b>

## 9 STAFF COSTS (continued)

- (a) Wage subsidies of HK\$43,126,000 granted from the Employment Support Scheme under the Anti-Epidemic Fund launched by the HKSAR Government have been received during the year ended 31 December 2020. The Group has complied with all attached conditions before 31 December 2020. The amounts were recognised and offset against “staff costs”. No wage subsidies were granted for the year ended 31 December 2021.

### (b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group include two (2020: three) directors whose emoluments are reflected in Note 32. The emoluments payable to the remaining three (2020: two) individuals are as follows:

	2021 HK\$'000	2020 HK\$'000
Salaries, allowances and benefits in kind	3,038	2,193
Discretionary bonuses	456	307
Retirement benefit scheme contribution	54	36
	3,548	2,536

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

	2021	2020
Nil to HK\$1,000,000	2	1
HK\$1,500,001 to HK\$2,000,000	1	1

## 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 2021 (2020: 16.5%).

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

	2021 HK\$'000	2020 HK\$'000
Hong Kong profits tax		
Current income tax	13,319	8,744
Over provision in prior year	(699)	(2,476)
Deferred income tax ( <i>Note 23</i> )	447	(2,849)
Total tax charge for the year	<b>13,067</b>	3,419

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

	2021 HK\$'000	2020 HK\$'000
Profit before taxation	103,143	143,747
Tax at the statutory tax rates of 16.5%	17,019	23,718
Income not subject to tax	(4,076)	(15,845)
Expenses not deductible for tax	943	530
Over provision in prior year	(699)	(2,476)
Utilisation of temporary differences previously not recognised	—	(2,090)
Derecognition of previously recognised temporary differences on leases	—	(296)
Tax losses not recognised	305	—
Tax rebate	(425)	(122)
Income tax expense	<b>13,067</b>	3,419

## 11 DIVIDENDS

	2021 HK\$'000	2020 HK\$'000
Final dividend for the year ended 31 December 2020 of HK13.16 cents (2019 final, nil) per fully paid share	105,280	—
Interim dividend for the year ended 31 December 2021 of HK2.40 cents (2020 interim, nil) per fully paid share	19,200	—
	<b>124,480</b>	—

Note:

A final dividend in respect of the year ended 31 December 2021 of HK6.05 cents per ordinary share, totalling HK\$48,400,000, was proposed by the Board on 28 March 2022 which is subject to the approval of shareholders at the forthcoming annual general meeting. The proposed dividend is not reflected as dividend payable in the consolidated statement of financial position.

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

### (a) Basic

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

	2021	2020
Profit attributable to shareholders of the Company (HK\$'000)	90,076	140,328
Weighted average number of shares in issue	800,000,000	800,000,000
Basic earnings per share (HK cents)	11.26	17.54

### (b) Diluted

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

## 13(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
<b>At 1 January 2020</b>							
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
<b>Year ended 31 December 2020</b>							
Opening net carrying Amount	56,889	39,350	28,812	870	—	789	126,710
Additions	—	9,476	8,594	113	—	—	18,183
Depreciation	(2,098)	(17,031)	(12,185)	(482)	—	(405)	(32,201)
Provision for impairment, net	—	(3,460)	(2,238)	(42)	—	—	(5,740)
Closing net carrying amount	54,791	28,335	22,983	459	—	384	106,952
<b>At 31 December 2020</b>							
Cost	68,343	139,491	106,603	9,638	2,321	4,253	330,649
Accumulated depreciation	(11,863)	(102,121)	(77,523)	(9,062)	(2,321)	(3,869)	(206,759)
Accumulated impairment	(1,689)	(9,035)	(6,097)	(117)	—	—	(16,938)
Net carrying amount	54,791	28,335	22,983	459	—	384	106,952

## 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
<b>Year ended 31 December 2021</b>							
Opening net carrying Amount	54,791	28,335	22,983	459	—	384	106,952
Additions	—	21,925	26,932	375	—	341	49,573
Depreciation	(2,098)	(15,372)	(14,752)	(353)	—	(418)	(32,993)
Provision for impairment	—	(1,044)	(784)	(10)	—	—	(1,838)
Closing net carrying amount	52,693	33,844	34,379	471	—	307	121,694
<b>At 31 December 2021</b>							
Cost	66,654	149,094	125,631	9,600	2,321	4,592	357,892
Accumulated depreciation	(13,961)	(110,554)	(88,024)	(9,026)	(2,321)	(4,285)	(228,171)
Accumulated impairment	—	(4,696)	(3,228)	(103)	—	—	(8,027)
Net carrying amount	52,693	33,844	34,379	471	—	307	121,694

## 13(b) LEASES

## (i) Amounts recognised in the consolidated statement of financial position

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

	2021 HK\$'000	2020 HK\$'000
<b>Right-of-use assets</b>		
Restaurant outlets	170,943	164,786
Offices	—	4,282
Warehouse	588	264
	171,531	169,332

Additions to the right-of-use assets during the year ended 31 December 2021 were HK\$103,947,000 (2020: HK\$58,227,000).

There were write off of right-of-use assets of approximately HK\$1,790,000 and HK\$963,000 due to early termination of a lease and lease modification of a lease respectively during the year ended 31 December 2021 (2020: HK\$13,670,000 due to early termination of a lease).

## 13(b) LEASES (continued)

**(i) Amounts recognised in the consolidated statement of financial position**  
(continued)

During the year, the Group recognised an impairment charge of right-of-use assets of approximately HK\$1,979,000 (2020: HK\$10,714,000). As at 31 December 2021, the provision for impairment of ROU assets amounted to approximately HK\$14,428,000 (2020: HK\$14,314,000).

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

	2021 HK\$'000	2020 HK\$'000
<b>Lease liabilities</b>		
Current	85,801	93,401
Non-current	93,493	95,752
	<b>179,294</b>	<b>189,153</b>

**(ii) Amounts recognised in the consolidated statement of comprehensive income**

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

	2021 HK\$'000	2020 HK\$'000
<b>Depreciation charge of right-of-use assets</b>		
Restaurant outlets	92,478	86,402
Offices	4,187	4,290
Warehouse	349	352
	<b>97,014</b>	<b>91,044</b>
Finance costs	4,758	5,086
Expense relating to short-term leases (included in property rentals and related expenses)	1,938	4,194
Expense relating to variable lease payments not included in lease liabilities (included in property rentals and related expenses)	18,764	11,332
COVID-19-related rent concessions (included in property rentals and related expenses)	(4,169)	(14,337)
Provision for impairment of right-of-use assets, net	1,979	10,714

The total cash outflow for leases in 2021 was approximately HK\$119,339,000 (2020: HK\$102,403,000).

### 13(b) LEASES (continued)

#### (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 5 years (2020: 2 to 5 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 all the restaurants, up to 55.6% (2020: 32.5%) of lease payments are on the basis of variable payment. Percentages per variable lease payment terms are ranging from 6% to 15% (2020: 7.5% 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.

### 13(c) IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

The Group operates restaurant outlets on leased properties with lease terms ranging from 2 to 5 years. The Group regards each individual restaurant as a separately identifiable cash-generating-unit (“CGU”) and performed impairment assessments on each of the CGU with impairment indicators by considering the recoverable amount of such assets at restaurant level. As at 31 December 2021, the Group's management identified impairment indicators in certain restaurants, which were loss making, and estimated corresponding recoverable amounts of their property, plant and equipment and right-of-use assets.

The recoverable amounts of the CGUs are determined based on value-in-use calculations, which are higher than the fair value less costs to sell calculations. The value-in-use calculations covering a period of the remaining lease term were lower than the carrying amounts of the CGUs. Accordingly, the Group recognised an impairment charge of property, plant and equipment of HK\$1,838,000 and right-of-use assets of HK\$1,979,000 for the year ended 31 December 2021 (2020: property, plant and equipment of HK\$5,740,000 and right-of-use assets of HK\$10,714,000).

As at 31 December 2021, the provision for impairment of property, plant and equipment and right-of-use assets amounted to HK\$8,027,000 and HK\$14,428,000, respectively.

Key inputs to the determination of the recoverable amount over the remaining lease period includes annual revenue growth and pre-tax discount rate. As at 31 December 2021, the annual revenue growth used for restaurant outlets in the impairment assessment is ranging from -20% to 32% (2020: 0% to 19%) for the remaining lease period. The pre-tax discount rate used to determine the recoverable amounts is approximately 14% (2020: 14%).

## 14 INVESTMENT PROPERTY

	<b>Land and building</b> <i>HK\$'000</i>
<b>At 1 January 2020</b>	
Cost	1,005
Accumulated depreciation	(310)
Net carrying amount	695
<b>Year ended 31 December 2020</b>	
Opening net carrying amount	695
Depreciation	(25)
Closing net carrying amount	670
<b>At 31 December 2020</b>	
Cost	1,005
Accumulated depreciation	(335)
Net carrying amount	670
<b>Year ended 31 December 2021</b>	
Opening net carrying amount	670
Depreciation	(25)
Closing net carrying amount	645
<b>At 31 December 2021</b>	
Cost	1,005
Accumulated depreciation	(360)
Net carrying amount	645

## 14 INVESTMENT PROPERTY (continued)

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

	2021 HK\$'000	2020 HK\$'000
Rental income from operating leases	80	—
Direct operating expenses from property that generated rental income	(14)	—
	66	—

- (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 in 2021. 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 2021 by management of the Company using the direct comparison approach with reference to market price per square foot of comparable properties in close proximity.

The following table summarises the quantitative information about the significant unobservable inputs used in recurring level 3 fair value measurements:

Description	Fair value at		Unobservable inputs	Range of inputs		Relationship of unobservable inputs to fair value
	2021 HK\$'000	2020 HK\$'000		2021 HK\$'000	2020 HK\$'000	
Investment property	4,430	3,800	Price per square foot	10–13	10–13	The higher the price per square feet, the higher the fair value

## 15 INTANGIBLE ASSETS

	Franchises <i>HK\$'000</i>	Tradename <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>At 1 January 2020</b>			
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
<b>Year ended 31 December 2020</b>			
Opening net carrying amount	2,465	3,550	6,015
Amortisation	(201)	(395)	(596)
Closing net carrying amount	2,264	3,155	5,419
<b>At 31 December 2020</b>			
Cost	3,505	3,945	7,450
Accumulated amortisation	(672)	(790)	(1,462)
Accumulated impairment	(569)	—	(569)
Net carrying amount	2,264	3,155	5,419
<b>Year ended 31 December 2021</b>			
Opening net carrying amount	2,264	3,155	5,419
Addition	495	—	495
Amortisation	(293)	(395)	(688)
Closing net carrying amount	2,466	2,760	5,226
<b>At 31 December 2021</b>			
Cost	4,000	3,945	7,945
Accumulated amortisation	(965)	(1,185)	(2,150)
Accumulated impairment	(569)	—	(569)
Net carrying amount	2,466	2,760	5,226

## 16 INVENTORIES

	2021 HK\$'000	2020 HK\$'000
Food and consumables for restaurant operations and sale of food ingredients	49,719	32,414

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\$314,154,000 (2020: HK\$252,111,000) for the year ended 31 December 2021.

## 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 2021, based on the invoice date, is as follows:

	2021 HK\$'000	2020 HK\$'000
Within 30 days	5,742	3,237
31–60 days	192	105
61–180 days	424	1,620
	<b>6,358</b>	<b>4,962</b>

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, to 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 2021 and 2020 is the carrying value of trade receivables mentioned above. The Group does not hold any collateral as security.

## 18 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Prepayments	10,781	7,881
Rental and utilities deposits	63,456	51,013
Other receivables	1,719	3,357
	<b>75,956</b>	62,251
Less: non-current portion		
— Rental and utilities deposits	(40,585)	(39,463)
— Prepayments for purchase of property, plant and equipment	(1,133)	(1,805)
Current portion	<b>34,238</b>	20,983

At 31 December 2021 and 2020, the balances of deposits and other receivables were not past due. Financial assets included in the above balances relate to receivables for which there was no recent history of default. No provision for impairment was made to the rental and utilities deposits during the year (2020: Nil).

The maximum exposure to credit risk as at 31 December 2021 and 2020 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 (2020: 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 32 to these consolidated financial statements, is as follows:

	2021 HK\$'000	2020 HK\$'000
Salaries and other short-term employee benefits	6,947	7,870
Discretionary bonuses	3,363	2,101
Retirement benefit scheme contribution	54	72
	10,364	10,043

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

	2021 HK\$'000	2020 HK\$'000
Cash on hand	1,707	1,154
Cash at banks	240,240	177,994
Cash and cash equivalents	241,947	179,148
Short term bank deposits — time deposits with initial maturity period over three months	83,414	159,623

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 deposits totalling to HK\$323,654,000 (2020: HK\$337,617,000).

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

## 21 TRADE PAYABLES

	<b>2021</b> <b>HK\$'000</b>	2020 HK\$'000
External suppliers	<b>76,859</b>	37,657

An ageing analysis of the trade payables as at 31 December 2021 and 2020, based on the invoice date, is as follows:

	<b>2021</b> <b>HK\$'000</b>	2020 HK\$'000
Within 30 days	<b>46,165</b>	19,436
31–60 days	<b>30,304</b>	18,012
61–180 days	<b>210</b>	94
Over 180 days	<b>180</b>	115
	<b>76,859</b>	37,657

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

## 22 CONTRACT LIABILITIES, OTHER PAYABLES AND ACCRUALS

	2021 HK\$'000	2020 HK\$'000
Rent payable	3,948	1,545
Accrued employee benefit expenses	27,557	18,280
Provision for long service payment	2,025	994
Provision for untaken annual leave	10,803	8,235
Provision for reinstatement costs ( <i>Note (a)</i> )	20,745	18,105
Contract liabilities	34,785	21,819
Other accrued expenses	24,962	23,555
Payables for purchase of property, plant and equipment	5,491	3,472
Other payables	632	632
	130,948	96,637
Less: non-current portion		
— Provision for reinstatement costs	(12,991)	(14,932)
Current portion	117,957	81,705

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:

	2021 HK\$'000	2020 HK\$'000
At the beginning of the year	18,105	18,407
Additional provision during the year	4,001	1,067
Reversal of provision made in prior years ( <i>Note 6</i> )	(738)	(902)
Settlement	(623)	(467)
At the end of the year	20,745	18,105

## 23 DEFERRED INCOME TAX

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

	2021 HK\$'000	2020 HK\$'000
At the beginning of the year	20,885	18,036
(Debited)/credited to the consolidated statement of comprehensive income ( <i>Note 10</i> )	(447)	2,849
At the end of the year	20,438	20,885

The movements in deferred income tax assets and liabilities for each of the years ended 31 December 2021 and 2020 with taking into consideration the offsetting of balances arose from right-of-use assets and lease liabilities within the same jurisdiction, are as follows:

### Deferred income tax assets

	Leased assets* HK\$'000	Decelerated tax depreciation HK\$'000	Tax losses HK\$'000	Total HK\$'000
At 1 January 2020	10,105	5,727	8,043	23,875
(Debited)/credited to the consolidated statement of comprehensive income	(7,596)	1,608	8,153	2,165
At 31 December 2020	2,509	7,335	16,196	26,040
(Debited)/credited to the consolidated statement of comprehensive income	(815)	1,240	861	1,286
At 31 December 2021	1,694	8,575	17,057	27,326

\* The balance included impact from the impairment of leased assets.

## 23 DEFERRED INCOME TAX (continued)

### Deferred income tax liabilities

	<b>Accelerated tax depreciation</b> <i>HK\$'000</i>
At 1 January 2020	5,839
Credited to the consolidated statement of comprehensive income	(684)
At 31 December 2020	<b>5,155</b>
Debited to the consolidated statement of comprehensive income	<b>1,733</b>
At 31 December 2021	<b>6,888</b>

Deferred income tax assets are recognised for tax loss carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. During the current year, approximately HK\$7,066,000 of tax losses were incurred (2020: HK\$49,412,000). The Group has unrecognised tax losses of approximately HK\$1,848,000 (2020: Nil) to carry forward against future taxable income. 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. The Group's tax losses, which have no expiry date, are subject to approval by Hong Kong Inland Revenue Department.

## 24 RESERVES

	<b>Share premium</b> <i>HK\$'000</i>	<b>Retained earnings</b> <i>HK\$'000</i>	<b>Other reserves</b> <i>(Note a)</i> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
At 1 January 2020	122,781	43,873	27,619	194,273
Profit and total comprehensive income for the year	—	140,328	—	140,328
Dividends ( <i>Note 11</i> )	—	—	—	—
At 31 December 2020	<b>122,781</b>	<b>184,201</b>	<b>27,619</b>	<b>334,601</b>
Profit and total comprehensive income for the year	—	90,076	—	90,076
Dividends ( <i>Note 11</i> )	—	(124,480)	—	(124,480)
At 31 December 2021	<b>122,781</b>	<b>149,797</b>	<b>27,619</b>	<b>300,197</b>

- (a) As at 31 December 2021 and 2020, 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 the reorganization in prior year.

## 25 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

## (a) Cash generated from operations

	Note	2021 HK\$'000	2020 HK\$'000
Profit before taxation		103,143	143,747
Adjustments for:			
Depreciation of property, plant and equipment	13(a)	32,993	32,201
Depreciation of right-of-use assets	13(b)	97,014	91,044
Depreciation of investment property	14	25	25
Provision for impairment of property, plant and equipment, net	13(a)	1,838	5,740
Provision for impairment of right-of-use assets, net	13(b)	1,979	10,714
Amortisation of intangible assets	15	688	596
Gains on disposal of property, plant and equipment	6	(6)	(228)
Gain on reversal of provision for reinstatement cost	6	(738)	(902)
Net gains from lease modification	6	(9,004)	(45,983)
COVID-19-related rent concessions	13(b)	(4,169)	(14,337)
Finance costs	7	4,758	5,086
Finance income	7	(1,185)	(3,775)
		227,336	223,928
Changes in working capital			
Inventories		(17,305)	(7,897)
Trade receivables		(1,396)	1,194
Prepayments, deposits and other receivables		(15,335)	1,820
Trade payables		39,202	(7,117)
Contract liabilities, other payables and accruals		25,559	(7,637)
Cash generated from operations		258,061	204,291

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

### (b) Reconciliation of liabilities arising from financing activities is as follows:

	Lease liabilities	
	2021 HK\$'000	2020 HK\$'000
At the beginning of the year	189,153	288,572
Addition	99,946	57,160
Lease modification	(11,757)	(60,451)
Principal elements of lease payments, net of COVID-19-related rental concessions	(98,637)	(86,877)
COVID-19-related rent concessions	(4,169)	(14,337)
Finance cost on lease liabilities	4,758	5,086
At the end of the year	179,294	189,153

## 26 COMMITMENTS

### (a) Capital commitments

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

	2021 HK\$'000	2020 HK\$'000
Leasehold improvements Contracted but not provided for	2,470	2,579

### (b) Committed leases not yet commenced

As at 31 December 2021, the total future cash outflows for leases committed but not yet commenced were payable as follows:

	2021 HK\$'000	2020 HK\$'000
Leases		
Within 1 year	8,243	2,052
After 1 year but within 5 years	76,692	4,344
After 5 years	1,127	—
	86,062	6,396

## 27 FINANCIAL INSTRUMENTS BY CATEGORY

	2021 HK\$'000	2020 HK\$'000
<b>Assets as per consolidated statement of financial position</b>		
Financial assets at amortised cost:		
— Trade receivables	6,358	4,962
— Deposits and other receivables	65,175	54,556
— Short term bank deposits	83,414	159,623
— Cash and cash equivalents	241,947	179,148
	<hr/>	<hr/>
Total	396,894	398,289
	<hr/>	<hr/>
<b>Liabilities as per consolidated statement of financial position</b>		
Financial liabilities at amortised cost:		
— Trade payables	76,859	37,657
— Other payables and accruals	62,590	47,787
— Lease liabilities	179,294	189,153
	<hr/>	<hr/>
Total	318,743	274,597
	<hr/>	<hr/>

## 28 SHARE CAPITAL

### (a) Authorised:

	2021		2020	
	Number of shares	Nominal value HK\$'000	Number of shares	Nominal value HK\$'000
At the beginning and the end of the year	4,000,000,000	400,000	4,000,000,000	400,000

### (b) Issued and fully paid:

	2021		2020	
	Number of shares	Nominal value HK\$'000	Number of shares	Nominal value HK\$'000
At the beginning and the end of the year	800,000,000	80,000	800,000,000	80,000

## 29 AMOUNTS DUE FROM SUBSIDIARIES

Amounts due from 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 subsidiaries approximate to their fair values and are denominated in HK\$.

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

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

	<i>Note</i>	<b>2021</b> <b>HK\$'000</b>	2020 <i>HK\$'000</i>
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Investments in subsidiaries		93	93
Amounts due from subsidiaries	29	276,288	92,787
		<b>276,381</b>	92,880
<b>CURRENT ASSETS</b>			
Prepayment		277	325
Cash and cash equivalents		135,891	247,479
Total assets		<b>412,549</b>	340,684
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to shareholders of the Company</b>			
Share capital		80,000	80,000
Share premium		122,781	122,781
Retained earnings/(accumulated losses)		50,492	(21,603)
Capital reserve		159,267	159,267
<b>Total equity</b>		<b>412,540</b>	340,445
<b>CURRENT LIABILITIES</b>			
Accruals and other payables		9	239
<b>Total liabilities</b>		<b>9</b>	239
<b>Total equity and liabilities</b>		<b>412,549</b>	340,684

The statement of financial position of the Company was approved by the Board of Directors on 28 March 2022 and was signed on its behalf.

**Wong Kit Lung Simon**  
*Chairman*

**Ko Sau Chee Grace**  
*Vice Chairperson*

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

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

	Share premium <i>HK\$'000</i>	(Accumulated losses)/ retained earnings <i>HK\$'000</i>	Capital reserve <i>(Note)</i> <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2020	122,781	(22,336)	159,267	259,712
Profit and total comprehensive income for the year	—	733	—	733
Dividends ( <i>Note 11</i> )	—	—	—	—
At 31 December 2020 and 1 January 2021	122,781	(21,603)	159,267	260,445
Profit and total comprehensive income for the year	—	196,575	—	196,575
Dividends ( <i>Note 11</i> )	—	(124,480)	—	(124,480)
At 31 December 2021	122,781	50,492	159,267	332,540

*Notes:*

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

### 31 SUBSIDIARIES

Details of the principal subsidiaries as at 31 December 2021 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
			2021	2020	
<b>Directly held subsidiaries:</b>					
KABUSHIKIGAISHA HOLDINGS LIMITED	BVI	US\$11,990	100%	100%	Investment holding
LHG CHINESE CATERING LIMITED	BVI	US\$1	100%	100%	Investment holding
LHG MANAGEMENT LIMITED	BVI	US\$1	100%	100%	Investment holding
LHG PROCUREMENT LIMITED	BVI	US\$1	100%	100%	Investment holding
<b>Indirectly held subsidiaries:</b>					
AB CATERING LIMITED	BVI	US\$1	100%	100%	Investment holding
BEING TOGETHER LIMITED (Note)	Hong Kong	HK\$1	100%	—	Inactive
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
CARBON YAKINIKU LIMITED	Hong Kong	HK\$1	100%	100%	Inactive
CHILLAXATION LIMITED (Note)	Hong Kong	HK\$1	100%	—	Inactive
EAT CONNECTION LIMITED (Note)	Hong Kong	HK\$1	100%	—	Inactive
FIRST BENEFIT (SHA TIN) LIMITED	Hong Kong	HK\$500,000	100%	100%	Inactive
FUGAKU LIMITED (Note)	Hong Kong	HK\$1	100%	—	Inactive
GOAL YIELD LIMITED	Hong Kong	HK\$1	100%	100%	Restaurant operation in Hong Kong
HERITAGE CAPITAL LIMITED	Hong Kong	HK\$1	100%	100%	Inactive

## 31 SUBSIDIARIES (continued)

Name	Place of incorporation and kind of legal entity	Issued and fully paid share capital	Effective interest held as at		Principal activities
			2021	2020	
HONG KONG FOOD CULTURE LIMITED	Hong Kong	HK\$1	100%	100%	Restaurant operation in Hong Kong
HOTPOT PNP HOLDINGS LIMITED	BVI	US\$1	100%	100%	Investment holding
IGABLE LIMITED (Note)	Hong Kong	HK\$1	100%	—	Inactive
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%	100%	Online business 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
LUVU 3000 LIMITED	Hong Kong	HK\$1	100%	100%	Restaurant operation in Hong Kong
MAX FLOW (EAST CITY) LIMITED	Hong Kong	HK\$1	100%	100%	Restaurant operation in Hong Kong

## 31 SUBSIDIARIES (continued)

Name	Place of incorporation and kind of legal entity	Issued and fully paid share capital	Effective interest held as at		Principal activities
			2021	2020	
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
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%	Inactive
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

## 31 SUBSIDIARIES (continued)

Name	Place of incorporation and kind of legal entity	Issued and fully paid share capital	Effective interest held as at		Principal activities
			2021	2020	
MULTI SUCCESS (KOWLOON TONG) LIMITED	Hong Kong	HK\$1,000,000	100%	100%	Restaurant operation in Hong Kong
MULTI VICTORIES LIMITED	Hong Kong	HK\$1	100%	100%	Restaurant operation in Hong Kong
PARTNER UP LIMITED (Note)	Hong Kong	HK\$1	100%	—	Inactive
PEACE CUISINE (YT) LIMITED	Hong Kong	HK\$1	100%	100%	Restaurant operation in Hong Kong
PROFIT INFINITY LIMITED (Note)	Hong Kong	HK\$1	100%	—	Restaurant operation in Hong Kong
PYM TECHNOLOGIES LIMITED (Note)	Hong Kong	HK\$1	100%	—	Restaurant operation in Hong Kong
SALES BOOM LIMITED	Hong Kong	HK\$1	100%	100%	Restaurant operation in Hong Kong
SHABUSHABU (CAUSEWAY BAY) LIMITED	Hong Kong	HK\$1	100%	100%	Restaurant operation in Hong Kong
SHABUSHABU LIMITED	Hong Kong	HK\$10,000	100%	100%	Investment holding
TAIPEI HOTPOT LIMITED (Note)	Hong Kong	HK\$1	100%	—	Inactive
TIN CHOI LIMITED (Note)	Hong Kong	HK\$1	100%	—	Inactive
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%	100%	Restaurant operation in Hong Kong
UPRISE BENEFIT (TSUEN WAN) LIMITED	Hong Kong	HK\$1,000,000	100%	100%	Restaurant operation in Hong Kong

## 31 SUBSIDIARIES (continued)

Name	Place of incorporation and kind of legal entity	Issued and fully paid share capital	Effective interest held as at		Principal activities
			2021	2020	
VIBRANIUM SHIELD LIMITED (Note)	Hong Kong	HK\$1	100%	—	Inactive
WAKANDA LIMITED (Note)	Hong Kong	HK\$1	100%	—	Inactive
WAY SURE LIMITED	Hong Kong	HK\$100	100%	100%	Property holding
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 (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

Note:

They are wholly owned subsidiaries incorporated in Hong Kong during the year.

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

The remuneration of every director for each of the years ended 31 December 2021 and 2020 were as follows:

	Fees HK\$'000	Salaries HK\$'000	Discretionary bonuses HK\$'000	Retirement benefit scheme contributions HK\$'000	Total HK\$'000
<b>Year ended 31 December 2021</b>					
<i>Chairman</i>					
Mr. Wong Kit Lung, Simon <i>Prof, BBS, JP</i>	—	3,012	1,884	18	4,914
<i>Executive directors</i>					
Ms. Ko Sau Chee, Grace	—	2,594	1,187	18	3,799
<i>Independent non-executive directors</i>					
Ms. Hung Lo Shan Lusan	240	—	—	—	240
Mr. Hung Wai Man <i>Prof, JP</i>	240	—	—	—	240
Mr. Sin Yat Kin <i>SBS, CSDSM, JP</i>	240	—	—	—	240
	<b>720</b>	<b>5,606</b>	<b>3,071</b>	<b>36</b>	<b>9,433</b>
<b>Year ended 31 December 2020</b>					
<i>Chairman</i>					
Mr. Wong Kit Lung, Simon <i>Prof, BBS, JP</i>	—	2,601	1,135	18	3,754
<i>Executive directors</i>					
Ms. Ko Sau Chee, Grace	—	2,241	651	18	2,910
Mr. Ho Chi Wai ( <i>vi</i> )	80	631	77	12	800
<i>Independent non-executive directors</i>					
Ms. Hung Lo Shan Lusan	240	—	—	—	240
Mr. Hung Wai Man <i>Prof, JP</i>	240	—	—	—	240
Mr. Sin Yat Kin <i>SBS, CSDSM, JP</i>	240	—	—	—	240
	<b>800</b>	<b>5,473</b>	<b>1,863</b>	<b>48</b>	<b>8,184</b>

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

- (i) The remuneration shown above represents remuneration received and receivable from the Group by these directors in their capacity as employees to the subsidiaries and no directors waived and agreed to waive any emolument during each of the years ended 31 December 2021 and 2020.
- (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 2021 and 2020.
- (iii) During each of the years ended 31 December 2021 and 2020, 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 2021 and 2020, 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 2021 and 2020.
- (v) During each of the years ended 31 December 2021 and 2020, other than those disclosed in Note 19, there were no loans, quasi-loans and other dealing arrangements in favour of the directors, or controlled body corporates and connected entities of such directors.
- (vi) Mr. Ho Chi Wai resigned as an executive director of the Company on 1 September 2020.

### 33 SUBSEQUENT EVENTS

Following the outbreak of Coronavirus Disease Omicron (“**the Omicron Outbreak**”) in Hong Kong in January 2022, 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. In early January 2022, the HKSAR Government has been imposing stricter social distancing and anti-pandemic measures, which among other things, prohibited selling food or drink for consumption on the premises of the business after six o'clock every evening, reduced the maximum number of persons per table for catering premises under Types B, C and D Modes of Operation to two, four and six, respectively. These new directions were effective from 7 January 2022 to 20 April 2022 and are subject to adjustments by the government from time to time in view of the latest development of the disease.

The Group's business has been continuously adversely affected by the Omicron Outbreak. From 28 February 2022, the Group has suspended the operation of all the restaurants of the Group. Certain restaurants of the Group reopened and resumed limited business operation in mid of March 2022.

Subsequent to 31 December 2021 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 2021. 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.

Up to the date on which this set of consolidated financial statements were authorized for issue, the Group is still in the process of assessing the impacts of the Omicron Outbreak on the Group's performance in 2022 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 2017, 2018, 2019, 2020 and 2021 and the consolidated assets, liabilities and non-controlling interests of the Group as at 31 December 2017, 2018, 2019, 2020 and 2021 as extracted from the Company's published audited financial statements is set out below:

### RESULTS

	Year ended 31 December				
	2021 HK\$'000	2020 HK\$'000	2019 HK\$'000	2018 HK\$'000	2017 (Note) HK\$'000
Revenue	997,919	802,852	1,005,776	1,004,105	829,152
Profit/(loss) before taxation	103,143	143,747	(948)	43,735	32,224
Income tax expense	(13,067)	(3,419)	(10,320)	(8,575)	(8,227)
Profit/(loss) for the year	90,076	140,328	(11,268)	35,160	23,997
Profit/(loss) attributable to:					
Shareholders of the Company	90,076	140,328	(11,226)	35,211	22,391
Non-controlling interests	—	—	(42)	(51)	1,606
	90,076	140,328	(11,268)	35,160	23,997

### ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December				
	2021 HK\$'000	2020 HK\$'000	2019 HK\$'000	2018 HK\$'000	2017 (Note) HK\$'000
TOTAL ASSETS	783,859	747,497	742,215	573,757	346,959
TOTAL LIABILITIES	(403,662)	(332,896)	(467,942)	(163,211)	(145,457)
	380,197	414,601	274,273	410,546	201,502
EQUITY					
Equity attributable to shareholders of the Company	380,197	414,601	274,273	410,497	201,502
Non-controlling interests	—	—	—	49	—
	380,197	414,601	274,273	410,546	201,502

Note: The financial data of 2017 is extracted from the Prospectus.