



太興集團控股有限公司

TAI HING GROUP HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock code: 6811

2021

ANNUAL REPORT

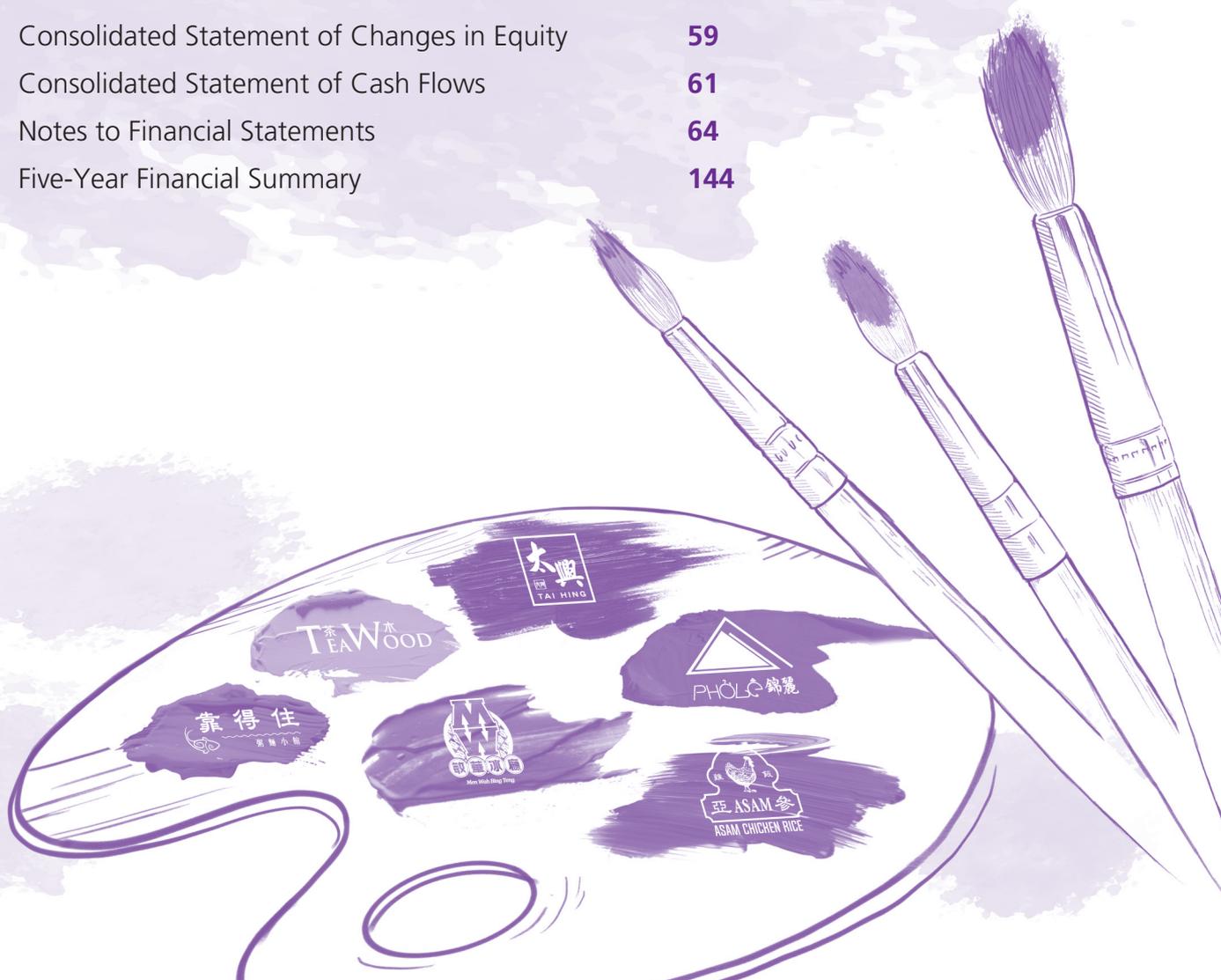


Multi-brands  
Multiple Experience



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# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive Directors

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

### Non-Executive Director

Mr. Ho Ping Kee

### Independent Non-Executive Directors

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

## AUDIT COMMITTEE

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

## REMUNERATION COMMITTEE

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

## NOMINATION COMMITTEE

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

## COMPANY SECRETARY

Ms. Lau Yin Wan  
(appointed with effect from 15 June 2021)  
Mr. Wong Kin Pong Edmond  
(resigned with effect from 15 June 2021)

## AUDITOR

Ernst & Young  
Certified Public Accountants  
Registered Public Interest Entity Auditor  
27/F, One Taikoo Place  
979 King's Road  
Quarry Bay, Hong Kong

## LEGAL ADVISERS

### As to Hong Kong law:

Deacons

### As to Cayman Islands law:

Conyers Dill & Pearman

## PRINCIPAL BANKERS

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

## REGISTERED OFFICE

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

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

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

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

## STOCK CODE

6811

## WEBSITE

[www.taihing.com](http://www.taihing.com)



## CHAIRMAN'S STATEMENT

### Dear Shareholders,

On behalf of the board of directors (the "Board") of the Company (the "Director(s)"), I am pleased to present the annual results of Tai Hing Group Holdings Limited together with its subsidiaries ("Tai Hing Group" or the "Group"), for the year ended 31 December 2021 (the "Review Year" or the "FY2021").

### OPTIMISE OPERATIONAL MANAGEMENT TO ENHANCE RESILIENCE AMID THE PANDEMIC

Despite the erratic development of the COVID-19 pandemic, with the arrival of COVID-19 vaccines and the increase in vaccination rate, the epidemic eased during the second half year. As such, the HKSAR Government on the basis of the "vaccine bubble", further relaxed restrictions on restaurant operations, and disbursed HK\$5,000 to citizens under the "Consumption Voucher Scheme" to stimulate consumption sentiment, which brought a ray of hope to the catering industry.

Notwithstanding the uncertainties surrounding the pandemic, drawing on its over 30 years' experience in the catering industry, the management of Tai Hing Group implemented various timely contingency measures, including swiftly formed a "Committee on Emergency Management" and an "Epidemic Prevention Team" to closely monitor market situations and adjust the Group's response strategies accordingly. These initiatives have enabled us to ensure operational stability, effectively reduce costs and increase profits. During the Review Year, the Group achieved satisfactory results across the board. Its business gradually recovered during the Review Year with performances better than those of last year, and that was excluding the allowance received under the "Employment Support Scheme", other government subsidies and rent reduction. As at 31 December 2021, the Group had fully repaid all bank loans, and had cash and cash equivalents amounted to HK\$452.6 million, hence was in a stable financial position.

During the Review Year, we worked hard on implementing a series of optimisation and upgrading efforts in relation to internal operation management and our restaurants to lower operating costs and boost profitability. As such, we have consolidated and strengthened our competitiveness and become more resilient amid the pandemic. We closely followed consumers' lifestyle changes and demands in coping with the pandemic, sped up introducing and adopting digital tools, including a QR code self-ordering system, to enhance operational efficiency and customers' dining experience, as well as effectively conserve manpower. We also improved the services of our online platform offers, fully exploiting its flexibility to complement operation of our physical stores. In addition, we did our best to enhance the productivity of our food factories in Mainland China and Hong Kong, effectively control cost of ingredients to further buttress economic efficiency.



## CHAIRMAN'S STATEMENT

### STRENGTHEN MARKET COMPETITIVENESS BY DEVELOPING DIVERSE BRANDS

Tai Hing Group continues its diversified branding strategy to nurture more unique and potential-rich brands with consumer preferences and tastes in mind, as such has been able to maintain its leadership among casual dining brands in the region. Apart from our flagship brand “Tai Hing”, the Group’s heavyweight brand “Men Wah Bing Teng (敏華冰廳)” and star brand “Asam Chicken Rice (亞參雞飯)” have also been well received by the market. To further release their potential, taking advantage of the market opportunities in the wake of the pandemic, we strategically expanded the outlet networks of the two brands during the Review Year, including opening the first “Asam Chicken Rice” in Mainland China. In addition, we introduced new product brands, including “Dumpling Station (餃子駅)” that features handmade dumplings, so as to deepen market penetration.

Against the backdrop of the pandemic bearing down heavy on the economy, Tai Hing Group, being a leading name in the casual dining industry in the region, has strong bargaining power in rental negotiation with shopping malls and landlords, thus has been able to lease prime store spaces at competitive rents and leasing terms albeit the pandemic, to give full play to its brand advantage and prepare well for business post-pandemic.

### GRASP POST-PANDEMIC OPPORTUNITIES FOCUS ON OPTIMISING BRAND STRATEGY TO BUILD A SOLID FOUNDATION FOR FUTURE GROWTH

Business sentiment improved in the second half of the year at the global economy recovering and local pandemic easing. However, the COVID-19 variant Omicron’s rampage was on the verge of breaking out in late December, casting a shadow on the outlook of the market. Armed with more than 30 years of market experience, Tai Hing Group’s good name and strengths are indisputable, and it is fearless despite facing strong headwinds. We will, by adhering to our comprehensive marketing strategy and adopting a multi-pronged approach, strive to weather the challenges and defend our business, pushing to turn the situation around and face the future with confidence.

We will optimise our store network, re-examine our geographical advantages and changes in the local business environment, so that we may attain success in firm and steady strides. In Hong Kong, we will continue to diversify our brands, learn from the successful experience of “Men Wah Bing Teng” and “Asam Chicken Rice”, and introduce a variety of unique brands to cater to consumers’ tastes and preferences thereby capture market share. In Mainland China, we will also focus on the Greater Bay Area market and adjust our operation model to match the changes in local consumption patterns. During the Review Year, we won the title of “Greater Bay Area Powerful Brand (大灣區實力品牌)” from the Hong Kong Institute of Marketing and we are confident of continuing to see our business flourish in the Greater Bay Area.

In addition, we are developing the Group’s first integrated mobile app, which we believe will not only give customers better online takeaway ordering experience, but also enable us to collect and analyze relevant data for enhancing customer relationship management, as well as help us gain new customers and raise customer loyalty to the Group. Regarding the takeaway and delivery business, we will keep strengthening relevant promotional efforts, including enhancing our brand promotion via third-party platforms, so as to drive revenue growth.

During the Review Year, our marketing efforts for “Tai Hing” and “Teawood” yielded satisfactory sales results. Thus, we will strengthen brand promotion and step up collaboration with different brands, in the hope of raising brand value as well as exploring possibilities of entering new markets.



## CHAIRMAN'S STATEMENT

### DIVIDENDS

Despite the hardships that have ensued, the Group is still upholding its dividend payout policy commitment. The Board has recommended payment of a final dividend of HK4.95 cents per ordinary share for the year ended 31 December 2021. Together with the interim dividend of HK2.50 cents per share already paid, total dividend will amount to HK7.45 cents, representing approximately 75% of its profit attributable to shareholders of the Company for FY2021.

### APPRECIATION

I would like to take this opportunity to express my heartfelt gratitude to the Board, the management team and colleagues for working together in such a difficult business environment. The professionalism and dedication our staff afforded in the past year has given me the confidence and motivation to lead the Group in riding out the storm and continuing to grow its businesses. Our customers, investors, business partners and suppliers, who have always supported and trusted us, have also been crucial to our success. I will do my best to work with all of you to drive Tai Hing Group to new heights and in achieving long-term stable development.

**Chan Wing On**  
*Chairman*

Hong Kong, 28 March 2022

# FINANCIAL HIGHLIGHTS

	2021	2020	Change
<b>Revenue (HK\$'000)</b>	<b>3,173,027</b>	2,797,923	13.4%
Hong Kong, Macau and Taiwan	<b>2,462,372</b>	2,269,710	8.5%
Mainland China	<b>710,655</b>	528,213	34.5%
<b>Gross profit margin (%)</b>	<b>72.3%</b>	70.6%	1.7 percentage points
<b>Profit attributable to owners of the Company (HK\$'000)</b>	<b>99,716</b>	118,959	(16.2%)
<b>Basic earnings per share (HK cents)</b>	<b>9.94</b>	11.89	(16.4%)
<b>Final dividend per share <sup>(Note)</sup> (HK cents)</b>	<b>4.95</b>	6.42	(22.9%)
<b>Number of restaurants</b>			
Hong Kong	<b>154</b>	148	6
Mainland China	<b>61</b>	62	(1)
Macau	<b>1</b>	1	–
Taiwan	<b>1</b>	2	(1)
Total	<b>217</b>	213	4

Note:

Final dividend of HK4.95 cents per share (2020: HK6.42 cents per share) was proposed, representing a total dividend per share for the year of HK7.45 cents and a payout ratio of 75%.



# MANAGEMENT DISCUSSION AND ANALYSIS

## OVERALL PERFORMANCE

The board of directors of Tai Hing Group Holdings Limited (the “Board”), together with its subsidiaries (the “Group”), are pleased to announce the annual results of the Group for the year ended 31 December 2021 (the “Review Year” or “FY2021”).

With the increase in COVID-19 vaccination rate and stringent anti-pandemic measures implemented by the government, the epidemic gradually eased during the Review Year. As such, the HKSAR Government, on the basis of the “vaccine bubble”, further relaxed restrictions on restaurant operations and disbursed HK\$5,000 to citizens under the “Consumption Voucher Scheme” which helped stimulate consumption sentiment, and in turn customer traffic and turnover of restaurants. In Mainland China, despite the sporadic surfacing of COVID-19 cases in some provinces prompting corresponding tightening of anti-pandemic measures which inevitably impacted the Group, timely contingency measures were implemented by the Group to reduce costs and increase profits. Amid the pandemic, the Group optimised its internal management, restaurant network and marketing strategies, as well as promoted digitalised operations, which consequently enabled it to achieve satisfactory overall results.

During the Review Year, the Group recorded a solid 13.4% overall revenue growth to HK\$3,173.0 million (FY2020: HK\$2,797.9 million), turning around the decline last year. Gross profit and gross profit margin were HK\$2,294.7 million (FY2020: HK\$1,976.3 million) and 72.3% (FY2020: 70.6%). Profit attributable to owners of the Company amounted to HK\$99.7 million (FY2020: HK\$119.0 million). Basic earnings per share were HK9.94 cents (FY2020: HK11.89 cents). Excluding the allowances from the Hong Kong Government’s “Employment Support Scheme”, other government subsidies and rent reduction, the Group’s performance for FY2021 had significant improvement against FY2020, showing clearly the greater resilience of the Group’s business model.

Albeit the challenging business environment, the Group has implemented prudent financial management policies, which enables it to maintain a healthy financial position with sufficient cash on hand and steady operating cash flows, and allows it to weather ongoing adversities as well as driving business growth. As at 31 December 2021, it had fully repaid all bank loans, and had cash and cash equivalents of HK\$452.6 million (2020: HK\$562.1 million).

To share the Group’s achievements with shareholders, the Board has resolved to propose a final dividend of HK4.95 cents per ordinary share for the year ended 31 December 2021. Together with the interim dividend of HK2.50 cents per share already paid, the total dividend for FY2021 will be HK7.45 cents per share.



# MANAGEMENT DISCUSSION AND ANALYSIS

## OPERATING COSTS

### Cost of Materials Consumed

During the Review Year, cost of materials consumed amounted to HK\$878.3 million (FY2020: HK\$821.6 million) and expressed as a percentage of revenue, it dropped to 27.7% (FY2020: 29.4%). The Group's food factory in Dongguan, China reported steady productivity growth and was recorded a profit. Together with Hong Kong food factory, the Group is able to control costs more effectively and to achieve greater economies of scale. In addition, the Group has continued to adjust the menus of its various brands and added easy-to-cook options under new brands to mitigate the impact of ingredient cost fluctuation. It has also obtained more discounts through bulk purchase and negotiation with suppliers.

### Staff Costs

During the Review Year, the Group actively optimised workflow to further reduce staff costs, including increase in investment in digital devices and system. Installing a QR code self-ordering system in its restaurants, for example, not only has enhanced the speed and efficiency of order taking, but also optimised customers' dining experience and reduced the Group's manpower burden. Staff costs rose to HK\$1,081.7 million in FY2021 (FY2020: HK\$825.9 million) in the absence of subsidies under the Hong Kong Government's "Employment Support Scheme". However, it is worth noting that excluding the subsidies under the Employment Support Scheme, the staff costs to revenue ratio for the Review Year decreased compared to that of FY2020.

### Amortisation of Right-of-use Assets, Rental and Related Expenses

During the Review Year, the Group's amortisation of right-of-use assets, rental and related expenses amounted to HK\$453.8 million (FY2020: HK\$437.9 million). Boasting leadership in the casual dining industry in the region and a proven capable multi-brand business model, plus taking into account the pandemic prevailing, the Group has greater bargaining power in leasing and has been able to secure shop spaces in prime locations at favourable rentals and leasing terms, allowing it to enhance its restaurant network and better prepare for post-pandemic development. The Group has also set up an internal team to conduct more detailed internal analysis of leasing arrangements so as to reduce leasing related expenses. It is worth mentioning that although the Group received significant drop in COVID-19 related rent concessions during the Review Year as compared with the previous financial year, it still recorded a decrease in rental and related expenses to revenue ratio.



# MANAGEMENT DISCUSSION AND ANALYSIS

## INDUSTRY REVIEW

In Hong Kong, with the COVID-19 pandemic easing in the second half of the year and the government relaxing social distance measures and restrictions on restaurants, the catering industry gradually warmed up. According to Hong Kong Census and Statistics Department figures, restaurants in Hong Kong made an estimated total revenue of HK\$92.7 billion in 2021, up 16.8% and 14.8% in terms of value and volume respectively against 2020. In addition, their total purchases in the same period were estimated at HK\$30.2 billion, up 16.8%<sup>1</sup> year-on-year.

In Mainland China, the economy gradually resumed normal operation. According to National Bureau of Statistics of China data, GDP of the country increased by 8.1%<sup>2</sup> year-on-year in 2021. By type of consumption, the catering industry saw the biggest revenue growth in 2021, with revenue at RMB4,689.5 billion, up 18.6%<sup>3</sup> year-on-year.

## GEOGRAPHICAL ANALYSIS

In Hong Kong, the COVID-19 Vaccination Programme has been rolled out steadily. To promote economic activities and people's daily life gradually returns to normal, the HKSAR Government, on the basis of the "vaccine bubble", has adopted a four-grade system in relaxing operational restrictions on restaurants and introduced the HK\$5,000 "Consumption Voucher Scheme", which brought positive impact on the catering industry during the Review Year. In addition, there was increase in demand for takeaway and delivery services as people reduce going out to follow government policies. To seize the opportunities in the takeaway and delivery services market, the Group has forged partnership with third-party food ordering platforms.

As for the Mainland China market, with the epidemic coming and going and China has adopted "zero tolerance" strategy, the Group's business has been inevitably impacted. During the Review Year, the Group optimised its restaurant network and implemented timely various effective contingency measures, including shifting focus on takeaway and delivery services. In view of the outstanding performance of high-growth mass market brands such as "Men Wah Bing Teng (敏華冰廳)", which were well received by customers during the Review Year, the Group strategically added 13 new restaurants under this brand to meet customer demand. At the same time, it also took "Asam Chicken Rice (亞參雞飯)", also with promising potential, into the Mainland market. The Group has also launched other new brands in Mainland China to cater for local palates.

<sup>1</sup> Census and Statistics Department  
[https://www.censtatd.gov.hk/en/data/stat\\_report/product/B1080002/att/B10800022021QQ04B0100.pdf](https://www.censtatd.gov.hk/en/data/stat_report/product/B1080002/att/B10800022021QQ04B0100.pdf)

<sup>2</sup> National Bureau of Statistics of China  
[http://www.stats.gov.cn/english/PressRelease/202201/t20220119\\_1826672.html](http://www.stats.gov.cn/english/PressRelease/202201/t20220119_1826672.html)

<sup>3</sup> National Bureau of Statistics of China  
[http://www.stats.gov.cn/english/PressRelease/202201/t20220118\\_1826503.html](http://www.stats.gov.cn/english/PressRelease/202201/t20220118_1826503.html)



# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS SEGMENT ANALYSIS

Tai Hing is a multi-brand casual dining restaurant group rooted and boasting an over 30 years' presence in Hong Kong. Apart from its flagship "Tai Hing (太興)" brand, the Group has launched, acquired and licensed multiple brands. The names in its extensive brand portfolio included "Tai Hing (太興)", "TeaWood (茶木)", "Trusty Congee King (靠得住)", "Men Wah Bing Teng (敏華冰廳)", "Phở Lê (錦麗)", "Fisher & Farmer (漁牧)", "Rice Rule (飯規)", "Hot Pot Couple (夫妻沸片)", "King Fong Bing Teng (瓊芳冰廳)", "Asam Chicken Rice (亞參雞飯)", "Dao Cheng (稻埕)", "Dimpot (點煲)", "Dumpling Station (餃子駅)" and "Hing Ye Dai Pai Dong (興爺大排檔)", giving customers diverse choices.

As at 31 December 2021, the Group had a network of 217 restaurants (as at 31 December 2020: 213 restaurants) in Hong Kong, Mainland China, Macau and Taiwan.

"Men Wah Bing Teng" continued to be a key revenue growth driver and the second largest revenue source of the Group, recording a significant revenue growth of 54.2% to HK\$760.5 million (FY2020: HK\$493.2 million) during the Review Year, accounting for 24.0% (FY2020: 17.6%) of the Group's total revenue. That shows to the resilience of this brand amid the pandemic. The brand had the most restaurants added during the Review Year. To unleash the full potential of the brand, the Group strategically added 7 and 13 new restaurants in Hong Kong and Mainland China respectively, bringing the total number to 58, to optimise the performance of this brand.

During the Review Year, in terms of revenue growth, the Southeast Asian gourmet brand "Asam Chicken Rice" stood out among the different brands, with revenue up in folds, by 414.9% year-on-year, to HK\$145.2 million (FY2020: HK\$28.2 million). Offering generic menu options, relatively less manpower is required to operate "Asam Chicken Rice". The Group believes the development prospect and competitiveness of the operation model are not to be underestimated. Heeding the enthusiastic market response to the brand, the Group took the opportune time to open 7 additional "Asam Chicken Rice" restaurants in core business and residential areas in Hong Kong to meet the catering needs of consumers in those areas. In September 2021, the Group opened the first "Asam Chicken Rice" in Mainland China, a move reflective its hope to build a restaurant network for the brand in the Mainland market.

The Group's flagship brand "Tai Hing" is relatively well established and has continued to deliver strong and steady performance. During the Review Year, "Tai Hing" recorded revenue of HK\$1,464.0 million (FY2020: HK\$1,472.1 million), accounting for 46.1% (FY2020: 52.6%) of the Group's total revenue, and continued to be the largest revenue source of the Group. In the second half year of 2021, the Group launched a series of marketing and promotional activities for the brand, including the new "Excellent BBQ Pork, Excellent Taste" (「太好叉燒 太好味道」) TV commercial and the new limited-time upgraded version of BBQ pork dish called "Golden Foil BBQ Pork", which attracted consumer attention as well as enhanced the image of the brand. The marketing initiatives were highly effective at low costs.

"TeaWood" remained the Group's third largest revenue contributor, with revenue amounting to HK\$364.6 million (FY2020: HK\$398.2 million), accounting for 11.5% (FY2020: 14.2%) of the Group's total revenue. During the Review Year, the Group actively mounted a series of online and offline marketing activities to boost promotion of the "Teawood" brand to enhance brand coverage and awareness. To ensure the brand is in sync with market trend, the Group will design for it a new menu and adjust related marketing strategy, with the aim of presenting a brand new image of "Teawood" to customers. During the Review Year, the first and second restaurant of the new brand "Dumpling Station" opened in Hong Kong and, in one short year, they started contributing revenue to the Group. For "Dimpot", which performance exceeded expectations, the Group will strive to realise its market potential with the aim of nurturing it into another new "star brand".



## MANAGEMENT DISCUSSION AND ANALYSIS

### PROSPECT

Stepping into 2022, with the COVID variant Omicron spreading rapidly, the government has once again tightened social distancing measures, including suspending dine-in after 6:00 p.m., casting a heavier shadow on market outlook. With prudence and a pragmatic attitude, the Group will continue to enhance internal operation and management and re-examine its restaurant network strategy taking into account pandemic situations, so that it can respond with flexibility to the changes in dining patterns and demands in the market and of consumers in the current challenging environment. It will also stringently control costs to strengthen the resilience of its businesses.

The Group, via its multi-brand business model and adopting heedful marketing strategy, is well-geared to maintain and seize opportunities to expand its market share. In Hong Kong, drawing on its outstanding experience in creating such high-return and high-growth brands as “Men Wah Bing Teng” and “Asam Chicken Rice”, the Group will nurture more unique and potential-rich brands to help it capitalise on market trends and suit different tastes of customers, in turn widen its customer base. In addition, the Group will optimise its restaurant network, thereby increase market penetration. In Mainland China, to meet new consumer demands amid the pandemic, the Group will gradually improve and consolidate its restaurant network, with a focus on the Greater Bay Area. To capitalise on the booming fast food trend, the Group will strategically develop its own model of restaurant network, targeting high customer traffic locations and choosing smaller shop spaces to provide takeaway services which are in rising demand.

Well-aware of technology trends in the catering industry such as digitalisation and integrating innovative technologies into different operations, the Group will invest more resources in introducing advanced technology systems and equipment to upgrade its existing information technology systems. It will also enhance big data application, so as to identify potential business opportunities, enhance operational efficiency and efficiently control costs, all conducive to maintaining its leadership and competitiveness in the casual dining industry in the region. In particular, the Group’s first integrated mobile application will be launched shortly, which will not only be a platform that provides customers with one-stop takeaway ordering service, but one that can also help foster customer loyalty to the Group and strengthen customer relations management. It can also allow the Group to swiftly deliver latest news of its different brands directly to customers, thus help build up their image.

The Group will closely watch market development, including the impacts of the COVID-19 pandemic on its operations and changes in consumers’ catering patterns. That will allow it to seize opportunities amid the pandemic to steadily consolidate and expand business, and be ready to achieve brilliant results post-pandemic.

# MANAGEMENT DISCUSSION AND ANALYSIS

## USE OF NET PROCEEDS FROM THE LISTING

The Company successfully listed its shares on the Main Board of The Stock Exchange of Hong Kong Limited on 13 June 2019 (the "Listing") and issued a total of 250,000,000 ordinary shares of the Company by way of share offer at the offer price of HK\$3.00 on the Listing. The net proceeds from the share offer in association with the Listing amounted to HK\$694.5 million ("Net Proceeds") disclosed in the prospectus issued by the Company dated 30 May 2019 (the "Prospectus"). Taking into account the reasons and benefits as stated in the Company's announcement dated 22 October 2021 (the "Announcement"), in order to strengthen the Company's capital efficiency, on 22 October 2021, the Board resolved to change the use of the remaining unutilised Net Proceeds of approximately HK\$305.6 million in total as of 22 October 2021.

The table below sets out, among other things, the change in use of the unutilised Net Proceeds and utilised Net Proceeds up to 31 December 2021 as follows:

Use of Net Proceeds	Planned use of Net Proceeds as disclosed in the Prospectus HK\$ million (approximately)	Utilised Net Proceeds up to 22 October 2021 HK\$ million (approximately)	Change in use of the unutilised Net Proceeds as at 22 October 2021 HK\$ million (approximately)	Changed remaining Net Proceeds as at 22 October 2021 HK\$ million (approximately)	Amount utilised HK\$ million (approximately)	Unutilised Net Proceeds as at 31 December 2021 HK\$ million (approximately)
The New Restaurants' Plan*	305.6	(247.3)	100.6	158.9	(15.6)	143.3
The Food Factories' Plan*	243.0	(45.5)	(100.6)	96.9	(1.7)	95.2
Renovation of existing restaurants in Hong Kong and Mainland China	76.4	(26.6)	-	49.8	(6.6)	43.2
Additional working capital and other general corporate purposes	69.5	(69.5)	-	-	-	-
<b>Total</b>	<b>694.5</b>	<b>(388.9)</b>	<b>-</b>	<b>305.6</b>	<b>(23.9)</b>	<b>281.7</b>

\* As defined in the Announcement

Note: The expected timelines for fully utilising all the unutilised Net Proceeds are on or before 31 December 2023, which are determined based on the Group's best estimation barring unforeseen circumstances, and would be subject to change based on the future development of market conditions.

As of the date of this report, the Directors are not aware of any material change to the use of the changed remaining Net Proceeds as disclosed in the Announcement.



# MANAGEMENT DISCUSSION AND ANALYSIS

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

### Liquidity and Financial Resources

The principal sources of funds for the Group are through a combination of internally generated cash flows and proceeds received from the Listing. As at 31 December 2021, the Group's cash and cash equivalents were approximately HK\$452.6 million (2020: approximately HK\$562.1 million), representing a decrease of approximately 19.5%, as the Group has repaid all the bank loans during the Review Year. Majority of the bank deposits and cash were denominated in Hong Kong dollars and Renminbi. The additional funds raised from the Listing would be used for implementing the future expansion plan.

As at 31 December 2021, the Group's total current assets and current liabilities were approximately HK\$735.8 million (2020: approximately HK\$813.9 million) and approximately HK\$852.5 million (2020: approximately HK\$1,009.3 million), respectively, while the current ratio of the Group (calculated by dividing total current assets by total current liabilities at the end of respective periods) was approximately 0.9 times (2020: approximately 0.8 times).

The Group did not have any interest-bearing bank borrowings as at 31 December 2021 (2020: approximately HK\$78.8 million). During the year ended 31 December 2021, there were no financial instruments used for hedging purposes.

As at 31 December 2021, the gearing ratio of the Group (calculated by dividing the interest-bearing bank borrowings by equity attributable to owners of the Company) dropped to zero (2020: approximately 7.3%) after the full settlement of debt during the year.

### Foreign Currency Risk

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

### Contingent Liabilities

As at 31 December 2021, the Group had contingent liabilities of approximately HK\$48.5 million (2020: approximately HK\$40.1 million) in respect of bank guarantees given in favour of the landlords in lieu of rental deposits.



# MANAGEMENT DISCUSSION AND ANALYSIS

## CHARGE ON GROUP ASSETS

As at 31 December 2021, the Group had certain property, plant and equipment and right-of-use assets with an aggregate net carrying value of approximately HK\$239.0 million (2020: HK\$253.0 million) were pledged to secure the bank facilities granted to the Group.

## MATERIAL ACQUISITIONS AND DISPOSAL

Save as disclosed herein, for the year ended 31 December 2021, the Group did not make any material acquisitions and disposal of subsidiaries, significant investments nor capital commitment.

## EMPLOYEES

The Group had approximately 6,700 employees as at 31 December 2021 (2020: approximately 6,900). The Group ensures that its employees are remunerated in line with market conditions and individual performance and the remuneration policies are reviewed on a regular basis.

## SHARE OPTION SCHEMES

The pre-IPO share option scheme and post-IPO share option scheme of the Company (the “Share Option Schemes”) were approved and conditionally adopted pursuant to the resolutions passed by the Shareholders on 22 May 2019 for the purpose of providing incentives and rewards to eligible participants for their contributions to the Group.

The principal terms of the Share Option Schemes are set out in “Appendix V (Statutory and General Information — D. Share Option Schemes)” to the Prospectus. During the year ended 31 December 2021, 1,723,000 share options were exercised and 916,000 share options were lapsed. There were 1,863,000 outstanding share options of the Company under the pre-IPO share option scheme as at 31 December 2021.

## SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

The Directors are not aware of any significant event requiring disclosure that has taken place subsequent to 31 December 2021 and up to the date of this report.



## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

### EXECUTIVE DIRECTORS

**Mr. Chan Wing On**, JP, aged 63, is an executive Director, the Chairman of our Group, the chairman of Nomination Committee and a member of Remuneration Committee of the Company. Mr. Chan joined the Board in 2017. Mr. Chan is one of the founders of our Group and is primarily responsible for the overall strategic planning and major decision making of our Group. Mr. Chan is the sole director of Chun Fat Company Limited which is a substantial shareholder of the Company.

Mr. Chan has over 30 years of experience in the food and beverage industry. Mr. Chan is instrumental in our business expansion and has successfully implemented a multi-brand strategy to develop our Group from a siu mei style restaurant under the “Tai Hing” brand to a multi-brand restaurant group with presence in Hong Kong, Mainland China, Macau and Taiwan offering Hong Kong style, Chinese, Taiwanese and Southeast Asian cuisines. Mr. Chan strongly believes in maintaining high food quality while ensuring our food and services offer good value for money, as well as providing a pleasant and hygienic environment for customers. Under Mr. Chan’s leadership, our Group is constantly creating new and innovative dishes, often incorporating different ingredients and cooking methods, striving to offer an enjoyable dining experience to diners at our restaurants.

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

Mr. Chan honoured with the 2020 JP appointment by the Government of the Hong Kong Special Administrative Region and actively serves both the community and the catering service industry including, among others, currently serving as president of the Hong Kong Federation of Restaurants and Related Trades. In addition, Mr. Chan was the chairman of the Governing Council of the Quality Tourism Services Association of Hong Kong and has been re-designated as adviser since 2019.

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

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



## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

**Mr. Yuen Chi Ming**, aged 68, is an executive Director of the Company. Mr. Yuen joined the Board in 2018. Mr. Yuen is one of the founders of our Group. He has over 30 years of experience in the food and beverage industry, during which he gained substantial experience on the aspects of 5-S, food and occupational safety. He is mainly responsible for overall strategic planning of the Group.

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

Mr. Yuen obtained the 5-S Assessor Gold Belt and Black Belt Certificate by the HK 5-S Association.

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

**Mr. Lau Hon Kee**, aged 64, is an executive Director of the Company. Mr. Lau joined the Board in 2018. He is mainly responsible for overall strategic planning and overseeing the project management of our Group.

Mr. Lau worked in different departments including audit, operations and engineering. He has contributed to the upgrade of work facilities, improvement of work safety and various energy-saving projects in our Group. Under Mr. Lau's leadership, our Group has received numerous industry recognitions, including the Eco Challenger and 5 Year+ Eco Pioneer Award by the Bank of China and Federation of Hong Kong Industries and the Hong Kong Awards for Environmental Excellence Certificate of Merit and the Hong Kong Green Organisation Certification awarded by the Environmental Campaign Committee.

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

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



## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

**Ms. Chan Shuk Fong**, aged 57, is an executive Director, a member of our Remuneration Committee and Nomination Committee of the Company. Ms. Chan joined the Board in 2018. She is mainly responsible for overall strategic planning, including capital financing, investor relations, compliance management, corporate affairs and marketing, talent management and administration as well as sustainability of our Group.

Ms. Chan served as director and general manager in Hong Kong Wing On Travel Service Limited prior to joining our Group. She obtained a master's degree in Business Administration from Asia International Open University (Macau), a postgraduate diploma in Training from the faculty of Social Science from the University of Leicester in United Kingdom and was awarded an honorary doctorate of law from Lincoln University and fellow and title of MBA, chartered manager from the Canadian Chartered Institution of Business Administration.

Ms. Chan was awarded Professional Marketer of the Year by Hong Kong Institute of Marketing in 2020, Asian Outstanding Leaders Awards for Women by the Asian College of Knowledge Management and 矚目非凡領袖大獎 2017 (Outstanding Leader Award 2017\*) by Weekend Weekly and Economic Digest magazines in 2018 as well as the Leaders of Excellence Award by Capital Magazine in 2014.

Ms. Chan is currently a member of the board of directors of the Hong Kong Federation of Restaurants and Related Trades, a member of the Solicitors Disciplinary Tribunal Panel in Hong Kong, a member of General Committee of The Chamber of Hong Kong Listed Companies and a member of the Advisory Board of Continuing and Professional Studies of The Chinese University of Hong Kong. She was previously a committee member of the Industry Advisory Committee on Long Term Business of the Insurance Authority, a member of the Consumer Council, a member of the Griffith Business School's Bachelor of Business (Hong Kong) Industry Advisory Committee and a member of the Advisory Committee on Cruise Industry in Hong Kong.

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

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

\* *For identification purpose only.*



## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

### NON-EXECUTIVE DIRECTOR

**Mr. Ho Ping Kee**, aged 64, is a non-executive Director of the Company. Mr. Ho joined the Board in 2018.

Mr. Ho has over 30 years of experience in the retail pharmacy industry, during which he gained substantial understanding of the market of retail business in Hong Kong and knowledge in site selection. Mr. Ho has been the director of Target Spot Limited which operates six pharmacies in Hong Kong.

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

### INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. Mak Ping Leung (alias: Mak Wah Cheung)**, aged 72, is an independent non-executive Director, the chairman of Remuneration Committee and a member of Audit Committee and Nomination Committee of the Company. Mr. Mak joined the Board in 2019.

Mr. Mak is one of the founders of Hong Kong Economic Times Holdings Limited (a company listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), stock code: 423) ("HKET"), and was its managing director and an executive director from 2005 to 2020 as well as the publisher of HKET and Sky Post. He was responsible for formulating business strategies and oversees publishing, recruitment advertising and printing production at HKET. He was the Bureau Chief of the European Bureau of Wen Wei Po in London, before being promoted to Deputy General Manager and Standing Committee Member of the Management Committee of the newspaper.

In 1988, Mr. Mak was elected as one of the Ten Outstanding Young Persons of Hong Kong. Mr. Mak won the Outstanding Entrepreneurship Award at the Asia Pacific Entrepreneurship Awards 2012 organised by Enterprise Asia and was an honorary advisor of Hong Kong Institute of Marketing.

Mr. Mak is currently an independent non-executive director of Clifford Modern Living Holdings Limited (a company listed on the Stock Exchange, stock code: 3686). Mr. Mak was an independent non-executive director of Zhong Ji Longevity Science Group Limited (formerly known as "Asia Pacific Silk Road Investment Company Limited") (a company listed on the Stock Exchange, stock code: 0767) from 2020 to 2021.

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



## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

**Mr. Wong Shiu Hoi Peter**, aged 81, is an independent non-executive Director, a member of Audit Committee, Nomination Committee and Remuneration Committee of the Company. Mr. Wong joined the Board in 2019.

Mr. Wong possesses over 40 years of experience in the financial services industry. He was an executive director, managing director, deputy chairman and chief executive officer of Haitong International Securities Group Limited (stock code: 0665) from 1996 to 2011. He was a consultant of Halcyon Capital Limited from 2013 to 2021.

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

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

Company Name	Stock Code	Period
Tianjin Development Holdings Limited	882	Since 2012
Agile Group Holdings Limited	3383	Since 2014
High Fashion International Limited	608	From 2004 to 2021
Target Insurance (Holdings) Limited	6161	From 2014 to 2021

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

**Dr. Sat Chui Wan**, aged 53, is an independent non-executive Director, the chairman of Audit Committee and a member of Remuneration Committee and Nomination Committee of the Company. Dr. Sat joined the Board in 2019.

Dr. Sat is currently an executive director and chief financial officer of Human Health Holdings Limited (a company listed on the Stock Exchange, stock code: 1419) (“HHH”). She is responsible for overseeing the financial, compliance, risk and human resources management of HHH. She has extensive working experience in accounting, finance, compliance, management and strategic planning in different industries.

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

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



## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

### SENIOR MANAGEMENT

**Mr. Ho Siu Fung**, aged 59, joined our Group in 1999 and was appointed as a general manager and director of Chinese Gourmet of the Company in 2018. He is mainly responsible for operations and overall development of the Group's Chinese cuisine brands, including "Tai Hing", "Trusty Congee King", "Men Wah Bing Teng", "King Fong Bing Teng", "Asam Chicken Rice", "Dimpot", "Dumpling Station" and "Rice Rule" as well as the Group's food safety and occupational safety standards. Mr. Ho has been constantly enhancing operations management and strategies, and has spearheaded the implementation of a comprehensive automation system for food production used in the restaurant kitchen, beverage bar and siu mei department, helping to standardize food quality and production efficiency. In addition, Mr. Ho is responsible for business expansion with respect to "Tai Hing" branches in Taiwan and Macau.

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

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

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

**Mr. Yiu Man**, aged 63, joined our Group in 2002 and was appointed as a general manager and director of central production and product development of the Company in 2018. Mr. Yiu has been in the catering industry for over 40 years. He is mainly responsible for the overall management and development of the food factories, including product development, centralized procurement, food safety and logistics management. Mr. Yiu headed the design, constructions equipment planning and management of our Hong Kong food factory and Mainland China food factory to support the wide variety of new products for different cuisines. He set up our production quality control system and enforces more stringent control on food quality, including food safety monitoring and refinement through systematic taste trials. Further, Mr. Yiu also invented the smokeless cooking design which was contributed to our patented smokeless oven and such patented smokeless oven has subsequently been widely applied in our restaurants.



## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

**Mr. Chan Ka Keung**, aged 41, joined our Group in 2009 and is currently a general manager (Mainland China and brand development) of the Company. He is mainly responsible for operations in Mainland China, developing the branding of the Group and leading our engineering and maintenance and information technology teams towards digitalizing our operations for the enhancement of customer experience concerning food ordering and payment systems. He also focuses on the building, consolidation and product promotion of our respective brands across Mainland China, as well as developing the sales channels and peripheral product markets through online and offline platforms.

In recent years, Mr. Chan spearheaded the development of new brands for casual dining in our Group, targeting younger customers by offering them a pleasant dining experience. Our “TeaWood” brand has won numerous industry awards and the prestigious Bronze A’Design Award for Interior Space and Exhibition Design, awarded in 2018 under his leadership.

Mr. Chan was awarded 全球華人傑出青年 (Global Outstanding Chinese Youth\*) by the Global Outstanding Chinese Association in 2016, Young Industrialist Awards of Hong Kong by the Federation of Hong Kong Industries in 2019 and Second Generation Legacy Award by Legacy Academy in 2020. He is currently the vice chairman of the Hong Kong Federation of Restaurants and Related Trades, founding chairman of the Hong Kong Federation of Restaurants and Related Trades Youth Committee, the vice-convenor of the Industry Consultative Networks (Catering) under the Employees Retraining Board, a member of the Environmental Campaign Committee, a member of the Food Business and Related Services Task Force under the Business Facilitation Advisory Committee and the Honorary Chairman of Hong Kong O2O E-Commerce Federation.

Mr. Chan obtained a bachelor’s degree in Business Administration from De Montfort University in Leicester in the United Kingdom.

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

\* *For identification purpose only*

**Mr. Ho Man Shing**, aged 46, joined our Group in 2019 and is a general manager (casual dining) of the Company. He is primarily responsible for the operations and overall development of the casual dining business of the Group, including management of such brands as “TeaWood”, “Phở Lê”, and “Dao Cheng”.

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

Mr. Ho obtained a bachelor’s degree in Science (Actuarial Science) from the University of Hong Kong and completed the Advanced Management Program organized by Harvard Business School in the United States.



## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

**Mr. Wong Kin Pong Edmond**, aged 46, joined our Group in 2014 and is the senior director of group finance department of the Company. His responsibilities include overseeing the financial management issues among Hong Kong and Mainland China and assisting on the development of the SAP system.

Mr. Wong has over 20 years of experience in financial management and served as a financial controller in various listed companies prior joining the Group. He graduated with a bachelor's degree in Business Administration (major in professional accountancy) from the Chinese University of Hong Kong and obtained a master's degree in Business Administration from the University of Wales in the United Kingdom.

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

**Ms. Zhou Yuewu**, aged 47, joined our Group in 2004 and is currently a general manager (back office and leasing) of the Company. Her responsibilities include overseeing and managing human resources, administration, leasing and trademark registration and ordinance matters in Mainland China.

Ms. Zhou has over 20 years of experience in human resources, administration, finance and leasing management in Mainland China. She graduated from the Changsha University of Science and Technology (formerly known as the Changsha Communications University) with a diploma in Finance and Accounting System Management\* (財會計算機管理) and was qualified as an intermediate accountant conferred by Ministry of Finance of China.

\* *For identification purpose only*

### COMPANY SECRETARY

**Ms. Lau Yin Wan** joined our Group in 2020 and is currently the director of group finance department and company secretary of the Company. Her responsibilities include overseeing the financial management and company secretarial matters of the Group.

Ms. Lau has extensive experience in financial management, accounting, taxation, auditing and company secretarial matters in Hong Kong and Mainland China, and held senior management positions in catering groups and various companies the securities of which are listed on the Stock Exchange prior joining the Group.

Ms. Lau holds a degree of Bachelor of Business Administration (Merit) in Accounting and a degree of Master of Science in Corporate Governance and Directorship. Ms. Lau is currently a fellow of the Hong Kong Institute of Certified Public Accountants and The Association of Chartered Certified Accountants.



## DIRECTORS' REPORT

The board of directors of the Company (the "Board") presents its annual report together with the audited consolidated financial statements of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2021.

### PRINCIPAL ACTIVITIES

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

### BUSINESS REVIEW

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

The Group understands the importance of maintaining a good relationship with its employees, suppliers, customers and other stakeholders to meet its immediate and long-term goals. During the year, there were no material and significant disputes between the Group and its suppliers, customers and/or other stakeholders.

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

### COMPLIANCE WITH LAWS AND REGULATIONS

During the year ended 31 December 2021, the Board was aware of a non-compliance issue with details as set out under the paragraph headed "Directors' Securities Transactions" in the "Corporate Governance Report".

Saved as disclosed, the Board was not aware of any non-compliance with the applicable laws and regulations, which include the Articles of Association of the Company (the "Articles of Association"), the laws of Cayman Islands, the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules"), that have a significant impact on the Company.

### RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2021 are set out in the consolidated statement of profit or loss on page 55.



## DIRECTORS' REPORT

### DIVIDENDS

The Board has proposed the payment of a final dividend of HK4.95 cents per share for the year ended 31 December 2021 payable to the shareholders of the Company (the "Shareholders") whose names appear on the register of members of the Company on Friday, 10 June 2022, subject to the approval of the Shareholders at the forthcoming annual general meeting of the Company (the "Annual General Meeting"). The dividend warrants of the proposed final dividend are expected to be despatched to the Shareholders on or before Thursday, 23 June 2022.

An interim dividend of HK2.50 cents per share was paid on 4 November 2021.

### CLOSURE OF REGISTER OF MEMBERS

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

The Annual General Meeting is scheduled to be held on Thursday, 2 June 2022. For determining the eligibility to attend and vote at the Annual General Meeting, the register of members of the Company will be closed from Monday, 30 May 2022 to Thursday, 2 June 2022, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the Annual General Meeting, all transfer forms duly accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Friday, 27 May 2022.

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

For determining the entitlement to the proposed final dividend for the year ended 31 December 2021, the register of members of the Company will be closed from Thursday, 9 June 2022 to Friday, 10 June 2022, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for the proposed final dividend for the year ended 31 December 2021, all transfer forms duly accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Wednesday, 8 June 2022.

### SHARE CAPITAL

Details of movements in the share capital of the Company during the year ended 31 December 2021 are set out in note 26 to the financial statements. Information about the share option of the Company and details of movements in the share options of the Company for the year ended 31 December 2021 are set out in the "Share Option Schemes" in this section and note 27 to the financial statements.

### DISTRIBUTABLE RESERVES

As at 31 December 2021, the Company's reserves available for cash distribution and/or distribution in specie amounted to approximately HK\$779,547,000, of which approximately HK\$49,678,000 has been proposed as a final dividend for the year.



## DIRECTORS' REPORT

### PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Group for the year ended 31 December 2021 are set out in note 14 to the financial statements.

### DIRECTORS AND SERVICES CONTRACTS

The directors of the Company (the "Directors") for the year ended 31 December 2021 and up to the date of this report are:

#### **Executive Directors:**

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

#### **Non-Executive Director:**

Mr. Ho Ping Kee

#### **Independent Non-Executive Directors:**

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

In accordance with Article 84 of the Articles of Association, Mr. Yuen Chi Ming, Ms. Chan Shuk Fong and Dr. Sat Chui Wan, shall retire from office by rotation and, being eligible, offer themselves for re-election at the Annual General Meeting.

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

### DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS OF SIGNIFICANCE

No transactions, arrangements or contracts of significance to which the Company or any of its subsidiaries was a party and in which a Director or an entity connected with a Director had a material interest, whether directly or indirectly, subsisted during the year ended 31 December 2021 or at the end of the year ended 31 December 2021.

### CONTROLLING SHAREHOLDERS' CONTRACTS OF SIGNIFICANCE

No contracts of significance have been entered into between the Company or any of its subsidiaries and the controlling shareholders of the Company or any of its subsidiaries during the year ended 31 December 2021.



## DIRECTORS' REPORT

### MANAGEMENT CONTRACTS

Save for employment contracts, no other contracts relating to the management and/or administration of the whole or any substantial part of any business of the Company were entered into or subsisted for the year ended 31 December 2021.

### SHARE OPTION SCHEMES

The Company's pre-IPO share option scheme (the "Pre-IPO Share Option Scheme") and the Company's post-IPO share option scheme (the "Post-IPO Share Option Scheme") (collectively the "Share Option Schemes") were approved and conditionally adopted pursuant to the resolutions passed by the Shareholders on 22 May 2019. The details of the Share Option Schemes are as follows:

#### (a) Pre-IPO Share Option Scheme

1. The purpose of the Pre-IPO Share Option Scheme

To motivate the grantees of the pre-IPO share options (the "Pre-IPO Share Options") to optimise their future contributions to the Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain on-going relationships with the grantees who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of the Group.
2. The participants of the Pre-IPO Share Option Scheme

Senior management and employees of the Group
3. The total number of securities available for issue under the Pre-IPO Share Option Scheme together with the percentage of the issued shares that it represents as at the date of the annual report

1,863,000 ordinary shares, representing approximately 0.1856% of the issued share capital of the Company. No further options would be granted on or after the date on which dealings in the shares of the Company commenced on the Stock Exchange (i.e. 13 June 2019) (the "Listing Date").

### SHARE OPTION SCHEMES *(Continued)*

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

- |    |   |  |
|----|---|--|
| 4. | The option period   | <p>No Pre-IPO Share Options granted shall become vested or exercisable before the first anniversary of the Listing Date.</p> <p>On the first anniversary of the Listing Date, 13 June 2020 (the "First Exercisable Date"), 30% of the Pre-IPO Share Options (the "First Batch Options") granted to an individual grantee was vested in and exercisable by such grantee, and all unexercised First Batch Options shall lapse and be deemed as cancelled and void on the fifth anniversary date of the First Exercisable Date.</p> <p>On the second anniversary of the Listing Date, 13 June 2021 (the "Second Exercisable Date"), a further 30% of the Pre-IPO Share Options (the "Second Batch Options") granted to an individual grantee was vested in and exercisable by such grantee, and all unexercised Second Batch Options shall lapse and be deemed as cancelled and void on the fifth anniversary date of the Second Exercisable Date.</p> <p>On the third anniversary of the Listing Date, 13 June 2022 (the "Third Exercisable Date"), the remaining 40% of the Pre-IPO Share Options (the "Third Batch Options") granted to an individual grantee shall become exercisable by such grantee, and all unexercised Third Batch Options shall lapse and be deemed as cancelled and void on the fifth anniversary date of the Third Exercisable Date.</p> |
| 5. | The amount payable on application or acceptance of the option | <p>A consideration of HK\$1.00 is paid by each grantee.</p>  |
| 6. | The exercise price  | <p>The exercise price of the Pre-IPO Share Options will be HK\$0.45.</p>   |
| 7. | The remaining life of the Pre-IPO Share Option Scheme         | <p>No further share options will be granted after the Listing Date but in all other respects the provisions of the Pre-IPO Share Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any share options granted prior thereto or otherwise as may be required in accordance with the provisions of the Pre-IPO Share Option Scheme.</p>  |

As at 31 December 2021, there were 1,863,000 outstanding share options of the Company under the Pre-IPO Share Option Scheme.

# DIRECTORS' REPORT

## SHARE OPTION SCHEMES (Continued)

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

For the year ended 31 December 2021, the movements of share options granted by the Company under the Pre-IPO Share Option Scheme are as follows:

Participants	Date of grant	Exercise price per share (HK\$)	Outstanding as at 1 January 2021	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	Outstanding as at 31 December 2021	Exercise period
<b>Senior Management</b>									
Mr. Wong Kin Pong									
Edmond	22 May 2019	0.45	420,000	-	(180,000)	-	-	240,000	Notes
Ms. Zhou Yuewu	22 May 2019	0.45	420,000	-	(180,000)	-	-	240,000	Notes
<b>Other Grantees</b>									
Employees	22 May 2019	0.45	3,662,000	-	(1,363,000)	(916,000)	-	1,383,000	Notes
<b>Total for the Pre-IPO Share Option Scheme</b>			4,502,000	-	(1,723,000)	(916,000)	-	1,863,000	

Notes:

- (i) On the First Exercisable Date, the First Batch Options granted to an individual grantee was vested in and exercisable by such grantee, and all unexercised First Batch Options shall lapse and be deemed as cancelled and void on the fifth anniversary date of the First Exercisable Date.
- (ii) On the Second Exercisable Date, the Second Batch Options granted to an individual grantee was vested in and exercisable by such grantee, and all unexercised Second Batch Options shall lapse and be deemed as cancelled and void on the fifth anniversary date of the Second Exercisable Date.
- (iii) On the Third Exercisable Date, the Third Batch Options granted to an individual grantee shall become exercisable by such grantee, and all unexercised Third Batch Options shall lapse and be deemed as cancelled and void on the fifth anniversary date of the Third Exercisable Date.

### SHARE OPTION SCHEMES *(Continued)*

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

1. The purpose of the Post-IPO Share Option Scheme
  - (a) The Post-IPO Share Option Scheme is a share incentive scheme and is established to recognise and acknowledge the contributions that Eligible Participants (as defined below) had made or may make to the Group.
  - (b) The Post-IPO Share Option Scheme will provide the Eligible Participants with an opportunity to acquire proprietary interests in the Company with the view to achieving the following principal objectives:
    - (i) motivate the Eligible Participants to optimise their performance and efficiency for the benefit of the Group; and
    - (ii) attract and retain or otherwise maintain ongoing business relationship with the Eligible Participants whose contributions are, will or expected to be beneficial to the Group.
2. The participants of the Post-IPO Share Option Scheme

The Board may at its discretion grant options to the following Eligible Participants:

  - (i) any Director, employee, consultant, professional, customer, supplier, agent, partner or adviser of or contractor to the Group or a company in which the Group holds an interest or a subsidiary of such company ("Affiliate"); or
  - (ii) the trustee of any trust the beneficiary of which or any discretionary trust the discretionary objects of which include any Director, employee, consultant, professional, customer, supplier, agent, partner or adviser of or contractor to the Group or an Affiliate; or
  - (iii) a company beneficially owned by any Director, employee, consultant, professional, customer, supplier, agent, partner, adviser of or contractor to the Group or an Affiliate.

### SHARE OPTION SCHEMES *(Continued)*

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

3. The total number of securities available for issue under the Post-IPO Share Option Scheme together with the percentage of the issued shares that it represents as at the date of the annual report

The maximum number of shares in respect of which options may be granted under the Post-IPO Share Option Scheme and any other share option schemes involving the issue or grant of options or similar rights over shares or other securities by the Company shall not, in aggregate, exceed 10% of the issued share capital of the Company as at the Listing Date, i.e. 100,000,000 shares.

The maximum number of shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Post-IPO Share Option Scheme and any other schemes shall not, in aggregate, exceed 10% of the issued shares of the Company from time to time, which is 100,359,600 shares as at the date of this report. No options may be granted under any schemes of the Company if this will result in the said 10% limit being exceeded.
4. The maximum entitlement of each participant under the Post-IPO Share Option Scheme

No option may be granted to any Eligible Participant which, if exercised in full, would result in the total number of shares issued and to be issued upon exercise of the options already granted or to be granted to such Eligible Participant under the Post-IPO Share Option Scheme (including exercised, cancelled and outstanding share options) in the twelve-month period up to and including the date of such new grant exceeding 1% in aggregate of the issued share capital of the Company as at the date of such grant. Any grant of further share options above this limit shall be subject to certain requirements provided under the Listing Rules.
5. The period within which the securities must be taken up under an option

An option may be exercised in accordance with the terms of the Post-IPO Share Option Scheme and the terms of grant thereof at any time during the applicable option period, which is not more than ten years from the date of grant of option.
6. The minimum period for which an option must be held before it can be exercised

There is no general requirement on the minimum period for which an option must be held or the performance targets which must be achieved before an option can be exercised under the terms of the Post-IPO Share Option Scheme. However, at the time of granting any option, the Board may, on a case by case basis, make such grant subject to such conditions, restrictions or limitations including (without limitation) those in relation to the minimum period of the options to be held and/or the performance targets to be achieved as the Board may determine in its absolute discretion.

### SHARE OPTION SCHEMES *(Continued)*

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

- |    |   |  |
|----|---|--|
| 7. | The amount payable on application or acceptance of the option | An offer shall be accepted when the Company receive the duly signed offer letter together with a non-refundable payment of HK\$1.00 by the grantee (or such other sum in any currency as the Board may determine).   |
| 8. | The basis of determination of the exercise price              | <p>The exercise price for any share under the Post-IPO Share Option Scheme shall be a price determined by the Board and notified to each grantee and shall be not less than the highest of:</p> <ul style="list-style-type: none"><li>(i) the closing price of a share as stated in the Stock Exchange's daily quotations sheet on the date of grant of the relevant option, which must be a business day;</li><li>(ii) an amount equivalent to the average closing price of a share as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant of the relevant option; and</li><li>(iii) the nominal value of a share on the date of grant.</li></ul> <p>The exercise price shall also be subject to any adjustments made in a situation contemplated under the event of any alteration in our capital structure while an option remains exercisable, and such event arises from, including a capitalisation of the Company profits or reserves, rights issue, consolidation, reclassification, subdivision or reduction of the share capital of the Company, such corresponding alterations (if any) shall be made to the number or nominal amount of shares subject to the options so far as unexercised; and/or the exercise price; and/or the method of exercise of the options; and/or the maximum number of shares subject to the Post-IPO Share Option Schemes.</p> |
| 9. | The remaining life of the Post-IPO Share Option Scheme        | The Post-IPO Share Option Scheme remains in force until 21 May 2029.   |

No share options of the Company were granted, exercised, cancelled or lapsed under the Post-IPO Share Option Scheme during the year ended 31 December 2021.

# DIRECTORS' REPORT

## INTERESTS OF DIRECTORS AND CHIEF EXECUTIVES

As at 31 December 2021, the interests and short positions of the Directors and chief executives of the Company and their associates in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Hong Kong (the "SFO")) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules were as follows:

### Long Position in the shares of the Company

Name of Director	Capacity	Number of ordinary shares held	Approximate percentage of issued ordinary shares (Note (i))
Mr. Chan Wing On ("Mr. Chan")	Interest of controlled corporation	538,449,500 (Note (ii))	53.65%
	Interest of spouse	1,165,000 (Note (ii))	0.12%
	Beneficial owner	3,361,000 (Note (ii))	0.34%
Ms. Chan Shuk Fong ("Ms. Chan")	Beneficial owner	12,769,000 (Note (iii))	1.27%

Notes:

- (i) The percentage of shareholding is calculated on the basis of the Company's total number of issued shares of 1,003,596,000 shares as at 31 December 2021.
- (ii) Chun Fat Company Limited ("Chun Fat" (俊發有限公司)), is directly owned as to approximately 70.67% by Mr. Chan. As at 31 December 2021, Chun Fat held 538,449,500 ordinary shares of the Company. Accordingly, Mr. Chan is deemed to be interested in 538,449,500 ordinary shares of the Company in which Chun Fat is interested. In addition, as at 31 December 2021, Ms. Leung Yi Ling ("Ms. Leung"), being the spouse of Mr. Chan, was beneficially interested in 1,165,000 ordinary shares of the Company. Therefore, Mr. Chan is deemed to be interested in 1,165,000 ordinary shares of the Company in which Ms. Leung is interested.
- (iii) As at 31 December 2021, Ms. Chan is beneficially interested in 12,769,000 ordinary shares of the Company.
- (iv) No pledging of shares by the controlling shareholders under Rule 13.17 of the Listing Rules.



## DIRECTORS' REPORT

### INTERESTS OF DIRECTORS AND CHIEF EXECUTIVES (Continued)

#### Interests in the shares of associated corporation of the Company

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

Note:

The percentage of shareholding is calculated on the basis of the total number of 200,000 issued shares of Chun Fat as at 31 December 2021.

Save as disclosed above, as at 31 December 2021, none of the Directors and chief executives of the Company nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

#### EQUITY-LINKED AGREEMENTS

Save as disclosed in the section headed "Share Option Schemes" above, no equity-linked agreements were entered into by the Company for the year ended 31 December 2021 or subsisted during the year.

#### DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Other than the Share Option Schemes as disclosed above, at no time for the year ended 31 December 2021 was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares or underlying shares in, or debentures of, the Company or any other body corporate.

## DIRECTORS' REPORT

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

As at 31 December 2021, the following parties (other than the director of the Company) had interests or short positions in the shares and underlying shares of the Company as recorded in the register maintained by the Company pursuant to Section 336 of the SFO:

#### Long Position in the shares of the Company

Name of Shareholder	Capacity	Number of ordinary shares held	Approximate percentage of issued ordinary shares (Note (i))
Chun Fat	Beneficial owner	538,449,500	53.65%
Ms. Leung Yi Ling ("Ms. Leung")	Beneficial owner	1,165,000 (Note (ii))	0.12%
	Interest of spouse	541,810,500 (Note (ii))	53.99%

Notes:

- (i) The percentage of shareholding is calculated on the basis of the Company's total number of issued shares of 1,003,596,000 shares as at 31 December 2021.
- (ii) As at 31 December 2021, Ms. Leung, being the spouse of Mr. Chan, was deemed to be interested in 541,810,500 ordinary shares of the Company in which Mr. Chan was interested, being 538,449,500 ordinary shares of the Company in which Mr. Chan was interested through Chun Fat and 3,361,000 ordinary shares of the Company directly held by Mr. Chan.

Save as disclosed above, as at 31 December 2021, there were no other parties (other than the director of the Company) who had interests or short positions in the shares or underlying shares of the Company as recorded in the register maintained by the Company pursuant to Section 336 of the SFO.

### PERMITTED INDEMNITY PROVISION

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

### DIRECTORS' INTERESTS IN COMPETING BUSINESS

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



## DIRECTORS' REPORT

### RELATED PARTY TRANSACTIONS

Details of related party transactions entered into by the Group in the ordinary course of business during the year are set out in note 31 to the consolidated financial statements. The Board confirms none of the related party transactions as disclosed under note 31 to the consolidated financial statements fall under the definition of connected transaction or continuing connected transaction as defined in Chapter 14A of the Listing Rules.

### MAJOR CUSTOMERS AND SUPPLIERS

During the year, 18.0% of the Group's purchases were attributable to the Group's five largest suppliers with the largest supplier accounted for 5.9% of the Group's purchases. The Group's revenue from sales of goods or rendering of services attributable to the Group's five largest customers was less than 5%.

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

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities for the year ended 31 December 2021.

### INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

### EMOLUMENT POLICY

Details of the Directors' and senior management's emoluments and of the five highest paid individuals in the Group are set out in notes 9 and 10 to the financial statements respectively.

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

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

### RETIREMENT BENEFITS PLANS

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees. The Group and each employee make monthly mandatory contributions of 5% of relevant payroll costs with monthly cap of HK\$1,500 to the scheme.



## DIRECTORS' REPORT

### RETIREMENT BENEFITS PLANS *(Continued)*

The employees of the Group's subsidiaries in Mainland China, Macau and Taiwan are members of the state-managed retirement benefits plan operated by the respective government. The subsidiaries are required to contribute a specified percentage of payroll costs to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the specified contributions.

During the year no forfeited contributions are available to reduce the contribution payable in future years.

### PRE-EMPTIVE RIGHTS

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

### CHANGES IN DIRECTORS' INFORMATION

There is no change in Directors' information required to be disclosed pursuant to Rule 13.51B of the Listing Rules.

### SUFFICIENCY OF PUBLIC FLOAT

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

### DONATIONS

During the year, the Group made charitable and other donations amounting to approximately HK\$203,000.

### AUDITOR

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

On behalf of the Board

**Chan Wing On**  
*Chairman*

Hong Kong, 28 March 2022



# CORPORATE GOVERNANCE REPORT

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

## CORPORATE GOVERNANCE PRACTICES

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

To the best knowledge of the Board, throughout the year ended 31 December 2021 (the “Reporting Period”), the Company has complied with all the code provisions as set out in the CG Code and applied the principles contained therein.

On 1 January 2022, the amendments to the Corporate Governance Code (the “New CG Code”) came into effect and the requirements under the New CG code will apply to corporate governance reports for financial year commencing on or after 1 January 2022. The Board will continue to review and enhance its corporate governance practice of the Company to ensure compliance with the New CG Code and align with the latest developments.

## DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) set out in Appendix 10 of the Rules Governing the listing of Securities on the Stock Exchange (the “Listing Rules”) as its own code of conduct for Directors in their dealing in the securities of the Company. Having made specific enquiries with the Directors, all the Directors confirmed that they have complied with the required standards set out in the Model Code throughout the Reporting Period except for Ms. Chan Shuk Fong (“Ms. Chan”), an executive director of the Company, had one transaction involving the purchase of 97,000 Company’s shares by her sister on 13 August 2021 through a brokerage account under the joint names of Ms. Chan and her sister, without any prior communication and/or consensus from Ms. Chan (the “Transaction”). Ms. Chan has subsequently noticed that the Transaction fell within the blackout period which constituted non-compliance with Rule A1, A.3(a)(ii) and B.8 of the Model Code. Save for the Transaction, Ms. Chan has complied with the required standard set out in the Model Code throughout the Reporting Period.



# CORPORATE GOVERNANCE REPORT

## BOARD OF DIRECTORS

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

### Executive Directors

Mr. Chan Wing On (*Chairman*)

Mr. Yuen Chi Ming

Mr. Lau Hon Kee

Ms. Chan Shuk Fong

### Non-Executive Director

Mr. Ho Ping Kee

### Independent Non-Executive Directors

Mr. Mak Ping Leung (alias: Mak Wah Cheung)

Mr. Wong Shiu Hoi Peter

Dr. Sat Chui Wan

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

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

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

The biographical details of Directors are set out in the section headed "Biographical Details of Directors and Senior Management" on pages 15 to 22 of this report.

# CORPORATE GOVERNANCE REPORT

## BOARD OF DIRECTORS (Continued)

During the Reporting Period, 4 Board meetings were held and the attendance of each Director at the Board meetings is set out as follows:

Name of Directors	Number of Board meetings attended/held	Attendance rate
<b>Executive Directors</b>		
Mr. Chan Wing On ( <i>Chairman</i> )	4/4	100%
Mr. Yuen Chi Ming	4/4	100%
Mr. Lau Hon Kee	4/4	100%
Ms. Chan Shuk Fong	4/4	100%
<b>Non-Executive Director</b>		
Mr. Ho Ping Kee	4/4	100%
<b>Independent Non-Executive Directors</b>		
Mr. Mak Ping Leung (alias: Mak Wah Cheung)	4/4	100%
Mr. Wong Shiu Hoi Peter	4/4	100%
Dr. Sat Chui Wan	4/4	100%

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

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

# CORPORATE GOVERNANCE REPORT

## BOARD OF DIRECTORS *(Continued)*

The Company is headed by an effective Board which oversees the Group's businesses, strategic decisions and performance and takes decisions objectively in the best interests of the Company. The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and co-ordinating the daily operation and management of the Company are delegated to the management. The Board has reviewed the contribution required from all Directors to perform their responsibilities to the Company, and considered that each of the Directors has been spending sufficient time and attention to the Company's affairs.

Apart from regular Board meetings, the Chairman also held a meeting with Independent Non-Executive Directors without the presence of other Directors during the Reporting Period.

### Directors' Continuous Training and Development

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

All Directors are continually updated with legal and regulatory developments, and the business and market changes to facilitate the discharge of their responsibilities. Trainings and professional development for Directors are arranged whenever necessary. During the Reporting Period, relevant reading materials on legal and regulatory updates have been provided to Directors for their reference and studying.

The training records of the Directors for the year ended 31 December 2021 are summarized as follows:

Name of Directors	Attended training, seminars, webinars, workshop or reading relevant materials
<b>Executive Directors</b>	
Mr. Chan Wing On ( <i>Chairman</i> )	✓
Mr. Yuen Chi Ming	✓
Mr. Lau Hon Kee	✓
Ms. Chan Shuk Fong	✓
<b>Non-Executive Director</b>	
Mr. Ho Ping Kee	✓
<b>Independent Non-Executive Directors</b>	
Mr. Mak Ping Leung (alias: Mak Wah Cheung)	✓
Mr. Wong Shiu Hoi Peter	✓
Dr. Sat Chui Wan	✓



# CORPORATE GOVERNANCE REPORT

## BOARD OF DIRECTORS *(Continued)*

### **Directors' and Officers' Liabilities Insurance**

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

### **Role of Chairman and Chief Executive**

The code provision A.2.1 of the CG Code as previously set out in Appendix 14 to the Listing Rules stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Chan Wing On, the Chairman of the Board, is primarily responsible for the leadership of the Board, ensuring that (i) all significant policy issues are discussed by the Board in a timely and constructive manner; (ii) all Directors are properly briefed on issues arising at Board meetings; and (iii) the Directors receive accurate, timely and clear information. The functions of the chief executive are performed by Mr. Yuen Chi Ming, Mr. Lau Hon Kee and Ms. Chan Shuk Fong, the Executive Directors of the Company, who are responsible for the day-to-day management of the Group's business. The functions and responsibilities between the Chairman and the chief executive are clearly segregated. This segregation of roles ensures reinforcement of their independent, responsibility and accountability.

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

### **Appointment and Re-election of Directors**

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

### **Board Diversity Policy**

The Company has adopted a board diversity policy (the "Board Diversity Policy") on 22 May 2019 which sets out the approach to achieve a sustainable and balance development of the Company and also to enhance the quality of performance of the Company pursuant to Rule 13.92 of the Listing Rules.

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

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

# CORPORATE GOVERNANCE REPORT

## BOARD OF DIRECTORS *(Continued)*

### Corporate Governance Functions

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

### BOARD COMMITTEES

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

#### Nomination Committee

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

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

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



# CORPORATE GOVERNANCE REPORT

## BOARD COMMITTEES *(Continued)*

### **Nomination Committee** *(Continued)*

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

- i) to review and monitor the structure, size and composition (including the skills, knowledge, experience and diversity of perspectives) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;
- ii) to identify and nominate individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;
- iii) to assess the independence of Independent Non-Executive Directors;
- iv) to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the Chairman and chief executive of the Company;
- v) to review and monitor policy concerning diversity of Board members and make recommendations on any proposed changes to the Board; and
- vi) to ensure that no Director or any of his/her associates is involved in approving his/her or any of his/her associates' nomination.

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

The Nomination Committee shall consider factors including but not limited to the individual's educational background and qualification, skills and experience, character and reputation for integrity when nominating potential candidates for the appointment and reappointment of Directors.

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

# CORPORATE GOVERNANCE REPORT

## BOARD COMMITTEES (Continued)

### Remuneration Committee

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

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

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

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

- i) to review annually and recommend to the Board the overall remuneration policy and structure for the Directors and senior management;
- ii) to evaluate annually the performance of the Executive Directors and senior management and recommend to the Board specific adjustments in remuneration and/or reward payments;
- iii) to review and recommend the compensation payable to Executive Directors and senior management relating to any loss or termination of their office or appointment;
- iv) to review and recommend compensation arrangements relating to dismissal or removal of Directors for misconduct;
- v) to be responsible for establishing formal and transparent procedures for developing remuneration policy; and
- vi) to ensure that no Director or any of his/her associates is involved in deciding his/her own remuneration.

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

# CORPORATE GOVERNANCE REPORT

## BOARD COMMITTEES *(Continued)*

### Audit Committee

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

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

Name of members	Number of meetings attended/held	Attendance rate
Dr. Sat Chui Wan ( <i>Chairman</i> )	3/3	100%
Mr. Mak Ping Leung (alias: Mak Wah Cheung)	3/3	100%
Mr. Wong Shiu Hoi Peter	3/3	100%

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

- i) reviewed the financial reports for the six months ended 30 June 2021 and for the year ended 31 December 2021;
- ii) reviewed the effectiveness of the risk management and the internal control systems;
- iii) reviewed the external auditor's statutory audit plan and engagement letters;
- iv) reviewed the management letter from the external auditor in relation to the audit of the Group for the year ended 31 December 2021; and
- v) reviewed and recommended for approval by the Board the audit scope and fees for the year ended 31 December 2021.

# CORPORATE GOVERNANCE REPORT

## BOARD COMMITTEES *(Continued)*

### Audit Committee *(Continued)*

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

- i) to consider the appointment, re-appointment and removal of the external auditor, the audit fees, and any questions of resignation or dismissal of the external auditor of the Group;
- ii) to discuss the nature and scope of the audit with the external auditor;
- iii) to review the interim and annual financial statements before submission to the Board;
- iv) to discuss problems and reservations arising from the interim review and final audit, and any matters the external auditor may wish to discuss;
- v) to review the external auditor's management letter and management's response; and to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- vi) to review the Group's financial controls, internal controls and risk management systems to ensure that they are appropriate and functioning properly; and
- vii) to consider any findings of major investigations of internal control and risk management matters and management's responses.

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

## EXTERNAL AUDITOR'S REMUNERATION

The remuneration paid or payable to the Company's external auditor, Messrs. Ernst & Young, for the year ended 31 December 2021 is set out as follows:

Services rendered	Fee paid or payable HK\$'000
Audit Services	3,050
Non-audit services	
— Interim review	450
— Tax services	438
	<hr/>
	3,938
	<hr/>



# CORPORATE GOVERNANCE REPORT

## RISK MANAGEMENT AND INTERNAL CONTROLS

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

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

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

- i) The internal control system of the Company comprises a well-established organizational structure and comprehensive policies and standards. The Board has clearly defined the authorities and key responsibilities of each business and operational unit to ensure adequate checks and balances.
- ii) The management, in coordination with department heads, assessed the likelihood of risk occurrence, provides treatment plans, and monitor the risk management progress, and reported to the Audit Committee and the Board on all findings and the effectiveness of the systems.
- iii) The internal audit department is responsible for performing independent review of the adequacy and effectiveness of the risk management and internal control systems. The internal audit department examined key issues in relation to the accounting practices and all material controls and provided its findings and recommendations for improvement to the Audit Committee.
- iv) The Board, as supported by the Audit Committee as well as the management report and the internal audit findings, reviewed the risk management and internal control systems, including the financial, operational and compliance control, for the year ended 31 December 2021, and considered that such systems are effective and adequate. The annual review also covered the financial reporting and internal audit function and staff qualifications, experiences and relevant resources.
- v) Whistleblowing procedures are in place to facilitate employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company.
- vi) The Company has developed its Internal Guidelines on Inside Information which provides a general guide to the Company's Directors, senior management and relevant employees in handling inside information and monitoring information disclosure. Control procedures have been implemented to ensure that the use of inside information are strictly prohibited.

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



# CORPORATE GOVERNANCE REPORT

## ACCOUNTABILITY AND AUDIT

The Directors acknowledge their responsibility for preparing the consolidated financial statements of the Group for the year ended 31 December 2021. The Board is not aware of any material uncertainties relating to any events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern. The statement of the external auditor of the Group regarding its reporting responsibilities on the consolidated financial statements of the Group is set out in the Independent Auditor's Report on pages 51 to 54.

## SHAREHOLDERS' COMMUNICATION

A Shareholders' communication policy was established on 22 May 2019. The Board recognizes the importance of good communication with the Shareholders and to ensure that Shareholders' views and concerns are appropriately addressed. Information in relation to the Group is disseminated to the Shareholders in a timely manner through the publication of interim and annual reports, announcements and circulars. All such published documents together with the latest corporate information and news are also available on the websites of the Stock Exchange and the Company.

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

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

The forthcoming AGM will be held on Thursday, 2 June 2022, the notice of which will be sent to the Shareholders at least 20 clear business days before the meeting. An explanation of the detailed procedures of conducting a poll will be provided to Shareholders at the commencement of the AGM. The poll results will be published on the websites of the Stock Exchange and the Company in accordance with the requirements of the Listing Rules. All Shareholders are encouraged to attend the general meetings or to appoint proxies to attend and vote at the meetings on their behalf if they are unable to attend the meetings in person.



# CORPORATE GOVERNANCE REPORT

## SHAREHOLDERS' RIGHTS

### Proposing a Person for Election as a Director

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

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

### Convening an Extraordinary General Meeting

Pursuant to Article 58 of the Articles of Association, an extraordinary general meeting can be convened on the requisition of any one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings of the Company. Such requisition shall be made in writing to the Company Secretary for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition.

If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

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

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

### Putting Forward Proposals at General Meetings

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



# CORPORATE GOVERNANCE REPORT

## SHAREHOLDERS' RIGHTS *(Continued)*

### Enquiries to the Board

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

### DIVIDEND POLICY

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

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

### COMPANY SECRETARY

Ms. Lau Yin Wan has been appointed as the Company Secretary on 15 June 2021. All Directors have access to the advice and services of the Company Secretary. The Company Secretary reports to the Chairman on board governance matters, and is responsible for ensuring that Board procedures are followed and for facilitating communications among Directors as well as with Shareholders and management.

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

On behalf of the Board

**Chan Wing On**  
*Chairman*

Hong Kong, 28 March 2022

# INDEPENDENT AUDITOR'S REPORT



Ernst & Young  
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979 King's Road  
Quarry Bay, Hong Kong

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

## OPINION

We have audited the consolidated financial statements of Tai Hing Group Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 55 to 143, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 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 are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## KEY AUDIT MATTERS

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

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



# INDEPENDENT AUDITOR'S REPORT

## KEY AUDIT MATTERS (Continued)

Key audit matter	How our audit addressed the key audit matter
<i>Impairment testing of property, plant and equipment and right-of-use assets</i>	
<p>As at 31 December 2021, the Group had property, plant and equipment of HK\$503,270,000 and right-of-use assets of HK\$1,277,785,000. The Group's management performed impairment assessment of property, plant and equipment and right-of-use assets for identified restaurants that continued to underperform by estimating the recoverable amount of their property, plant and equipment and right-of-use assets based on value in use calculation. Impairment losses of approximately HK\$16,791,000 and HK\$29,721,000 have been recognised in profit or loss during the year to reduce the carrying amounts of certain property, plant and equipment and right-of-use assets, respectively, to their estimated recoverable amounts. Significant judgement was involved in the assessment of the recoverable amounts of the property, plant and equipment and right-of-use assets of those restaurants, including assumptions on the budgeted forecasts of the respective restaurants and discount rate. The estimation process is highly based on assumptions, which are influenced by projected future market and economic conditions.</p>	<p>Our audit procedures included, among others, evaluating the Group's policies and procedures in identifying impairment indicators and assessing management's significant assumptions adopted, in particular those related to the cash flow forecasts, by reviewing the impairment methodology, discount rate and time factors. In addition, we involved our internal valuation specialists to assist us in our assessment of the methodology and the discount rates used to determine the recoverable amounts of the property, plant and equipment and right-of-use assets of those restaurants. Our procedures also included a comparison between the cash flow forecasts and its historical data of the Group.</p>
<p>Relevant disclosures are set out in notes 3 and 14 to the financial statements.</p>	

## OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



## INDEPENDENT AUDITOR'S REPORT

### RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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.



# INDEPENDENT AUDITOR'S REPORT

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

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Lai Ho Yin.

**Ernst & Young**  
*Certified Public Accountants*  
Hong Kong

28 March 2022

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2021

	Notes	2021 HK\$'000	2020 HK\$'000
<b>REVENUE</b>	5	<b>3,173,027</b>	2,797,923
Cost of materials consumed		<b>(878,279)</b>	(821,648)
Gross profit		<b>2,294,748</b>	1,976,275
Other income and gains, net	5	<b>51,995</b>	70,614
Staff costs		<b>(1,081,700)</b>	(825,896)
Depreciation and amortisation		<b>(157,650)</b>	(155,288)
Amortisation of right-of-use assets, rental and related expenses		<b>(453,807)</b>	(437,904)
Other operating expenses, net	7	<b>(443,915)</b>	(412,012)
Impairment losses on property, plant and equipment and right-of-use assets		<b>(46,512)</b>	(47,818)
Finance costs	8	<b>(34,855)</b>	(46,670)
<b>PROFIT BEFORE TAX</b>	6	<b>128,304</b>	121,301
Income tax expense	11	<b>(32,949)</b>	(3,539)
<b>PROFIT FOR THE YEAR</b>		<b>95,355</b>	117,762
Profit for the year attributable to:			
Owners of the Company		<b>99,716</b>	118,959
Non-controlling interests		<b>(4,361)</b>	(1,197)
		<b>95,355</b>	117,762
<b>EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>			
— Basic	13	<b>HK9.94 cents</b>	HK11.89 cents
— Diluted	13	<b>HK9.92 cents</b>	HK11.84 cents

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2021

	2021 HK\$'000	2020 HK\$'000
<b>PROFIT FOR THE YEAR</b>	<b>95,355</b>	117,762
<b>OTHER COMPREHENSIVE INCOME</b>		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	<b>4,909</b>	14,992
Reclassification adjustment for foreign operations deregistered during the year	<b>(326)</b>	(1,106)
Other comprehensive income for the year	<b>4,583</b>	13,886
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX</b>	<b>99,938</b>	131,648
Attributable to:		
Owners of the Company	<b>103,846</b>	132,592
Non-controlling interests	<b>(3,908)</b>	(944)
	<b>99,938</b>	131,648

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2021

	Notes	2021 HK\$'000	2020 HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment and right-of-use assets	14	1,781,055	2,195,312
Investment properties	15	52,778	36,867
Intangible assets	16	–	1,012
Prepayments, deposits and other receivables	19	138,582	141,244
Deferred tax assets	25	30,560	26,311
Total non-current assets		2,002,975	2,400,746
<b>CURRENT ASSETS</b>			
Inventories	17	96,854	78,800
Trade receivables	18	28,087	24,331
Prepayments, deposits and other receivables	19	154,547	130,716
Tax recoverable		3,717	17,953
Cash and cash equivalents	20	452,607	562,081
Total current assets		735,812	813,881
<b>CURRENT LIABILITIES</b>			
Trade payables	21	106,376	91,935
Other payables and accruals	22	241,256	248,796
Contract liabilities	23	73,359	77,847
Interest-bearing bank borrowings	24	–	24,230
Lease liabilities	14(b)(ii)	400,647	555,028
Tax payable		30,859	11,500
Total current liabilities		852,497	1,009,336
<b>NET CURRENT LIABILITIES</b>		<b>(116,685)</b>	(195,455)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>1,886,290</b>	2,205,291

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2021

	Notes	2021 HK\$'000	2020 HK\$'000
<b>NON-CURRENT LIABILITIES</b>			
Lease liabilities	14(b)(ii)	755,405	1,029,264
Other payables and accruals	22	29,925	33,589
Interest-bearing bank borrowings	24	–	54,545
Deferred tax liabilities	25	5,782	4,881
Total non-current liabilities		791,112	1,122,279
Net assets		1,095,178	1,083,012
<b>EQUITY</b>			
Equity attributable to owners of the Company			
Issued capital	26	10,036	10,019
Reserves	28	1,083,498	1,067,441
		1,093,534	1,077,460
Non-controlling interests		1,644	5,552
Total equity		1,095,178	1,083,012

**Chan Wing On**  
Director

**Chan Shuk Fong**  
Director

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2021

	Attributable to owners of the Company										
	Issued capital	Share premium	Capital reserve	Asset revaluation reserve	Exchange fluctuation reserve	Statutory reserve	Share option reserve	Retained profits	Total	Non-controlling interests	Total equity
	HK\$'000 (note 26)	HK\$'000	HK\$'000 (note 28(a))	HK\$'000	HK\$'000 (note 28(b))	HK\$'000 (note 28(c))	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2021	10,019	718,655	118,643	5,207	(14,885)	8,099	6,160	225,562	1,077,460	5,552	1,083,012
Profit for the year	-	-	-	-	-	-	-	99,716	99,716	(4,361)	95,355
Other comprehensive income/(loss) for the year:											
Exchange differences on translation of foreign operations	-	-	-	-	4,456	-	-	-	4,456	453	4,909
Release of exchange reserve upon liquidation of subsidiaries	-	-	-	-	(326)	-	-	-	(326)	-	(326)
Total comprehensive income for the year	-	-	-	-	4,130	-	-	99,716	103,846	(3,908)	99,938
Appropriation to statutory reserve	-	-	-	-	-	105	-	(105)	-	-	-
Issue of shares (note 26)	17	4,632	-	-	-	-	(3,874)	-	775	-	775
Transfer of share option reserve upon the lapse of share options	-	-	-	-	-	-	(2)	2	-	-	-
Equity-settled share option arrangement (note 27(b))	-	-	-	-	-	-	863	-	863	-	863
Final 2020 dividend declared (note 12)	-	-	-	-	-	-	-	(64,320)	(64,320)	-	(64,320)
Interim 2021 dividend (note 12)	-	-	-	-	-	-	-	(25,090)	(25,090)	-	(25,090)
At 31 December 2021	10,036	723,287*	118,643*	5,207*	(10,755)*	8,204*	3,147*	235,765*	1,093,534	1,644	1,095,178

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2021

	Attributable to owners of the Company										
	Issued capital	Share premium	Capital reserve	Asset revaluation reserve	Exchange fluctuation reserve	Statutory reserve	Share option reserve	Retained profits	Total	Non-controlling interests	Total equity
	HK\$'000 (note 26)	HK\$'000	HK\$'000 (note 28(a))	HK\$'000	HK\$'000 (note 28(b))	HK\$'000 (note 28(c))	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2020	10,000	713,488	118,643	5,207	(28,518)	7,246	2,180	138,475	966,721	4,133	970,854
Profit for the year	-	-	-	-	-	-	-	118,959	118,959	(1,197)	117,762
Other comprehensive income/(loss) for the year:											
Exchange differences on translation of foreign operations	-	-	-	-	14,739	-	-	-	14,739	253	14,992
Release of exchange reserve upon liquidation of subsidiaries	-	-	-	-	(1,106)	-	-	-	(1,106)	-	(1,106)
Total comprehensive income for the year	-	-	-	-	13,633	-	-	118,959	132,592	(944)	131,648
Appropriation to statutory reserve	-	-	-	-	-	853	-	(853)	-	-	-
Issue of shares (note 26)	19	5,167	-	-	-	-	(4,343)	-	843	-	843
Equity-settled share option arrangement (note 27(b))	-	-	-	-	-	-	8,323	-	8,323	-	8,323
Contribution from a non-controlling shareholder of a subsidiary	-	-	-	-	-	-	-	-	-	2,652	2,652
Final 2019 dividend declared	-	-	-	-	-	-	-	(18,000)	(18,000)	-	(18,000)
Interim 2020 dividend (note 12)	-	-	-	-	-	-	-	(13,019)	(13,019)	-	(13,019)
Dividends paid to a non-controlling shareholder	-	-	-	-	-	-	-	-	-	(289)	(289)
At 31 December 2020	10,019	718,655*	118,643*	5,207*	(14,885)*	8,099*	6,160*	225,562*	1,077,460	5,552	1,083,012

\* These reserve accounts comprise the consolidated reserves of HK\$1,083,498,000 (2020: HK\$1,067,441,000) in the consolidated statement of financial position.

# CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2021

	Notes	2021 HK\$'000	2020 HK\$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		<b>128,304</b>	121,301
Adjustments for:			
Finance costs	8	<b>34,855</b>	46,670
Bank interest income	5	<b>(2,110)</b>	(7,524)
Loss on disposal of items of property, plant, and equipment	6	<b>16,662</b>	30,735
Gain on lease modification and termination	6	<b>(35,011)</b>	(3,996)
Covid-19-related rent concessions from lessors	6	<b>(17,331)</b>	(56,246)
Depreciation of items of property, plant and equipment	6	<b>157,559</b>	155,133
Amortisation of intangible assets	6	<b>91</b>	155
Amortisation of right-of-use assets	6	<b>416,928</b>	409,145
Impairment of items of property, plant and equipment	6	<b>16,791</b>	13,336
Impairment of right-of-use assets	6	<b>29,721</b>	34,482
Impairment of intangible assets	6	<b>921</b>	–
Fair value loss/(gain) on investment properties, net	6	<b>(2,582)</b>	1,957
Gain on deregistration of subsidiaries	5	<b>(326)</b>	(1,106)
Cash coupon forfeited	5	<b>(1,291)</b>	(1,364)
Equity-settled share option expenses	6	<b>863</b>	8,323
		<b>744,044</b>	751,001
Decrease/(increase) in inventories		<b>(16,967)</b>	34
Decrease/(increase) in trade receivables		<b>(3,523)</b>	576
Increase in prepayments, deposits and other receivables		<b>(18,670)</b>	(11,451)
Increase/(decrease) in trade payables		<b>13,239</b>	(30,732)
Increase/(decrease) in other payables and accruals	29(a)(i)	<b>(20,723)</b>	19,762
Decrease in contract liabilities		<b>(3,197)</b>	(4,686)
Cash generated from operations		<b>694,203</b>	724,504
Hong Kong profits tax paid		<b>(1,819)</b>	(46,870)
Overseas tax (paid)/refunded		<b>(3,480)</b>	570
Net cash flows from operating activities		<b>688,904</b>	678,204

# CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2021

	Notes	2021 HK\$'000	2020 HK\$'000
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest received		2,110	7,524
Purchases of items of property, plant and equipment		(125,086)	(152,804)
Purchase of right-of-use assets		(13,036)	(7,145)
Purchase of investment properties	15	(12,303)	(7,106)
Proceeds from disposal of items of property, plant and equipment		2,522	4,084
Decrease/(increase) in non-pledged time deposits with original maturity of more than three months when acquired		11,876	(11,876)
Net cash flows used in investing activities		(133,917)	(167,323)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issue of shares upon of share options	26	775	843
New bank borrowings	29(b)	120,000	20,000
Repayment of bank borrowings	29(b)	(198,775)	(248,687)
Principal portion of lease payments and interest payments	14(b)(ii)	(484,039)	(409,404)
Interest paid on bank borrowings		(1,600)	(7,853)
Dividends paid		(89,410)	(31,019)
Dividends paid to a non-controlling shareholder of a subsidiary		–	(289)
Contribution from a non-controlling shareholder of a subsidiary		–	2,652
Net cash flows used in financing activities		(653,049)	(673,757)
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>			
Cash and cash equivalents at beginning of year		550,205	711,079
Effect of foreign exchange rate changes, net		464	2,002
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>		<b>452,607</b>	<b>550,205</b>

# CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2021

	Note	2021 HK\$'000	2020 HK\$'000
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>			
Cash and bank balances	20	<b>298,729</b>	179,015
Non-pledged time deposits with original maturity of less than three months when acquired	20	<b>153,878</b>	371,190
Non-pledged time deposits with original maturity of more than three months when acquired	20	–	11,876
Cash and cash equivalents as stated in the consolidated statement of financial position		<b>452,607</b>	562,081
Non-pledged time deposits with original maturity of more than three months when acquired	20	–	(11,876)
<b>Cash and cash equivalents as stated in the consolidated statement of cash flows</b>		<b>452,607</b>	550,205

# NOTES TO FINANCIAL STATEMENTS

31 December 2021

## 1. CORPORATE INFORMATION

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

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

In the opinion of the directors of the Company (the "Directors"), Chun Fat Company Limited, a company incorporated in the British Virgin Islands (the "BVI") on 30 November 2017, is the immediate and ultimate holding company of the Company.

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

### Information about subsidiaries

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

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Tai Hing Group Holdings (BVI) Limited	BVI	US\$21	100	–	Investment holding
Best Domain Limited	Hong Kong	HK\$100	–	100	Investment holding
Bright Rich (China) Limited	Hong Kong	HK\$10,000	–	100	Investment holding
Capital Link Development Limited	Hong Kong	HK\$1	–	100	Restaurant operation
Cafe 308 Company Limited	Hong Kong	HK\$100	–	100	Restaurant operation
Century Jumbo Limited	Hong Kong	HK\$1	–	100	Restaurant operation
CTC Congee Limited	Hong Kong	HK\$1,300,000	–	100	Restaurant operation

# NOTES TO FINANCIAL STATEMENTS

31 December 2021

## 1. CORPORATE INFORMATION (Continued)

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Cheer Champ Enterprise Limited	Hong Kong	HK\$100	–	100	Property holding
Double Reward Limited	Hong Kong	HK\$100	–	100	Property holding
Evertop Development Limited <sup>3</sup>	Hong Kong	HK\$1	–	100	Retailing of food products
Gold Business International Company Limited	Hong Kong	HK\$10,000	–	100	Property holding
Great Art Development Limited	Hong Kong	HK\$100	–	100	Investment holding
Great Reward Enterprise Limited	Hong Kong	HK\$100	–	100	Property holding
Great Time (H.K.) Limited	Hong Kong	HK\$1	–	100	Restaurant operation
Men Wah Catering Management Limited	Hong Kong	HK\$100	–	100	Investment holding
Miyasaki Yakiniku Company Limited	Hong Kong	HK\$100	–	100	Restaurant operation
Niceway International Enterprise Limited	Hong Kong	HK\$100	–	100	Investment holding
Nice Bloom Investment Limited	Hong Kong	HK\$100	–	100	Investment holding
Record Sino Limited	Hong Kong	HK\$100	–	100	Property holding
Roast.Pot Limited	Hong Kong	HK\$100	–	100	Restaurant operation

# NOTES TO FINANCIAL STATEMENTS

31 December 2021

## 1. CORPORATE INFORMATION (Continued)

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Tai Hing Catering Limited	Hong Kong	HK\$10,000	–	100	Property holding
Tai Hing Catering Management (China) Limited	Hong Kong	HK\$4,006,000	–	100	Investment holding
Tai Hing Catering Management (Macau), Limited	Macau	MOP25,000	–	100	Restaurant operation
Tai Hing Gourmet Limited	Hong Kong	HK\$100	–	100	Investment holding
Tai Hing Worldwide Development Limited	Hong Kong	HK\$10,000	–	100	Restaurant operation
Teawood Taiwanese Dining Bar Limited	Hong Kong	HK\$100	–	100	Restaurant operation
Tokyo Tsukiji Ramen Limited	Hong Kong	HK\$100	–	100	Restaurant operation
VIET Corner Limited	Hong Kong	HK\$100	–	100	Restaurant operation
Wealthy Grace Investment Limited	Hong Kong	HK\$100	–	100	Investment holding
World Gain (H.K.) Limited	Hong Kong	HK\$1	–	100	Restaurant operation
東莞永富食品有限公司 <sup>1</sup>	The People's Republic of China (The "PRC")	HK\$219,945,562	–	100	Operation of food factory
東莞市太興農貿有限公司 <sup>1</sup>	The PRC	RMB5,000,000	–	100	Primary processing of agricultural products

# NOTES TO FINANCIAL STATEMENTS

31 December 2021

## 1. CORPORATE INFORMATION (Continued)

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
太興飲食管理(中國)有限公司 <sup>1</sup>	The PRC	HK\$158,000,000	–	100	Restaurant operation
廣州太興餐飲管理有限公司 <sup>1</sup>	The PRC	RMB1,000,000	–	100	Restaurant operation
南寧太興餐飲管理有限公司 <sup>1</sup>	The PRC	RMB1,000,000	–	100	Restaurant operation
上海太興餐飲管理有限公司 <sup>1</sup>	The PRC	RMB1,000,000	–	100	Restaurant operation
杭州太興餐飲管理有限公司 <sup>1</sup>	The PRC	RMB1,000,000	–	100	Restaurant operation
北京太興餐飲管理有限公司 <sup>1</sup>	The PRC	RMB1,000,000	–	100	Restaurant operation
天津太興餐飲管理有限公司 <sup>1</sup>	The PRC	RMB1,000,000	–	100	Restaurant operation
惠州太興餐飲管理有限公司 <sup>1</sup>	The PRC	RMB100,000	–	100	Restaurant operation
哈爾濱太興餐飲管理有限公司 <sup>1,2</sup>	The PRC	RMB100,000	–	100	Restaurant operation
青島太興餐飲管理有限公司 <sup>1</sup>	The PRC	RMB100,000	–	100	Restaurant operation
瀋陽太興餐飲管理有限公司 <sup>1</sup>	The PRC	RMB1,050,000	–	100	Restaurant operation
廣州靠得住餐飲管理有限公司 <sup>1</sup>	The PRC	HK\$1,000,000	–	100	Restaurant operation
深圳靠得住餐飲管理有限公司 <sup>1</sup>	The PRC	RMB100,000	–	100	Restaurant operation
上海靠得住餐飲管理有限公司 <sup>1,2</sup>	The PRC	RMB100,000	–	100	Dormant
杭州靠得住餐飲管理有限公司 <sup>1,2</sup>	The PRC	RMB100,000	–	100	Dormant
瀋陽靠得住餐飲管理有限公司 <sup>1,2</sup>	The PRC	RMB100,000	–	100	Dormant
北京靠得住餐飲管理有限公司 <sup>1</sup>	The PRC	RMB100,000	–	100	Restaurant operation

# NOTES TO FINANCIAL STATEMENTS

31 December 2021

## 1. CORPORATE INFORMATION (Continued)

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
茶木餐飲管理(深圳)有限公司 <sup>1</sup>	The PRC	HK\$14,000,000	–	100	Restaurant operation
廣州茶木餐飲管理有限公司 <sup>1</sup>	The PRC	RMB100,000	–	100	Restaurant operation
深圳得好勵投資諮詢有限公司 <sup>1</sup>	The PRC	HK\$15,000,000	–	100	Property holding
新世代餐飲管理(深圳)有限公司 <sup>1</sup>	The PRC	HK\$41,000,000	–	100	Dormant
錦麗餐飲管理(深圳)有限公司 <sup>1</sup>	The PRC	HK\$1,000,000	–	100	Restaurant operation
廣州錦麗餐飲管理有限公司 <sup>1,2</sup>	The PRC	RMB100,000	–	100	Dormant
瀋陽錦麗餐飲管理有限公司 <sup>1,2</sup>	The PRC	RMB100,000	–	100	Dormant
杭州敏華餐飲管理有限公司 <sup>1</sup>	The PRC	RMB100,000	–	100	Restaurant operation
敏華餐飲管理(深圳)有限公司 <sup>1</sup>	The PRC	HK\$11,000,000	–	100	Restaurant operation
上海敏華餐飲管理有限公司 <sup>1</sup>	The PRC	RMB100,000	–	100	Restaurant operation
廣州敏華餐飲管理有限公司 <sup>1</sup>	The PRC	RMB100,000	–	100	Restaurant operation
瀋陽敏華餐飲管理有限公司 <sup>1</sup>	The PRC	RMB100,000	–	100	Restaurant operation
廣州添飯創意策劃有限公司 <sup>1</sup>	The PRC	RMB100,000	–	100	Brand design management
東莞太興餐飲管理有限公司 <sup>1</sup>	The PRC	HK\$8,000,000	–	100	Restaurant operation
台灣太興餐飲股份有限公司	Taiwan	TWD50,000,000	–	51	Restaurant operation

<sup>1</sup> These entities are registered as wholly-foreign-owned enterprises under the laws of the PRC.

<sup>2</sup> The subsidiaries were deregistered during the year.

<sup>3</sup> The subsidiaries were newly incorporated during the year.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.



# NOTES TO FINANCIAL STATEMENTS

31 December 2021

## 2.1 BASIS OF PRESENTATION

As at 31 December 2021, the Group had net current liabilities of HK\$116,685,000 which included current portion of lease liabilities of HK\$400,647,000. The Directors believe that the Group has sufficient cash flows from operations to meet its liabilities as and when they fall due. Therefore, the consolidated financial statements are prepared on a going concern basis.

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

## 2.2 BASIS OF PREPARATION

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

### **Basis of consolidation**

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

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

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group’s voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.



# NOTES TO FINANCIAL STATEMENTS

31 December 2021

## 2.2 BASIS OF PREPARATION *(Continued)*

### **Basis of consolidation** *(Continued)*

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

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

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

## 2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKFRS 9, HKAS 39,  
HKFRS 7, HKFRS 4 and HKFRS 16

*Interest Rate Benchmark Reform — Phase 2*

Amendment to HKFRS 16

*Covid-19-Related Rent Concessions beyond 30 June 2021*  
(early adopted)

The nature and the impact of the revised HKFRSs are described below:

# NOTES TO FINANCIAL STATEMENTS

31 December 2021

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

- (a) Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate (“RFR”). The amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity’s financial instruments and risk management strategy.

The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest-bearing bank borrowings and interest rate hedging relationships as at 31 December 2021.

- (b) Amendment to HKFRS 16 issued in April 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

The Group has early adopted the amendment on 1 January 2021 and applied the practical expedient during the year ended 31 December 2021 to all rent concessions granted by the lessors that affected only payments originally due on or before 30 June 2022 as a direct consequence of the covid-19 pandemic. A reduction in the lease payments arising from the rent concessions of HK\$17,331,000 has been accounted for as a variable lease payment by derecognising part of the lease liabilities and crediting to profit or loss for the year ended 31 December 2021. There was no impact on the opening balance of equity as at 1 January 2021.

# NOTES TO FINANCIAL STATEMENTS

31 December 2021

## 2.4 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

Amendments to HKFRS 3	<i>Reference to the Conceptual Framework</i> <sup>1</sup>
Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> <sup>3</sup>
HKFRS 17	<i>Insurance Contracts</i> <sup>2</sup>
Amendments to HKFRS 17	<i>Insurance Contract</i> <sup>2,5</sup>
Amendments to HKFRS 17	<i>Initial Application of HKFRS 17 and HKFRS 9 — Comparative Information</i> <sup>2</sup>
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current</i> <sup>2,4</sup>
Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i> <sup>2</sup>
Amendments to HKAS 8	<i>Definition of Accounting Estimates</i> <sup>2</sup>
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from Single Transaction</i> <sup>2</sup>
Amendments to HKAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i> <sup>1</sup>
Amendments to HKAS 37	<i>Onerous Contracts — Cost of Fulfilling a Contract</i> <sup>1</sup>
<i>Annual Improvements to HKFRSs 2018–2020</i>	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41 <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2022

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2023

<sup>3</sup> No mandatory effective date yet determined but available for adoption

<sup>4</sup> As a consequence of the amendments to HKAS 1, Hong Kong Interpretation 5 *Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised in October 2020 to align the corresponding wording with no change in conclusion

<sup>5</sup> As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023

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

Amendments to HKFRS 3 are intended to replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group expects to adopt the amendments prospectively from 1 January 2022. Since the amendments apply prospectively to business combinations for which the acquisition date is on or after the date of first application, the Group will not be affected by these amendments on the date of transition.



## NOTES TO FINANCIAL STATEMENTS

31 December 2021

### 2.4 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

Amendments to HKAS 1 *Classification of Liabilities as Current or Non-current* clarify the requirements for classifying liabilities as current or non-current. The amendments specify that if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective for annual periods beginning on or after 1 January 2023 and shall be applied retrospectively. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 1 *Disclosure of Accounting Policies* require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. Amendments to HKAS 1 are effective for annual periods beginning on or after 1 January 2023 and earlier application is permitted. Since the guidance provided in the amendments to HKFRS Practice Statement 2 is non-mandatory, an effective date for these amendments is not necessary. The Group is currently assessing the impact of the amendments on the Group's accounting policy disclosures.

Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 12 narrow the scope of the initial recognition exception so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset and a deferred tax liability for temporary differences arising from these transactions. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations. Earlier application is permitted.



# NOTES TO FINANCIAL STATEMENTS

31 December 2021

## 2.4 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

Upon initial application of these amendments, the Group will recognise a deferred tax asset and a deferred tax liability for deductible and taxable temporary differences associated with right-of-use assets and lease liabilities, and recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained profits at the beginning of the earliest comparative period presented.

Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied retrospectively only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied to contracts for which an entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. Earlier application is permitted. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening equity at the date of initial application without restating the comparative information. The amendments are not expected to have any significant impact on the Group's financial statements.

*Annual Improvements to HKFRSs 2018–2020* sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are expected to be applicable to the Group are as follows:

- HKFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022. Earlier application is permitted. The amendment is not expected to have a significant impact on the Group's financial statements.



# NOTES TO FINANCIAL STATEMENTS

31 December 2021

## 2.4 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

- HKFRS 16 *Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying HKFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying HKFRS 16.

## 2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### **Business combinations and goodwill**

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

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

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

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

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

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



# NOTES TO FINANCIAL STATEMENTS

31 December 2021

## 2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Business combinations and goodwill** *(Continued)*

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

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

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

### **Fair value measurement**

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

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

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

# NOTES TO FINANCIAL STATEMENTS

31 December 2021

## 2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Fair value measurement** *(Continued)*

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

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

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

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

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets, financial assets and investment properties), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs. In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

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

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



# NOTES TO FINANCIAL STATEMENTS

31 December 2021

## 2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Related parties**

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

- (a) the party is a person or a close member of that person's family and that person
  - (i) has control or joint control over the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

- (b) the party is an entity where any of the following conditions applies:
  - (i) the entity and the Group are members of the same group;
  - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
  - (iii) the entity and the Group are joint ventures of the same third party;
  - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
  - (vi) the entity is controlled or jointly controlled by a person identified in (a);
  - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
  - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

# NOTES TO FINANCIAL STATEMENTS

31 December 2021

## 2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Property, plant and equipment and depreciation

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

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

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

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

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

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



# NOTES TO FINANCIAL STATEMENTS

31 December 2021

## 2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Investment properties**

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

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

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

### **Intangible assets (other than goodwill)**

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

### **Licences**

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

### **Leases**

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

### **Group as a lessee**

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

# NOTES TO FINANCIAL STATEMENTS

31 December 2021

## 2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Leases (Continued)

#### Group as a lessee (Continued)

##### (a) Right-of-use assets

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

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

##### (b) Lease liabilities

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

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



# NOTES TO FINANCIAL STATEMENTS

31 December 2021

## 2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Leases** *(Continued)*

#### **Group as a lessee** *(Continued)*

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

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

#### **Group as a lessor**

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

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

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

### **Investments and other financial assets**

#### **Initial recognition and measurement**

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



# NOTES TO FINANCIAL STATEMENTS

31 December 2021

## 2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Investments and other financial assets** *(Continued)*

#### ***Initial recognition and measurement*** *(Continued)*

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

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

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

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

#### ***Subsequent measurement***

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



# NOTES TO FINANCIAL STATEMENTS

31 December 2021

## 2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Investments and other financial assets *(Continued)***

#### ***Financial assets at amortised cost (debt instruments)***

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

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

#### **Derecognition of financial assets**

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

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

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

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

# NOTES TO FINANCIAL STATEMENTS

31 December 2021

## 2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Impairment of financial assets

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

#### *General approach*

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

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

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

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

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



# NOTES TO FINANCIAL STATEMENTS

31 December 2021

## 2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Impairment of financial assets** *(Continued)*

#### ***Simplified approach***

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

### **Financial liabilities**

#### ***Initial recognition and measurement***

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

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

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

#### ***Subsequent measurement***

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

#### ***Financial liabilities at amortised cost (loans and borrowings)***

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

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



# NOTES TO FINANCIAL STATEMENTS

31 December 2021

## 2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Derecognition of financial liabilities**

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

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

### **Offsetting of financial instruments**

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

### **Inventories**

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

### **Cash and cash equivalents**

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

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

### **Contract liabilities**

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



# NOTES TO FINANCIAL STATEMENTS

31 December 2021

## 2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Provisions**

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

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

### **Income tax**

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

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

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

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

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

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

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

# NOTES TO FINANCIAL STATEMENTS

31 December 2021

## 2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Income tax** *(Continued)*

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

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

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

### **Government grants and subsidies**

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

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

### **Revenue recognition**

#### ***Revenue from contracts with customers***

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

# NOTES TO FINANCIAL STATEMENTS

31 December 2021

## 2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Revenue recognition (Continued)

#### Revenue from contracts with customers (Continued)

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

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

#### (a) Restaurant operation

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

#### (b) Sales of food products

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

### Other income

- (a) Royalty income is recognised, on an accrual basis in accordance with the terms and conditions of the franchise agreements, based on a certain percentage of net sales of franchised restaurants for use of the "Tai Hing" trademark;
- (b) Rental income is recognised, on a time proportion basis over the lease terms; and
- (c) Interest income is recognised, on an accrual basis using the effective interest rate method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or shorter period, when appropriate, to the net carrying amount of the financial asset.



# NOTES TO FINANCIAL STATEMENTS

31 December 2021

## 2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Employee benefits**

#### ***Pension scheme***

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

#### ***Termination benefits***

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

### **Borrowing costs**

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

### **Dividends**

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

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

### **Foreign currencies**

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



# NOTES TO FINANCIAL STATEMENTS

31 December 2021

## 2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Foreign currencies** *(Continued)*

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

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

The functional currencies of certain overseas subsidiaries are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into Hong Kong dollars at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into Hong Kong dollars at the exchange rates that approximate to those prevailing at the dates of the transactions.

### **Share-based payments**

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

The cost of equity-settled transactions with employees for grants after 22 May 2019 is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 27 to the financial statements.

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



# NOTES TO FINANCIAL STATEMENTS

31 December 2021

## 2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Share-based payments** *(Continued)*

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

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

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

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

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



# NOTES TO FINANCIAL STATEMENTS

31 December 2021

## 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

### **Judgements**

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

#### ***Impairment of assets***

In determining whether an asset is impaired or the event previously causing the impairment no longer exists, the Group has to exercise judgement in the area of asset impairment, particularly in assessing: (1) whether an event has occurred that may affect the asset value or such event affecting the asset value has not been in existence; (2) whether the carrying value of an asset can be supported by the net present value of future cash flows which are estimated based upon the continued use of the asset or derecognition; and (3) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management to determine the level of impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test.

#### ***Property lease classification — Group as lessor***

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

# NOTES TO FINANCIAL STATEMENTS

31 December 2021

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

### **Judgements *(Continued)***

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

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

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

### **Estimation uncertainty**

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

#### ***Depreciation of property, plant and equipment***

The Group depreciates the different classes of property, plant and equipment on a straight-line basis at applicable depreciation rates over the estimated useful life. The useful life is estimated with reference to the wear and tear history of property, plant and equipment. The estimated useful life reflects the directors' estimates of the periods that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment. The carrying amount of property, plant and equipment was HK\$503,270,000 (2020: HK\$556,921,000) as at 31 December 2021 (note 14).

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

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

# NOTES TO FINANCIAL STATEMENTS

31 December 2021

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

### Estimation uncertainty (Continued)

#### Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying amount of deferred tax assets was HK\$30,560,000 (2020: HK\$26,311,000) as at 31 December 2021 (note 25).

Deferred tax liability relating to withholding tax of undistributed earnings of certain subsidiaries established in the PRC is provided to the extent that it is probable that distribution is made according to the relevant tax rules enacted in the relevant jurisdiction, and is subject to management judgement on the timing and level of such distribution. Such judgement is made with reference to the Group's business plan and cash flow requirements for the holding companies of the subsidiaries. The carrying amount of deferred tax liability provided relating to such withholding tax amounted to HK\$2,527,000 (2020: HK\$3,874,000) as at 31 December 2021 (note 25).

#### Provision for reinstatement costs

The Group determines the estimated reinstatement costs of items of property, plant and equipment arising from the leasing of properties. The estimate is based on historical experience of the actual reinstatement costs incurred with reference to quoted price and/or other available information. Management will reassess the provision at the end of each reporting period, taking into consideration of size, shape topography and the complexity of the structure of each restaurant. The carrying amount of such provision amounted to HK\$52,827,000 (2020: HK\$50,775,000) as at 31 December 2021 (note 22).

#### Leases — Estimating the incremental borrowing rate

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



# NOTES TO FINANCIAL STATEMENTS

31 December 2021

## 4. OPERATING SEGMENT INFORMATION

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

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

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

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

# NOTES TO FINANCIAL STATEMENTS

31 December 2021

## 4. OPERATING SEGMENT INFORMATION (Continued)

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

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

### Geographical information

For the years ended 31 December 2021 and 2020

	Hong Kong, Macau and Taiwan		Mainland China		Total	
	2021	2020	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Segment revenue (note 5)</b>						
Sales to external customers*	2,462,372	2,269,710	710,655	528,213	3,173,027	2,797,923
Intersegment sales	–	–	129,299	84,964	129,299	84,964
<b>Revenue</b>	<b>2,462,372</b>	<b>2,269,710</b>	<b>839,954</b>	<b>613,177</b>	<b>3,302,326</b>	<b>2,882,887</b>
<i>Reconciliation:</i>						
Elimination of intersegment sales					(129,299)	(84,964)
					<b>3,173,027</b>	<b>2,797,923</b>
<b>Segment results</b>	<b>169,151</b>	<b>181,729</b>	<b>(38,627)</b>	<b>(49,717)</b>	<b>130,524</b>	<b>132,012</b>
<i>Reconciliation:</i>						
Elimination of intersegment results					(620)	(2,858)
Finance costs (other than interest on lease liabilities)					(1,600)	(7,853)
Profit before tax					<b>128,304</b>	<b>121,301</b>

# NOTES TO FINANCIAL STATEMENTS

31 December 2021

## 4. OPERATING SEGMENT INFORMATION (Continued)

### Geographical information (Continued)

For the years ended 31 December 2021 and 2020

	Hong Kong, Macau and Taiwan		Mainland China		Total	
	2021	2020	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Segment assets</b>	<b>1,527,728</b>	1,871,950	<b>724,175</b>	735,320	<b>2,251,903</b>	2,607,270
<i>Reconciliation:</i>						
Corporate and other unallocated assets					<b>486,884</b>	607,357
Total assets					<b>2,738,787</b>	3,214,627
<b>Segment liabilities</b>	<b>1,120,256</b>	1,505,432	<b>486,712</b>	531,027	<b>1,606,968</b>	2,036,459
<i>Reconciliation:</i>						
Corporate and other unallocated liabilities					<b>36,641</b>	95,156
Total liabilities					<b>1,643,609</b>	2,131,615
<b>Other segment information</b>						
Depreciation and amortisation	<b>106,657</b>	109,990	<b>50,993</b>	45,298	<b>157,650</b>	155,288
Amortisation for right-of-use assets	<b>308,278</b>	306,699	<b>108,650</b>	102,446	<b>416,928</b>	409,145
Loss on disposal of items of property, plant and equipment	<b>8,556</b>	10,506	<b>8,106</b>	20,229	<b>16,662</b>	30,735
Capital expenditure**	<b>89,330</b>	101,575	<b>54,556</b>	63,688	<b>143,886</b>	165,263
Non-current assets***	<b>1,337,654</b>	1,700,350	<b>634,761</b>	674,085	<b>1,972,415</b>	2,374,435
Fair value loss/(gain) on investment properties, net	<b>(1,217)</b>	606	<b>(1,365)</b>	1,351	<b>(2,582)</b>	1,957
Impairment of items of property, plant and equipment and right-of-use assets	<b>22,309</b>	45,120	<b>24,203</b>	2,698	<b>46,512</b>	47,818

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

\*\* Capital expenditure consists of additions to property, plant and equipment, investment properties and intangible assets.

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

### Information about major customers

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

# NOTES TO FINANCIAL STATEMENTS

31 December 2021

## 5. REVENUE, OTHER INCOME AND GAINS, NET

An analysis of revenue is as follows:

	2021 HK\$'000	2020 HK\$'000
<b>Revenue from contracts with customers</b>		
<b>(i) Disaggregated revenue information</b>		
<b>Types of goods or services</b>		
Revenue from restaurant operations	3,105,745	2,730,083
Revenue from the sale of food products	67,282	67,840
Total revenue from contracts with customers	3,173,027	2,797,923
<b>Geographical markets</b>		
Hong Kong, Macau and Taiwan	2,462,372	2,269,710
Mainland China	710,655	528,213
Total revenue from contracts with customers	3,173,027	2,797,923
<b>Timing of revenue recognition</b>		
At a point in time	3,173,027	2,797,923

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

	2021 HK\$'000	2020 HK\$'000
Revenue recognised that was included in the contract liabilities at the beginning of the year		
— Restaurant operations	57,984	64,026

# NOTES TO FINANCIAL STATEMENTS

31 December 2021

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

### (ii) Performance obligations

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

#### **Restaurant operations**

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

#### **Sale of food products**

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

	2021 HK\$'000	2020 HK\$'000
<b>Other income and gains, net</b>		
Bank interest income	2,110	7,524
Rental income	1,392	981
Royalty income	526	1,090
Subsidies received from utility companies for purchases of items of property, plant and equipment*	3,261	3,249
Fair value gain on investment properties	2,582	–
Government grants*	33,251	47,706
Cash coupon forfeited	1,291	1,364
Gain on deregistration of subsidiaries	326	1,106
Others	7,256	7,594
	<b>51,995</b>	<b>70,614</b>

\* Government grants during the years ended 31 December 2021 and 2020 included Covid-19 relief subsidies received. As at the end of the reporting periods, there were no unfulfilled conditions or other contingencies attaching to the subsidies and government grants that had been recognised by the Group.

# NOTES TO FINANCIAL STATEMENTS

31 December 2021

## 6. PROFIT BEFORE TAX

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

	Notes	2021 HK\$'000	2020 HK\$'000
Cost of materials consumed		<b>878,279</b>	821,648
Depreciation of items of property, plant and equipment	14(a)	<b>157,559</b>	155,133
Amortisation of intangible assets	16	<b>91</b>	155
Amortisation for right-of-use assets*	14(b)(i)	<b>416,928</b>	409,145
Lease payments not included in the measurement of lease liabilities*		<b>31,094</b>	27,545
Covid-19-related rent concessions from lessors*		<b>(17,331)</b>	(56,246)
Contingent rents*		<b>10,084</b>	7,885
Gain on lease modification and termination*		<b>(35,011)</b>	(3,996)
Auditor's remuneration		<b>3,500</b>	3,400
Employee benefit expenses (including directors' and chief executive's remuneration (note 9)):			
Salaries, allowances and benefits in kind		<b>1,009,571</b>	933,124
Employment support scheme subsidies		–	(158,139)
Equity-settled share option expenses		<b>863</b>	8,323
Pension scheme contributions***		<b>71,266</b>	42,588
		<b>1,081,700</b>	825,896
Direct operating expenses (including repairs and maintenance) arising from rental-earning investment properties		<b>49</b>	87
Foreign exchange differences, net**		<b>(70)</b>	(627)
Impairment of items of property, plant and equipment	14(a)	<b>16,791</b>	13,336
Impairment of right-of-use assets	14(b)(i)	<b>29,721</b>	34,482
Impairment of intangible assets	16	<b>921</b>	–
Loss on disposal of items of property, plant and equipment		<b>16,662</b>	30,735
Fair value loss/(gain) on investment properties, net	15	<b>(2,582)</b>	1,957

\* These are included in "Amortisation of right-of-use assets, rental and related expenses" in profit or loss.

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

\*\*\* There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.

# NOTES TO FINANCIAL STATEMENTS

31 December 2021

## 7. OTHER OPERATING EXPENSES, NET

	2021 HK\$'000	2020 HK\$'000
Utilities expenses	117,811	101,534
Packing and consumables	37,590	52,506
Cleaning expenses	33,114	35,713
Advertising and promotion	38,495	25,302
Transportation and logistics	29,935	23,118
Repair and maintenance	18,471	18,297
Office expenses	18,749	13,910
Bank charges	20,089	17,239
Insurance	14,300	10,923
License, membership and entertainment	2,199	1,169
Legal and professional fee	6,514	6,118
Loss on disposal of items of property, plant and equipment	16,662	30,735
Delivery handling charges	45,532	47,173
Others	44,454	28,275
	<b>443,915</b>	412,012

## 8. FINANCE COSTS

An analysis of finance costs is as follows:

	2021 HK\$'000	2020 HK\$'000
Interest on bank borrowings	1,600	7,853
Interest on lease liabilities (note 14(b)(ii))	33,255	38,817
	<b>34,855</b>	46,670

# NOTES TO FINANCIAL STATEMENTS

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## 9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

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

	2021 HK\$'000	2020 HK\$'000
Fees	1,380	1,250
Other emoluments:		
Salaries, allowances and benefits in kind	12,932	12,614
Performance-related bonuses	1,013	1,474
Pension scheme contributions	54	54
	13,999	14,142
Total	15,379	15,392

### (a) Independent non-executive directors

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

	2021 HK\$'000	2020 HK\$'000
Mak Ping Leung	240	240
Sat Chui Wan	240	240
Wong Shiu Hoi Peter	240	240
	720	720

There were no other emoluments payable to the independent non-executive directors during the year (2020: Nil).

# NOTES TO FINANCIAL STATEMENTS

31 December 2021

## 9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (Continued)

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

	Fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Performance related bonuses HK\$'000	Pension scheme contributions HK\$'000	Total HK\$'000
<b>Year ended 31 December 2021</b>					
<i>Executive directors</i>					
Chan Wing On	120	7,697	491	18	8,326
Yuen Chi Ming	120	1,045	–	–	1,165
Lau Hon Kee	120	1,440	149	18	1,727
Chan Shuk Fong	120	2,750	373	18	3,261
	<b>480</b>	<b>12,932</b>	<b>1,013</b>	<b>54</b>	<b>14,479</b>
<i>Non-executive director</i>					
Ho Ping Kee	180	–	–	–	180
	<b>660</b>	<b>12,932</b>	<b>1,013</b>	<b>54</b>	<b>14,659</b>
<b>Year ended 31 December 2020</b>					
<i>Executive directors</i>					
Chan Wing On	100	7,255	735	18	8,108
Yuen Chi Ming	100	1,539	179	–	1,818
Lau Hon Kee	100	1,359	167	18	1,644
Chan Shuk Fong	50	2,461	393	18	2,922
	<b>350</b>	<b>12,614</b>	<b>1,474</b>	<b>54</b>	<b>14,492</b>
<i>Non-executive director</i>					
Ho Ping Kee	180	–	–	–	180
	<b>530</b>	<b>12,614</b>	<b>1,474</b>	<b>54</b>	<b>14,672</b>

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

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

# NOTES TO FINANCIAL STATEMENTS

31 December 2021

## 10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year ended 31 December 2021 included 2 directors (2020: 2 directors), details of whose remuneration are set out in note 9 above. Details of the remuneration of the remaining three non-director, highest paid employees during the years ended 31 December 2021 and 2020 are as follows:

	2021 HK\$'000	2020 HK\$'000
Salaries, allowances and benefits in kind	8,118	8,684
Performance related bonuses	1,089	765
Pension scheme contributions	54	84
	9,261	9,533

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

	Number of employees	
	2021	2020
HK\$3,500,001 to HK\$4,000,000	1	–
HK\$3,000,001 to HK\$3,500,000	1	2
HK\$2,500,001 to HK\$3,000,000	–	1
HK\$2,000,001 to HK\$2,500,000	1	–
	3	3

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

# NOTES TO FINANCIAL STATEMENTS

31 December 2021

## 11. INCOME TAX

Pursuant to the rules and regulations of the Cayman Islands and the BVI, the Group is not subject to any income tax in the Cayman Islands and the BVI. Hong Kong profits tax has been provided at the rate of 16.5% (2020: 16.5%) on the estimated assessable profits arising in Hong Kong during the year, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime. The first HK\$2,000,000 (2020: HK\$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (2020: 8.25%) and the remaining assessable profits are taxed at 16.5% (2020: 16.5%). PRC tax, Macau tax and Taiwan tax have been provided at the rates of 25% (2020: 25%), 12% (2020: 12%) and 20% (2020: 20%), respectively, on the estimated profits arising in the PRC, Macau and Taiwan during the year.

	2021 HK\$'000	2020 HK\$'000
Current — Hong Kong		
Charge for the year	34,721	12,120
Overprovision in prior years	(827)	(392)
Current — Elsewhere	2,951	223
Deferred ( <i>note 25</i> )	(3,896)	(8,412)
<b>Total tax charge for the year</b>	<b>32,949</b>	<b>3,539</b>

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

	2021 HK\$'000	2020 HK\$'000
Profit before tax	128,304	121,301
Tax at the statutory rates of different jurisdictions	19,056	16,932
Adjustments in respect of current tax of previous years	(827)	(392)
Effect of withholding tax at 5% on the distributable profits of the Group's PRC subsidiaries	(1,574)	306
Income not subject to tax	(6,967)	(38,229)
Expenses not deductible for tax	5,192	5,287
Tax losses not recognised	25,241	18,437
Tax losses utilised from previous periods	(3,994)	—
Tax effect of two-tiered tax rates	(165)	(165)
Others	(3,013)	1,363
<b>Tax charge at the Group's effective tax rate (2021: 25.7%; 2020: 2.9%)</b>	<b>32,949</b>	<b>3,539</b>

# NOTES TO FINANCIAL STATEMENTS

31 December 2021

## 12. DIVIDENDS

	2021 HK\$'000	2020 HK\$'000
Interim dividend — HK2.50 cents (2020: HK1.30 cents) per ordinary share	25,090	13,019
Proposed final dividend — HK4.95 cents (2020: HK6.42 cents) per ordinary share	49,678	64,320
	74,768	77,339

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

## 13. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of the basic earnings per share amount for the year ended 31 December 2021 is based on the profit for the year attributable to owners of the Company of HK\$99,716,000 (2020: HK\$118,959,000) and the weighted average number of ordinary shares in issue of 1,002,704,000 (2020: 1,000,762,000) during the year, as adjusted to reflect the share issued during the year.

The calculation of the diluted earnings per share amount for the year ended 31 December 2021 is based on the profit for the year attributable to owners of the Company of HK\$99,716,000 (2020: HK\$118,959,000). The weighted average number of ordinary shares used in the calculation is 1,002,704,000 (2020: 1,000,762,000) in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of 2,458,000 (2020: 3,727,000) ordinary shares assumed to have been issued at no consideration on the deemed exercise of all dilutive potential ordinary shares into ordinary shares.

## 14. PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

	Notes	2021 HK\$'000	2020 HK\$'000
Property, plant and equipment	(a)	503,270	556,921
Right-of-use assets	(b)	1,277,785	1,638,391
		1,781,055	2,195,312

# NOTES TO FINANCIAL STATEMENTS

31 December 2021

## 14. PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS (Continued)

### (a) Property, plant and equipment

	Buildings HK\$000	Leasehold improvements HK\$000	Furniture, fixtures and office equipment HK\$000	Motor vehicles HK\$000	Total HK\$000
<b>31 December 2021</b>					
At 1 January 2021:					
Cost	111,995	970,485	298,097	28,364	1,408,941
Accumulated depreciation and impairment	(38,170)	(628,134)	(163,837)	(21,879)	(852,020)
Net carrying amount	73,825	342,351	134,260	6,485	556,921
At 1 January 2021, net of accumulated depreciation and impairment	73,825	342,351	134,260	6,485	556,921
Additions	2,110	102,041	26,767	665	131,583
Disposals	(586)	(12,328)	(6,196)	(74)	(19,184)
Depreciation (note 6)	(2,857)	(115,289)	(36,732)	(2,681)	(157,559)
Impairment (note 6)	–	(13,992)	(2,799)	–	(16,791)
Exchange realignment	1,385	4,216	2,680	19	8,300
At 31 December 2021, net of accumulated depreciation and impairment	73,877	306,999	117,980	4,414	503,270
At 31 December 2021:					
Cost	115,842	1,024,645	306,456	28,289	1,475,232
Accumulated depreciation and impairment	(41,965)	(717,646)	(188,476)	(23,875)	(971,962)
Net carrying amount	73,877	306,999	117,980	4,414	503,270

# NOTES TO FINANCIAL STATEMENTS

31 December 2021

## 14. PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS (Continued)

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

	Buildings HK\$000	Leasehold improvements HK\$000	Furniture, fixtures and office equipment HK\$000	Motor vehicles HK\$000	Total HK\$000
<b>31 December 2020</b>					
At 1 January 2020:					
Cost	106,814	898,476	281,319	26,325	1,312,934
Accumulated depreciation and impairment	(33,645)	(529,936)	(141,904)	(20,453)	(725,938)
Net carrying amount	73,169	368,540	139,415	5,872	586,996
At 1 January 2020, net of accumulated depreciation and impairment	73,169	368,540	139,415	5,872	586,996
Additions	883	123,402	28,918	4,954	158,157
Disposals	–	(25,925)	(6,810)	(2,084)	(34,819)
Depreciation (note 6)	(2,716)	(117,939)	(32,171)	(2,307)	(155,133)
Impairment (note 6)	–	(13,336)	–	–	(13,336)
Exchange realignment	2,489	7,609	4,908	50	15,056
At 31 December 2020, net of accumulated depreciation and impairment	73,825	342,351	134,260	6,485	556,921
At 31 December 2020:					
Cost	111,995	970,485	298,097	28,364	1,408,941
Accumulated depreciation and impairment	(38,170)	(628,134)	(163,837)	(21,879)	(852,020)
Net carrying amount	73,825	342,351	134,260	6,485	556,921

# NOTES TO FINANCIAL STATEMENTS

31 December 2021

## 14. PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS *(Continued)*

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

At 31 December 2021, the Group's property, plant and equipment and right-of-use assets with a carrying amount of approximately HK\$238,966,000 (2020: HK\$253,043,000), were pledged to secure general banking facilities granted to the Group (note 24).

As at 31 December 2021, the Group's management identified certain restaurants which continued to underperform and estimated the corresponding recoverable amounts of their property, plant and equipment. Based on these estimates, an impairment loss of HK\$16,791,000 (2020: HK\$13,336,000) of which HK\$13,658,000 (2020: HK\$11,987,000) was for the Group's Hong Kong restaurants and HK\$3,133,000 (2020: HK\$1,349,000) was for the Group's Mainland China restaurants, was recognised to write down the carrying amounts of these items of property, plant and equipment to their recoverable amounts of HK\$38,822,000 as at 31 December 2021. The recoverable amount of the items of property, plant and equipment is determined based on a value in use calculation using cash flow projections based on financial budgets covering a period of the remaining lease terms plus the anticipated renewal period approved by senior management. The pre-tax discount rates applied for the cash flow projection ranged from 12.0% to 16.7%.

### **(b) Leases**

#### ***The Group as a lessee***

The Group has lease contracts for properties used in its operations. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods between 26 and 41 years, and no ongoing payments will be made under the terms of these land leases. Leases of properties generally have lease terms between 3 and 9 years. There are several lease contracts that include extension and termination options and variable lease payments, which are further discussed below.

# NOTES TO FINANCIAL STATEMENTS

31 December 2021

## 14. PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS (Continued)

### (b) Leases (Continued)

#### The Group as a lessee (Continued)

##### (b)(i) Right-of-use assets

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

	Leasehold land HK\$'000	Land and buildings HK\$'000	Total HK\$'000
As at 1 January 2020	11,986	1,684,557	1,696,543
Additions	–	470,194	470,194
Amortisation (note 6)	(453)	(408,692)	(409,145)
Modification and termination of leases	–	(105,924)	(105,924)
Impairment (note 6)	–	(34,482)	(34,482)
Exchange realignment	716	20,489	21,205
<b>As at 31 December 2020 and 1 January 2021</b>	<b>12,249</b>	<b>1,626,142</b>	<b>1,638,391</b>
Additions	–	400,134	400,134
Amortisation (note 6)	(485)	(416,443)	(416,928)
Modification and termination of leases	–	(325,828)	(325,828)
Impairment (note 6)	–	(29,721)	(29,721)
Exchange realignment	484	11,253	11,737
<b>As at 31 December 2021</b>	<b>12,248</b>	<b>1,265,537</b>	<b>1,277,785</b>

# NOTES TO FINANCIAL STATEMENTS

31 December 2021

## 14. PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS (Continued)

### (b) Leases (Continued)

#### The Group as a lessee (Continued)

##### (b)(i) Right-of-use assets (Continued)

As at 31 December 2021, the Group's management identified certain restaurants which continued to underperform and estimated the corresponding recoverable amounts of their right-of-use assets. Based on these estimates, an impairment loss of HK\$29,721,000 (2020: HK\$34,482,000), of which HK\$8,651,000 (2020: HK\$33,133,000) was for the Group's Hong Kong restaurants and HK\$21,070,000 (2020: HK\$1,349,000) was for the Group's Mainland China restaurants, was recognised to write down the carrying amounts of these items of right-of-use assets to their recoverable amounts of HK\$38,822,000 as at 31 December 2021. The recoverable amount of the items of right-of-use assets is determined based on a value in use calculation using cash flow projections based on financial budgets covering a period of the remaining lease terms plus the anticipated renewal period approved by senior management. The pre-tax discount rates applied for the cash flow projection ranged from 12.0% to 16.7%.

##### (b)(ii) Lease liabilities

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

	2021 HK\$'000	2020 HK\$'000
Carrying amount at 1 January	1,584,292	1,631,253
New leases	387,098	463,049
Accretion of interest recognised during the year (note 8)	33,255	38,817
Covid-19-related rent concessions from lessors (note 6)	(17,331)	(56,246)
Payments	(484,039)	(409,404)
Modification and termination of leases	(360,839)	(109,920)
Exchange realignment	13,616	26,743
Carrying amount at 31 December	1,156,052	1,584,292
Analysed into:		
Current portion	400,647	555,028
Non-current portion	755,405	1,029,264
Carrying amount at 31 December	1,156,052	1,584,292

The maturity analysis of lease liabilities is disclosed in note 35 to the financial statements.

# NOTES TO FINANCIAL STATEMENTS

31 December 2021

## 14. PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS (Continued)

### (b) Leases (Continued)

#### The Group as a lessee (Continued)

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

	2021 HK\$'000	2020 HK\$'000
Interest on lease liabilities (note 8)	33,255	38,817
Amortisation for right-of-use assets (note 6)	416,928	409,145
Expense relating to short-term leases and leases of low-value assets (note 6)	31,094	27,545
Impairment of right-of-use assets (note 6)	29,721	34,482
Variable lease payments not included in the measurement of lease liabilities (note 6)	10,084	7,885
Covid-19-related rent concessions from lessors (note 6)	(17,331)	(56,246)
Gain on leases modification and termination (note 6)	(35,011)	(3,996)
<b>Total amount recognised in profit or loss</b>	<b>468,740</b>	<b>457,632</b>

(b)(iv) The total cash outflow for leases and future cash outflows relating to leases that have not yet commenced are disclosed in notes 29(b) and 35 to the consolidated financial statements.

#### The Group as a lessor

The Group leases its investment properties (note 15) consisting of two (2020: two) commercial properties in the PRC and three (2020: one) industrial properties in Hong Kong under operating lease arrangements. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions. Rental income recognised by the Group during the year was HK\$1,392,000 (2020: HK\$981,000), details of which are included in note 5 to the financial statements.

At 31 December 2021, the undiscounted lease receivables by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2021 HK\$'000	2020 HK\$'000
Within one year	1,352	984
After one year but within two years	581	1,330
	<b>1,933</b>	<b>2,314</b>

# NOTES TO FINANCIAL STATEMENTS

31 December 2021

## 15. INVESTMENT PROPERTIES

	2021 HK\$'000	2020 HK\$'000
Carrying amount at 1 January	36,867	29,945
Additions	12,303	7,106
Net gain/(loss) from fair value adjustments (note 6)	2,582	(1,957)
Exchange realignment	1,026	1,773
Carrying amount at 31 December	52,778	36,867

The Group's investment properties as of 31 December 2021 consisted of 2 (2020: 2) commercial properties in Mainland China and 3 industrial properties (2020: 1) in Hong Kong, which are held under medium to long term leases. The Directors have determined that during the year ended 31 December 2021, the investment properties consisted of 2 classes (2020: 2 classes) of assets, i.e., commercial and industrial (2020: commercial and industrial), based on the nature, characteristics and risks of each property.

The Group's investment properties were revalued on 31 December 2021 based on valuations performed by Jones Lang LaSalle Limited, independent professionally qualified valuers, at HK\$52,778,000 (2020: HK\$36,867,000).

Each year, the Group's senior finance director decides, after approval from the directors, to appoint which external valuers to be responsible for the external valuations of the Group's properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Group's finance director has discussions with the valuers on the valuation assumptions and valuation results once a year when the valuation is performed for annual financial reporting.

The investment properties are leased to third parties under operating leases, further details of which are included in note 14(b).

# NOTES TO FINANCIAL STATEMENTS

31 December 2021

## 15. INVESTMENT PROPERTIES (Continued)

### Fair value hierarchy

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

	Fair value measurement as at 31 December 2021 using			
	Quoted price in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	Total HK\$'000
Recurring fair value measurement for:				
Commercial properties	–	–	32,758	32,758
Industrial properties	–	–	20,020	20,020
	–	–	52,778	52,778
	Fair value measurement as at 31 December 2020 using			
	Quoted price in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	Total HK\$'000
Recurring fair value measurement for:				
Commercial properties	–	–	30,367	30,367
Industrial property	–	–	6,500	6,500
	–	–	36,867	36,867

# NOTES TO FINANCIAL STATEMENTS

31 December 2021

## 15. INVESTMENT PROPERTIES (Continued)

### Fair value hierarchy (Continued)

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

31 December 2021

	Commercial properties HK\$'000	Industrial properties HK\$'000	Total HK\$'000
Carrying amount at the beginning of the year	30,367	6,500	36,867
Additions	–	12,303	12,303
Net gains from fair value adjustments (note 6)	1,365	1,217	2,582
Exchange realignment	1,026	–	1,026
Carrying amount at the end of the year	32,758	20,020	52,778

31 December 2020

	Commercial properties HK\$'000	Industrial property HK\$'000	Total HK\$'000
Carrying amount at the beginning of the year	29,945	–	29,945
Additions	–	7,106	7,106
Net losses from fair value adjustments (note 6)	(1,351)	(606)	(1,957)
Exchange realignment	1,773	–	1,773
Carrying amount at the end of the year	30,367	6,500	36,867

# NOTES TO FINANCIAL STATEMENTS

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## 15. INVESTMENT PROPERTIES (Continued)

### Fair value hierarchy (Continued)

Below is a summary of the valuation techniques used and the key inputs to the valuation of investment properties:

	Valuation techniques	Significant unobservable inputs	Range or weighted average	Sensitivity of fair value to the input
Commercial	Direct comparison method	Estimated market value (per square foot)	HK\$6,430 (2020: HK\$5,961)	5% increase/(decrease) in fair value would result in increase/(decrease) in fair value by HK\$1,638,000/(HK\$1,638,000) (2020: HK\$1,518,000/(HK\$1,518,000))
Industrial	Direct comparison method	Estimated market value (per square foot)	HK\$5,613 (2020: HK\$4,996)	5% increase/(decrease) in fair value would result in increase/(decrease) in fair value by HK\$1,001,000/(HK\$1,001,000) (2020: HK\$325,000/(HK\$325,000))

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

# NOTES TO FINANCIAL STATEMENTS

31 December 2021

## 16. INTANGIBLE ASSETS

	Licenses HK\$'000
<b>31 December 2021</b>	
At 1 January 2021	1,012
Amortisation provided during the year ( <i>note 6</i> )	(91)
Impairment ( <i>note 6</i> )	(921)
At 31 December 2021, net of accumulated amortisation and impairment	–
At 31 December 2021:	
Cost	1,698
Accumulated amortisation and impairment	(1,698)
Net carrying amount	–
<b>31 December 2020</b>	
At 1 January 2020	1,167
Amortisation provided during the year ( <i>note 6</i> )	(155)
At 31 December 2020, net of accumulated amortisation	1,012
At 31 December 2020:	
Cost	1,698
Accumulated amortisation	(686)
Net carrying amount	1,012

## 17. INVENTORIES

	2021 HK\$'000	2020 HK\$'000
Food and beverages, and other operating items for restaurant operations	96,854	78,800

# NOTES TO FINANCIAL STATEMENTS

31 December 2021

## 18. TRADE RECEIVABLES

	2021 HK\$'000	2020 HK\$'000
Trade receivables	<b>28,087</b>	24,331

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

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

	2021 HK\$'000	2020 HK\$'000
Within 1 month	<b>21,775</b>	17,316
1 to 2 months	<b>4,116</b>	4,036
2 to 3 months	<b>980</b>	677
Over 3 months	<b>1,216</b>	2,302
	<b>28,087</b>	24,331

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

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

# NOTES TO FINANCIAL STATEMENTS

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## 19. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2021 HK\$'000	2020 HK\$'000
Prepayments	85,378	76,830
Deposits and other receivables	207,751	195,130
	<b>293,129</b>	271,960
Less: Non-current portion	<b>(138,582)</b>	(141,244)
Current portion	<b>154,547</b>	130,716

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

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

The expected credit losses for the Group's deposits and other receivables are assessed to be minimal. The financial assets included in the above balance related to receivables for which there was no recent history of default and past due amounts as at 31 December 2021 and 2020.

# NOTES TO FINANCIAL STATEMENTS

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## 20. CASH AND CASH EQUIVALENTS

	2021 HK\$'000	2020 HK\$'000
Cash and bank balances	298,729	179,015
Non-pledged time deposits with original maturity of less than three months when acquired	153,878	371,190
Non-pledged time deposits with original maturity of more than three months when acquired	–	11,876
Cash and cash equivalents	452,607	562,081

The cash and bank balances of the Group denominated in Renminbi (“RMB”) as at 31 December 2021 amounted to approximately HK\$45,125,000 (2020: HK\$65,967,000). The RMB is not freely convertible into other currencies, however, under Mainland China’s Foreign Exchange Control Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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

## 21. TRADE PAYABLES

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

	2021 HK\$'000	2020 HK\$'000
Within 1 month	91,609	75,729
1 to 2 months	10,749	10,256
2 to 3 months	426	849
Over 3 months	3,592	5,101
	106,376	91,935

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

# NOTES TO FINANCIAL STATEMENTS

31 December 2021

## 22. OTHER PAYABLES AND ACCRUALS

	2021 HK\$'000	2020 HK\$'000
Other payables and accruals	216,918	231,230
Deposits received	1,436	380
Provision for reinstatement costs	52,827	50,775
	<b>271,181</b>	282,385
Less: Non-current portion	<b>(29,925)</b>	(33,589)
Current portion	<b>241,256</b>	248,796

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

Note:

The movements in the provision for reinstatement costs during the year are as follows:

	HK\$'000
At 1 January 2020	47,517
Addition during the year	5,353
Utilised during the year	(2,250)
Exchange realignment	155
At 31 December 2020 and 1 January 2021	<b>50,775</b>
Addition during the year	<b>6,497</b>
Utilised during the year	<b>(4,725)</b>
Exchange realignment	<b>280</b>
At 31 December 2021	<b>52,827</b>

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

# NOTES TO FINANCIAL STATEMENTS

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## 23. CONTRACT LIABILITIES

	2021 HK\$'000	2020 HK\$'000
Advances received from customers	73,359	77,847

The contract liabilities represent the aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied in relation to the unredeemed cash coupons and other coupons outstanding as of the end of the reporting period. The Group expects the transaction price allocated to the unsatisfied performance obligations to be recognised as revenue when the related cash coupons are redeemed. The decrease in contract liabilities in 2021 and 2020 was mainly due to the decrease in short-term advances received from customers in relation to the provision of food products at the end of the year.

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

	2021 HK\$'000	2020 HK\$'000
Revenue recognised that was included in the contract liabilities on 1 January — Restaurant operations	57,984	64,026

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

	2021 HK\$'000	2020 HK\$'000
Expected to be recognised within two years — Restaurant operations	73,359	77,847

# NOTES TO FINANCIAL STATEMENTS

31 December 2021

## 24. INTEREST-BEARING BANK BORROWINGS

	As at 31 December					
	Effective interest rate per annum	2021 Maturity	2021 HK\$'000	Effective interest rate per annum	2020 Maturity	2020 HK\$'000
Current Bank loans — secured	-	-	-	1.7%	2021	24,230
Non-current Bank loans — secured	-	-	-	1.7%	2022–2033	54,545
			-			78,775

	2021 HK\$'000	2020 HK\$'000
Analysed into:		
Bank loans repayable:		
Within one year or on demand	-	24,230
In the second year	-	4,302
In the third to fifth years, inclusive	-	13,348
Beyond five years	-	36,895
	-	78,775

*Notes:*

- (a) All of the Group's bank loans were secured by property, plant and equipment and right-of-use assets of HK\$238,966,000 (2020: HK\$253,043,000).
- (b) All borrowings are in Hong Kong dollars.
- (c) In prior year, there were no on demand clauses included in the loan facilities and the amounts repayable also represented the amounts based on the maturities of the bank loans.

# NOTES TO FINANCIAL STATEMENTS

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## 25. DEFERRED TAX

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

### Deferred tax assets

	Tax losses HK\$'000	Decelerated tax depreciation HK\$'000	Right-of-use assets HK\$'000	Total HK\$'000
At 1 January 2020	1,304	14,272	5,955	21,531
Deferred tax credited to profit or loss during the year ( <i>note 11</i> )	3,657	670	4,588	8,915
Exchange realignment	116	–	415	531
At 31 December 2020 and 1 January 2021	<b>5,077</b>	<b>14,942</b>	<b>10,958</b>	<b>30,977</b>
Deferred tax credited/(charged) to profit or loss during the year ( <i>note 11</i> )	<b>(297)</b>	<b>4,989</b>	<b>(4,525)</b>	<b>167</b>
Exchange realignment	<b>(54)</b>	<b>–</b>	<b>(210)</b>	<b>(264)</b>
At 31 December 2021	<b>4,726</b>	<b>19,931</b>	<b>6,223</b>	<b>30,880</b>

### Deferred tax liabilities

	Withholding taxes HK\$'000	Accelerated tax depreciation HK\$'000	Others HK\$'000	Total HK\$'000
At 1 January 2020	3,458	3,503	1,976	8,937
Deferred tax charged/(credited) to profit or loss during the year ( <i>note 11</i> )	306	729	(532)	503
Exchange realignment	110	–	(3)	107
At 31 December 2020 and 1 January 2021	<b>3,874</b>	<b>4,232</b>	<b>1,441</b>	<b>9,547</b>
Deferred tax charged/(credited) to profit or loss during the year ( <i>note 11</i> )	<b>(1,574)</b>	<b>(2,788)</b>	<b>633</b>	<b>(3,729)</b>
Exchange realignment	<b>227</b>	<b>–</b>	<b>57</b>	<b>284</b>
At 31 December 2021	<b>2,527</b>	<b>1,444</b>	<b>2,131</b>	<b>6,102</b>

# NOTES TO FINANCIAL STATEMENTS

31 December 2021

## 25. DEFERRED TAX (Continued)

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

	2021 HK\$'000	2020 HK\$'000
Net deferred tax assets recognised in the consolidated statement of financial position	30,560	26,311
Net deferred tax liabilities recognised in the consolidated statement of financial position	(5,782)	(4,881)
	24,778	21,430

The Group had unrecognised tax losses arising in Hong Kong of approximately HK\$52,427,000 as at 31 December 2021 (2020: HK\$69,194,000), that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. The Group had unrecognised tax losses arising in Mainland China, Macau and Taiwan of approximately HK\$250,759,000, HK\$20,471,000 and HK\$6,887,000 as at 31 December 2021 (2020: HK\$179,440,000, HK\$11,605,000 and HK\$3,145,000), that will expire in five, three and ten years for offsetting against future taxable profits of the companies in which the losses arose, respectively. Deferred tax assets have not been recognised in respect of these losses as, in the opinion of the directors, they have arisen in subsidiaries that have been loss-making for some time and it is not certain that taxable profits will be available against which the tax losses can be utilised.

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

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

# NOTES TO FINANCIAL STATEMENTS

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## 26. ISSUED CAPITAL

	Number of shares	Share capital HK\$'000
<b>Authorised:</b>		
As at 1 January 2020, 31 December 2020, 1 January 2021 and 31 December 2021	10,000,000,000	100,000
<b>Issued and fully paid:</b>		
At 1 January 2020	1,000,000,000	10,000
Share options exercised ( <i>note</i> )	1,873,000	19
As at 31 December 2020 and 1 January 2021	<b>1,001,873,000</b>	<b>10,019</b>
Share options exercised ( <i>note</i> )	<b>1,723,000</b>	<b>17</b>
As at 31 December 2021	<b>1,003,596,000</b>	<b>10,036</b>

*Note:*

During the year ended 31 December 2021, the subscription rights attaching to 1,723,000 (2020: 1,873,000) share options were exercised at the subscription price of HK\$0.45 (2020: HK\$0.45) per share, resulting in the issue of 1,723,000 (2020: 1,873,000) shares for a total cash consideration, before expenses, of approximately HK\$775,000 (2020: HK\$843,000). An amount of HK\$3,874,000 (2020: HK\$4,343,000) was transferred from the share option reserve to share premium upon the exercise of the share options.

# NOTES TO FINANCIAL STATEMENTS

31 December 2021

## 27. SHARE OPTION SCHEMES

### (a) Post-IPO Share Option Scheme

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

The maximum number of shares in respect of which options may be granted under the Post-IPO Share Option Scheme and any other schemes involving the issue or grant of options or similar rights over shares or other securities by the Company shall not, in aggregate, exceed 10% of the issued share capital of the Company as at the date on which dealings in the shares of the Company commenced on the Stock Exchange (i.e. 13 June 2019) (the “Listing Date”) (without taking into account the shares which may be issued and allotted pursuant to the exercise of the over-allotment option and the options which may be or have been granted under the Pre-IPO share option scheme and the Post-IPO Share Option Scheme) unless shareholders’ approval has been obtained.

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

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

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

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



# NOTES TO FINANCIAL STATEMENTS

31 December 2021

## 27. SHARE OPTION SCHEMES *(Continued)*

### (a) Post-IPO Share Option Scheme *(Continued)*

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

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

Since the Adoption Date and up to 31 December 2021, no share options of the Company were granted, exercised, cancelled or lapsed under the Post-IPO Share Option Scheme.

### (b) Pre-IPO Share Option Scheme

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

There were 4,502,000 outstanding share options under the Pre-IPO Share Option Scheme as at 31 December 2020, 1,723,000 share options were exercised and 916,000 share options were lapsed during the year ended 31 December 2021, and there were 1,863,000 outstanding share options as at 31 December 2021.

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

# NOTES TO FINANCIAL STATEMENTS

31 December 2021

## 27. SHARE OPTION SCHEMES (Continued)

### (b) Pre-IPO Share Option Scheme (Continued)

The following share options were outstanding under the Pre-IPO Share Option Scheme during the year:

Participants	Date of grant	Fair value of the Company's shares at grant date of options (HK\$)	Exercise price per share (HK\$)	Outstanding as at	Exercised during the year	Lapsed during the year	Outstanding	Exercise period
				31 December 2020 and 1 January 2021			as at 31 December 2021	
<b>Senior management</b>								
Mr. Wong King Pong Edmond	22 May 2019	2.24	0.45	180,000	(180,000)	–	–	Notes (ii)
	22 May 2019	2.19	0.45	240,000	–	–	240,000	Notes (iii)
Ms. Zhou Yuewu	22 May 2019	2.24	0.45	180,000	(180,000)	–	–	Notes (ii)
	22 May 2019	2.19	0.45	240,000	–	–	240,000	Notes (iii)
<b>Other grantees</b>								
Employees	22 May 2019	2.32	0.45	39,500	(37,000)	(1,000)	1,500	Notes (i)
	22 May 2019	2.25	0.45	1,552,500	(1,326,000)	(225,000)	1,500	Notes (ii)
	22 May 2019	2.19	0.45	2,070,000	–	(690,000)	1,380,000	Notes (iii)
Total for the Pre-IPO Share Option Scheme				4,502,000	(1,723,000)	(916,000)	1,863,000	

Notes for exercise period:

- (i) On the first anniversary of the Listing Date (the "First Exercisable Date"), 30% of the Pre-IPO Share Options (the "First Batch Options") granted to an individual grantee became vested in and exercisable by such grantee, and all unexercised First Batch Options shall lapse and be deemed as cancelled and void on the fifth anniversary date of the First Exercisable Date.
- (ii) On the second anniversary of the Listing Date (the "Second Exercisable Date"), a further 30% of the Pre-IPO Share Options (the "Second Batch Options") granted to an individual grantee became vested in and exercisable by such grantee, and all unexercised Second Batch Options shall lapse and be deemed as cancelled and void on the fifth anniversary date of the Second Exercisable Date.
- (iii) On the third anniversary of the Listing Date (the "Third Exercisable Date"), the remaining 40% of the Pre-IPO Share Options (the "Third Batch Options") granted to an individual grantee shall become exercisable by such grantee, and all unexercised Third Batch Options shall lapse and be deemed as cancelled and void on the fifth anniversary date of the Third Exercisable Date.

The weighted average share price at the date of exercise for share options exercised during the year was HK\$2.06 per share (2020: HK\$1.43 per share).

# NOTES TO FINANCIAL STATEMENTS

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## 27. SHARE OPTION SCHEMES (Continued)

### (b) Pre-IPO Share Option Scheme (Continued)

The fair value of the share options granted in 2019 was HK\$14,321,000, of which the Group recognised a share option expense of HK\$863,000 (2020: HK\$8,323,000) during the year ended 31 December 2021.

The fair value of equity-settled share options granted in 2019 was estimated as at the date of grant using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	2019
Dividend yield (%)	2.50
Expected volatility (%)	37.36
Risk-free interest rate (%)	2.06–2.12
Expected life of options (year)	6–8

The expected life of the options is based on the historical data over the past and is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

The 1,723,000 (2020: 1,873,000) share options exercised during the year resulted in the issue of 1,723,000 (2020: 1,873,000) ordinary shares of the Company and new share capital of approximately HK\$17,000 (2020: HK\$19,000) (before issue expenses), as further detailed in note 26 to the financial statements.

At the end of the reporting period, the Company had 1,863,000 share options outstanding under the scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 1,863,000 additional ordinary shares of the Company and additional share capital of approximately HK\$19,000 (before issue expenses).

At the date of approval of these financial statements, the Company had 1,863,000 share options outstanding under the scheme, which represented approximately 0.2% of the Company's shares in issue as at that date.

# NOTES TO FINANCIAL STATEMENTS

31 December 2021

## 28. RESERVES

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

### (a) Capital reserve

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

### (b) Exchange fluctuation reserve

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

### (c) Statutory reserve

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

## 29. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

### (a) Major non-cash transactions

- (i) The Group recognised estimated obligations to dismantle, remove and restore certain items of property, plant and equipment of HK\$6,497,000 (2020: HK\$5,353,000) in respect of the premises under operating leases in the Group's property, plant and equipment which had been recorded under other payables and accruals.
- (ii) During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of HK\$387,098,000 (2020: HK\$463,049,000) and HK\$387,098,000 (2020: HK\$463,049,000), respectively, in respect of lease arrangements for leased assets.
- (iii) During the year, the Group had non-cash lease modification and termination to right-of-use assets and lease liabilities of HK\$325,828,000 (2020: HK\$105,924,000) and HK\$360,839,000 (2020: HK\$109,920,000), respectively, in respect of lease arrangements for leased assets.

# NOTES TO FINANCIAL STATEMENTS

31 December 2021

## 29. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

### (b) Changes in liabilities arising from financing activities

	Lease liabilities HK\$'000	Interest- bearing bank borrowings HK\$'000
At 1 January 2020	1,631,253	307,462
Changes from financing cash flows		
New leases (note 14(b)(ii))	463,049	–
Foreign exchange movement	26,743	–
Interest expense (note 8)	38,817	–
Covid-19-related rent concessions from lessors (note 6)	(56,246)	–
Modification and termination of leases (note 14(b)(ii))	(109,920)	–
At 31 December 2020 and 1 January 2021	<b>1,584,292</b>	<b>78,775</b>
Changes from financing cash flows		
New leases (note 14(b)(ii))	<b>387,098</b>	–
Foreign exchange movement	<b>13,616</b>	–
Interest expense (note 8)	<b>33,255</b>	–
Covid-19-related rent concessions from lessors (note 6)	<b>(17,331)</b>	–
Modification and termination of leases (note 14(b)(ii))	<b>(360,839)</b>	–
At 31 December 2021	<b>1,156,052</b>	–

# NOTES TO FINANCIAL STATEMENTS

31 December 2021

## 30. CONTINGENT LIABILITIES

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

	As at 31 December	
	2021	2020
	HK\$'000	HK\$'000
Bank guarantees in favour of landlords in lieu of deposits	48,513	40,108

## 31. RELATED PARTY TRANSACTIONS

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

	2021	2020
	HK\$'000	HK\$'000
Rental payments paid to related companies ( <i>note</i> )	5,403	6,331

*Note:*

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

The transactions were conducted on terms and conditions mutually agreed between the relevant parties. The directors are of the opinion that those related party transactions were conducted in the ordinary course of business of the Group.

### (b) Commitments with related parties

During the year, certain subsidiaries of the Group entered into lease agreements with related companies, which are controlled by certain directors of the Group, to lease the investment properties for the Group's restaurant operations and staff quarters. The amounts of rental expenses paid to the related companies are included in note 31(a) to the financial statements. The leases are negotiated for one to three years with a one-month notice period for termination.

As at 31 December 2021, the Group had outstanding future minimum lease payments under non-cancellable operating leases for such properties owned by related companies amounting to HK\$2,381,000 (2020: HK\$9,920,000), respectively, for the properties owned by related companies.

# NOTES TO FINANCIAL STATEMENTS

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## 31. RELATED PARTY TRANSACTIONS (Continued)

### (c) Compensation of key management personnel of the Group

	2021 HK\$'000	2020 HK\$'000
Short-term employee benefits	23,632	23,887
Post-employment benefits	108	138
Total compensation paid to key management personnel	23,740	24,025

The compensation of key management personnel of the Group for each reporting period included emoluments of the directors and the five highest paid employees as disclosed in notes 9 and 10, respectively.

## 32. CAPITAL COMMITMENTS

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

	2021 HK\$'000	2020 HK\$'000
Contracted, but not provided for: Leasehold improvements and plant and machinery	13,252	26,187

# NOTES TO FINANCIAL STATEMENTS

31 December 2021

## 33. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of the Group's financial instruments as at 31 December 2021 and 2020 are as follows:

### Financial assets

	Financial assets at amortised cost	
	2021 HK\$'000	2020 HK\$'000
Trade receivables	28,087	24,331
Financial assets included in prepayments, deposits and other receivables ( <i>note 19</i> )	207,751	195,130
Cash and cash equivalents	452,607	562,081
	<b>688,445</b>	781,542

### Financial liabilities

	Financial liabilities at amortised cost	
	2021 HK\$'000	2020 HK\$'000
Trade payables	106,376	91,935
Financial liabilities included in other payables and accruals	269,745	282,005
Interest-bearing bank borrowings	–	78,775
Lease liabilities	1,156,052	1,584,292
	<b>1,532,173</b>	2,037,007



## NOTES TO FINANCIAL STATEMENTS

31 December 2021

### 34. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

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

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

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

### 35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

# NOTES TO FINANCIAL STATEMENTS

31 December 2021

## 35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

### Foreign currency risk

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

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

	Increase/ (decrease) in exchange rate %	Increase/ (decrease) profit before tax HK'000	Increase/ (decrease) in equity* HK'000
<b>As at 31 December 2021</b>			
If Renminbi weakens against HK\$	10	65	–
If Renminbi strengthens against HK\$	10	(65)	–
<b>As at 31 December 2020</b>			
If Renminbi weakens against HK\$	10	(410)	–
If Renminbi strengthens against HK\$	10	410	–

\* Excluding retained profits

### Interest rate risk

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

In the prior year, if the interest rates on borrowings had been 50 basis points higher, which was considered reasonably possible by management, with all other variables held constant, the profit before tax for the year would have been approximately HK\$966,000 lower as a result of higher interest expenses on interest-bearing bank borrowings.

# NOTES TO FINANCIAL STATEMENTS

31 December 2021

## 35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

### Credit risk

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

Management considered that no provision for impairment of trade receivables is necessary for the years ended 31 December 2021 and 2020.

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

### Liquidity risk

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

The maturity profile of the Group’s financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	Within 1 year HK\$'000	2 to 5 years HK\$'000	Beyond 5 years HK\$'000	Total HK\$'000
<b>As at 31 December 2021</b>				
Trade payables	106,376	–	–	106,376
Financial liabilities included in other payables and accruals	239,820	29,925	–	269,745
Lease liabilities	460,213	748,765	48,751	1,257,729
	<b>806,409</b>	<b>778,690</b>	<b>48,751</b>	<b>1,633,850</b>
<b>As at 31 December 2020</b>				
Trade payables	91,935	–	–	91,935
Financial liabilities included in other payables and accruals	248,416	33,589	–	282,005
Interest-bearing bank borrowings	25,228	20,799	39,227	85,254
Lease liabilities	558,431	1,073,493	63,282	1,695,206
	<b>924,010</b>	<b>1,127,881</b>	<b>102,509</b>	<b>2,154,400</b>

# NOTES TO FINANCIAL STATEMENTS

31 December 2021

## 35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

### Capital management

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

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders and return capital to shareholders. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2021 and 2020.

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

	2021 HK\$'000	2020 HK'000
Trade payables	106,376	91,935
Other payables and accruals	271,181	282,385
Contract liabilities	73,359	77,847
Interest-bearing bank borrowings	–	78,775
Lease liabilities	1,156,052	1,584,292
Less: Cash and cash equivalents	(452,607)	(562,081)
Net debt	1,154,361	1,553,153
Equity attributable to owners of the Company	1,093,534	1,077,460
Capital and net debt	2,247,895	2,630,613
Gearing ratio	51.4%	59.0%

# NOTES TO FINANCIAL STATEMENTS

31 December 2021

## 36. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

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

	2021 HK\$'000	2020 HK'000
<b>NON-CURRENT ASSET</b>		
Investments in subsidiaries	—*	—*
Total non-current asset	—*	—*
<b>CURRENT ASSETS</b>		
Due from subsidiaries	683,633	488,637
Prepayments, deposits and other receivables	8	312
Cash and cash equivalents	110,002	324,448
Total current assets	793,643	813,397
<b>CURRENT LIABILITY</b>		
Accruals and other payables	913	217
Total current liability	913	217
<b>NET CURRENT ASSETS</b>	792,730	813,180
Net assets	792,730	813,180
<b>EQUITY</b>		
Issued capital	10,036	10,019
Reserves ( <i>note</i> )	782,694	803,161
Total equity	792,730	813,180

\* less than HK\$1,000

# NOTES TO FINANCIAL STATEMENTS

31 December 2021

## 36. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Note:

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

	Share premium HK\$'000	Share option reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 January 2020	713,488	2,180	3,242	718,910
Profit for the year and total comprehensive income for the year	–	–	106,123	106,123
Equity-settled share option arrangement (note 27(b))	–	8,323	–	8,323
Issue of shares	5,167	(4,343)	–	824
Dividends	–	–	(31,019)	(31,019)
At 31 December 2020 and 1 January 2021	<b>718,655</b>	<b>6,160</b>	<b>78,346</b>	<b>803,161</b>
Profit for the year and total comprehensive income for the year	–	–	67,322	67,322
Issue of shares	4,632	(3,874)	–	758
Transfer of share option reserve upon the lapse of share options	–	(2)	2	–
Equity-settled share option arrangement (note 27(b))	–	863	–	863
Dividends	–	–	(89,410)	(89,410)
At 31 December 2021	<b>723,287</b>	<b>3,147</b>	<b>56,260</b>	<b>782,694</b>

## 37. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 28 March 2022.

## FIVE-YEAR FINANCIAL SUMMARY

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

### RESULTS

	2021 HK\$'000	2020 HK\$'000	2019 HK\$'000	2018 HK\$'000	2017 HK\$'000
REVENUE	<b>3,173,027</b>	2,797,923	3,252,250	3,126,053	2,771,277
PROFIT BEFORE TAX	<b>128,304</b>	121,301	116,762	357,676	270,541
Income tax expense	<b>(32,949)</b>	(3,539)	(39,595)	(52,742)	(60,908)
PROFIT FOR THE YEAR	<b>95,355</b>	117,762	77,167	304,934	209,633
Profit attributable to:					
Owners of the Company	<b>99,716</b>	118,959	76,864	304,934	115,682
Non-controlling interests	<b>(4,361)</b>	(1,197)	303	–	93,951
	<b>95,355</b>	117,762	77,167	304,934	209,633

### ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	2021 HK\$'000	2020 HK\$'000	2019 HK\$'000	2018 HK\$'000	2017 HK\$'000
TOTAL ASSETS	<b>2,738,787</b>	3,214,627	3,404,749	1,399,207	1,734,387
TOTAL LIABILITIES	<b>1,643,609</b>	2,131,615	2,433,895	1,033,162	1,536,727
	<b>1,095,178</b>	1,083,012	970,854	366,045	197,660
EQUITY:					
Equity attributable to owners of the Company	<b>1,093,534</b>	1,077,460	966,721	366,045	197,660
Non-controlling interests	<b>1,644</b>	5,552	4,133	–	–
	<b>1,095,178</b>	1,083,012	970,854	366,045	197,660