稻香集團

Tao Heung Holdings Limited
稻香控股有限公司*

(Incorporated in the Cayman Islands with Limited Liability)

Stock Code : 573

*For identification purposes only

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CORPORATE INFORMATION

Board of Directors

Executive Directors

Mr. Chung Wai Ping
(Chairman and Chief Executive Officer)
Mr. Wong Ka Wing
Mr. Ho Yuen Wah
Mr. Chung Chun Fung

Non-Executive Directors

Mr. Fong Siu Kwong
Mr. Chan Yue Kwong, Michael

Independent Non-Executive Directors

Professor Chan Chi Fai, Andrew
Mr. Mak Hing Keung, Thomas
Mr. Ng Yat Cheung
Ms. Wong Fun Ching
(Appointed with effective from 1 January 2023)

Company Secretary

Ms. Cheung Kin Man

Authorised Representatives

Mr. Chung Chun Fung
Ms. Cheung Kin Man

Members of Audit Committee

Mr. Mak Hing Keung, Thomas *(Chairman)*
Professor Chan Chi Fai, Andrew
Mr. Chan Yue Kwong, Michael
Ms. Wong Fun Ching
(Appointed with effective from 1 January 2023)

Members of Nomination Committee

Professor Chan Chi Fai, Andrew *(Chairman)*
Mr. Ng Yat Cheung
Mr. Chan Yue Kwong, Michael

Members of Remuneration Committee

Mr. Ng Yat Cheung *(Chairman)*
Mr. Fong Siu Kwong
Mr. Mak Hing Keung, Thomas

Registered Office

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

Principal Place of Business in Hong Kong

No. 18 Dai Fat Street, Tai Po Industrial Estate
Tai Po, New Territories, Hong Kong

Principal Share Registrar

Suntera (Cayman) Limited
Suite 3204, Unit 2A, Block 3, Building D
P.O. Box 1586, Gardenia Court
49 Market Street, Camana Bay
Grand Cayman KY1-1100, Cayman Islands

Hong Kong Branch Share Registrar

Computershare Hong Kong Investor Services Limited
Shops 1712–16, 17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

Principal Bankers

Bank of China (Hong Kong) Limited
BNP Paribas, Hong Kong Branch
China CITIC Bank Corporation Limited
Hang Seng Bank Limited
Industrial and Commercial Bank of China Limited
Standard Chartered Bank (Hong Kong) Limited
The Hongkong and Shanghai Banking Corporation Limited

Auditor

Ernst & Young
Certified Public Accountants
Registered Public Interest Entity Auditor

Stock Code

573

Website

www.taoheung.com.hk

FINANCIAL HIGHLIGHTS AND CALENDAR

	Notes	2023 HK$'000	2022 HK$'000	Increase/ (Decrease) in %
Revenue		**2,949,362**	2,401,849	22.8%
Profit/(loss) attributable to owners of the parent		**73,655**	(143,138)	151.5%
Gross profit margin		**11.0%**	0.4%	2,650.0%
Net profit/(loss) margin	1	**2.5%**	(6.0%)	141.7%

Per Share Data		**HK cents**	HK cents	
Earnings/(loss) per share				
— Basic		**7.26**	(14.11)	151.5%
— Diluted		**7.26**	(14.11)	151.5%
Interim dividend per share		**3.00**	3.00	–
Proposed final dividend per share		**3.00**	3.00	–

	Notes	2023 HK$'000	2022 HK$'000	Increase/ (Decrease) in %
Total assets		**2,188,819**	2,272,978	(3.7%)
Net assets		**1,254,255**	1,243,122	0.9%
Cash and cash equivalents		**345,146**	251,854	37.0%
Net cash	2	**259,439**	142,021	82.7%
Liquidity and Gearing				
Current ratio	3	**1.1**	0.9	22.2%
Quick ratio	4	**0.9**	0.7	28.6%
Gearing ratio	5	**7.0%**	9.0%	(22.2%)

Per Share Data		**HK cents**	HK cents	
Net assets per share	6	**123.65**	122.55	0.9%
Net cash per share	7	**25.58**	14.00	82.7%

Notes:

1. Net profit/(loss) margin is calculated as net profit/(loss) attributable to owners of the parent divided by revenue.
2. Net cash is cash and cash equivalents less interest-bearing bank borrowings.
3. Current ratio is calculated as current assets divided by current liabilities.
4. Quick ratio is calculated as current assets less inventories divided by current liabilities.
5. Gearing ratio is calculated as interest-bearing bank borrowings divided by total equity attributable to owners of the parent.
6. Net assets per share is calculated based on the number of 1,014,348,000 shares (2022: 1,014,348,000 shares).
7. Net cash per share is calculated based on the number of 1,014,348,000 shares (2022: 1,014,348,000 shares).

FINANCIAL HIGHLIGHTS AND CALENDAR

CALENDAR

22 August 2023	Announcement of interim results
27 March 2024	Announcement of annual results
26 April 2024	Despatch of annual report to shareholders
23 May 2024 to 30 May 2024	Closure of register of members for attending the annual general meeting
30 May 2024	Annual general meeting
6 June 2024	Closure of register of members for proposed final dividend

Dividends

20 June 2024	Final: HK3.00 cents per share proposed

CHAIRMAN'S STATEMENT

On behalf of the board (the "**Board**") of directors (the "**Directors**") of Tao Heung Holdings Limited (the "**Company**") together with its subsidiaries ("**Tao Heung**" or the "**Group**"), I hereby present the annual results of the Group for the year ended 31 December 2023.

The year 2023 will go down as the beginning of the recovery of Hong Kong, Mainland China and the rest of the world since the outbreak of COVID-19. While much was anticipated with the lifting of pandemic-related restrictions, persistently high inflation in many countries, rising interest rates and ongoing geopolitical tensions were among the factors that undermined the global economic recovery, in turn dampening consumption sentiments. In response, our management team implemented a series of strategies, which included refurbishing restaurants to bolster the brand equity of Tao Heung; establishing new brands to diversify our sources of restaurant income; implementing cost controls in a prudent manner; and leveraging automation-related technologies to enhance the productivity and efficiency of our logistics centres. Through these measures, we were able to restore business growth and realise encouraging results.

Hong Kong's restaurant operation achieved significant growth during the year, most notably in daytime sessions and from banquet business. Dinner sessions, however, were comparatively weaker, possibly due to the changing habits of Hong Kong citizens having dinner earlier during COVID-19. In addition, our diversified brand strategy has proven effective, while our OEM business has also grown satisfactorily, with both revenue and number of clients continuously increasing.

Recovery of our Mainland China business was slower compared to Hong Kong, partly due to the impact of restaurant network integration and closure of underperforming branches. Although performance of our chilled and packaged food segment slowed, we believe with continuous quality improvement, product diversification, and expansion of sales channels both domestically and internationally, the business segment has great potential for development.

Looking ahead to 2024, we anticipate the new year to be no less difficult. In addition to the factors already noted, the food and beverage industry will also encounter challenges in the form of labour shortages, high ingredient prices, exorbitant rents, etc. all of which will continue to impede business performance. We will adjust our business models accordingly, devise strategies to enhance the Group's products mix, and control costs strategically. We believe that the desire to dine out remains, which, coupled with the relatively stable and vibrant business environments in Hong Kong and Mainland China, bode well for the long-term development of the Group.

CHAIRMAN'S STATEMENT

Over the years, Tao Heung has not only focused on operating a sustainable Chinese cuisine business, but has also given priority to the protection and advancement of society. In 2023, we cooperated with different social welfare organisations and sponsored charity events to support our community, including inviting secondary schools and service centres to visit the Tao Heung Museum of Food Culture during Chinese New Year. Invitations were also extended to underprivileged families, and dim sum workshops were organised to add to the meaningfulness of the occasion. During the Dragon Boat Festival and Mid-Autumn Festival, we offered our members the opportunity to make rice dumplings and mooncakes together. Recognising the importance of also helping the elderly, we donated packaged snacks via local NGOs on a regular basis. It is worth noting that Tao Heung was honoured with two corporate awards in 2023 in recognition of its exceptional performance in marketing strategy and brand image. Specifically, they include the Market Leadership Award 2022 by the Hong Kong Institute of Marketing, and the 2022 QF in Action Achiever (Partner) recognition by the Qualifications Framework in Hong Kong ("**HKQF**").

Appreciation

In bidding farewell to 2023, the world will undoubtedly hope to also bid farewell to the challenges brought by the COVID-19 pandemic, and that steps toward recovery have commenced. Despite the tough economic and environmental conditions of the recent past, it has been truly rewarding to witness the resilience of our business. Such achievements would not be possible without the dedication and effort of our staff. It is through their commitment and diligence that the Group has been able to navigate through these unprecedented times, hence are deserving of the highest praise. Certainly, our heartfelt gratitude must also be extended to our shareholders and stakeholders for their unwavering support for the management team and the Group. We look forward to continuing this development journey together and achieving even greater successes in the future.

Chung Wai Ping
Chairman and Chief Executive Officer

Hong Kong
27 March 2024

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Board hereby announces the annual results of the Group for the year ended 31 December 2023. During the latest financial year, the global economy grew by approximately 3.1%[1], according to Organisation for Economic Co-operation and Development (OECD). At the same time, Hong Kong's gross domestic product (GDP) increased by 3.2% in real terms over 2022[2], based on advance estimates by the Census and Statistics Department, driven by the rise in visitors from around the world, rise in exports and personal expenditure, and increase in overall investment expenditure. Meanwhile, the National Bureau of Statistics reported GDP growth of 5.2%[3] in Mainland China. The aforementioned figures therefore suggest that economic growth in Hong Kong and Mainland China outperformed other regions. During the year, the Group duly devised strategies in step with market trends. This has included leveraging its competitive advantages in the markets, such as effective marketing campaigns, stringent cost control and comprehensive logistics support, to successfully convert opportunities into profits.

1 https://www.oecd.org/economic-outlook/february-2024/

2 https://www.censtatd.gov.hk/en/press_release_detail.html?id=5380

3 https://www.stats.gov.cn/sj/zxfb/202401/t20240118_1946691.html

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Results

The Group has recorded total revenue of HK$2,949.4 million (2022: HK$2,401.8 million) for the year, which represents a year-on-year increase of 22.8%. Gross profit margin (defined as total revenue less cost of inventories sold divided by total revenue) edged upwards to 65.8% (2022: 62.4%), with profit attributable to owners of the parent achieving a turnaround at HK$73.7 million (2022: loss of HK$143.1 million).

The Board has proposed a final dividend of HK3.0 cents per share for the year ended 31 December 2023 (2022: HK3.0 cents).

Hong Kong Operations

The Hong Kong operations contributed revenue of HK$1,783.4 million (2022: HK$1,307.6 million) for the year, representing a year-on-year increase of 36.4%. Earnings before interest, tax, depreciation and amortisation (EBITDA) rose 76.3% year-on-year to HK$321.0 million (2022: HK$182.1 million), with profit attributable to owners of the parent at HK$57.8 million (2022: loss of HK$41.3 million).

The encouraging performance of the Hong Kong operations reflects the management's ability to pay attention to market dynamics and gauge consumers attitudes, creating a portfolio of Hong Kong restaurant brands that are in step with current developments and dining trends, and ensuring that the current business model is sound and sustainable. A case in point is "Chung's House (鍾菜館)" which is a diversified brand that has successfully attracted a more premium of customers segment. Its growth has been quite notable, with sales and profitability up by 50% compared with pre-COVID. This can principally be attributed to the brand's ability to attract customers with high consumption power and those who appreciate quality food and a sophisticated ambience. In view of Chung's House favourable performance, the Group plans to continue developing this brand in the future. Another brand that has delivered good results is "Grand Ballroom (潮囍薈)", which was launched in early 2023. Specialising in wedding banquets and corporate events, its excellent location and uniquely designed venue has successfully attracted over 100 couples less than one year of operation. Additionally, many well-known organisations and corporations have chosen Grand Ballroom for holding their events. Another new brand that has achieved encouraging results is "Boat One (壹號漁船)", launched in the fourth quarter of 2023. Presently comprising two restaurants, both have indoor fishponds that leave lasting impressions on patrons. Moreover, the restaurants are divided into two areas, one side offering all-you-can-eat seafood hotpots and the other serving exquisite dim sum and small dishes. Despite having opened for only three months, the number of patrons has been increasing steadily, the majority of whom are aged between 25 and 40. Another brand that has performed increasingly well is "Hak Ka Hut (客家好棧)" which has contributed to the Group's overall profitability.

COVID-19 has altered the food culture and consumption pattern of Hong Kong people. Consumers have become more price conscious, selective and demanding about their products and services. Consequently, the Group offered various value-for-money promotion campaigns, such as the "one-dollar" dish series, special banquet menu, dinner combo and seasonal seafood menu, all of which have successfully helped to boost sales revenue.

Given that the cost of labour and food ingredients have remained generally high in Hong Kong, such expenses have presented stiff challenges to the food and beverage (F&B) industry as a whole. For Tao Heung, it has managed to keep ingredient costs at a stable level, yet staff costs were still a major challenge due to serious labour shortage. The Group will continue to make every effort to rein in expenses, all the while exercising utmost caution.

As the manpower shortage and rising labour costs look set to be long-term challenges, many businesses have elected to outsource their food processing activities to third-party providers. Tao Heung has been able to capitalise on this development via its OEM operation, which experienced an uptick in business in 2023. Previously, the operation mainly focused on Chinese cuisine, but the Group has since introduced a new line of Western cuisine. Tao Heung has also proactively conducted research and development to better address the needs of its increasingly diverse makeup of customers. In addition to its established customer base, mainly comprising restaurants, hotels, supermarkets, convenience stores, smaller shops and airline companies, this base has been expanded to include catering groups and bakery chain stores.

As at 31 December 2023, the Group had a total of 43 (2022: 45) restaurants in Hong Kong. As for Tai Cheong bakeries, the Group operated a total of six in Hong Kong (2022: eight) and 11 in Singapore (2022: 12) as at 31 December 2023. The Group elected to reduce the number of Tai Cheong bakeries in Hong Kong so that greater resources could be utilised to further develop branches that have higher profit potential as well as those situated in superior locations. On the products front, Tai Cheong egg tarts and other branded products have proved to be popular among both overseas tourists and Hong Kong citizens alike, helping to improve overall same-store sales performance during the year. In Singapore, profitability of Tai Cheong has not been as favourable as in the past. This was mainly due to the adverse local economic conditions, with the country experiencing a slowdown in GDP growth and inflation at 4.8%. Amid this challenging economic environment, the Group presently has no plans to open new branches there. However, it does intend to promote the Tai Cheong brand in other regional markets through collaboration with international food and beverage operators.

Mainland China Operations

The Mainland China operations reported revenue of HK$1,165.9 million (2022: HK$1,094.2 million) for the year, or an increase of 6.5% over 2022. EBITDA rose 176.9% year-on-year to HK$189.1 million (2022: HK$68.3 million), and profit attributable to owners of the parent totalled HK$15.9 million (2022: loss of HK$101.8 million). If excluding the compensation received for the expropriation of poultry farms land of HK$27.2 million, EBITDA would be HK$166.7 million (2022: HK$68.3 million), while loss attributable to owners would be HK$6.5 million (2022: loss of HK$101.8 million).

Revenue increase experienced by the Mainland China operation was not too substantial, this was mainly because of the closure of several restaurants during the year. However, Tao Heung has developed a series of banquet menus and conducted relevant decoration work which has led to an increase of between 30% and 40% in banquet sales. Furthermore, we continued to optimize customer service quality through intensive training programs which has successfully attracted more customer traffic.

In terms of marketing promotions, apart from holding popular promotional activities, Tao Heung has also employed targeted strategies. This has included tailoring specific dishes and meal packages to appeal to regional customer groups in Mainland China. In addition, the Group has sought to attract the younger generation, especially young professionals or those who enjoy nightlife, by introducing a late-night dim sum buffet. It has also utilised social media platforms such as XiaoHongShu (小紅書), WeChat and Dianping.com (大眾點評) for promotions, which has yielded highly positive results.

As at 31 December 2023, the Group had a total of 39 restaurants (2022: 45) in Mainland China. Branch closures were conducted following careful consideration for the development potential of each restaurant and the number of restaurants in each region, with adjustments made accordingly.

MANAGEMENT DISCUSSION AND ANALYSIS

As the side effects of COVID-19 gradually receded, more people began engaging in outdoor pursuits, including dining and other activities. Consequently, the chilled and packaged food segment experienced a noticeable sales decline. Nevertheless, the growth of the restaurant business was sufficiently significant to offset this unfavourable trend. Regarding the Group's online chilled and packaged food segment, sales are primarily facilitated through popular e-commerce platforms such as TikTok (抖音), Tmall (天貓), JD.com (京東), and Ping Duo Duo (拼多多). For offline sales, it is principally conducted via various types of distributorships. The management believes the chilled and packaged food segment has substantial potential which the Group intends to explore overseas markets in the coming years.

Peripheral Businesses

The performance of the Group's self-owned supermarket business has weakened compared with the same period last year. Although performance was less satisfactory, the supermarket business is conducive to attracting new customers or strengthen connections with existing ones, thus reinforcing Tao Heung's overall customer base.

In order to offer better shopping experiences to customers, the Group has revised certain in-store product displays, so as to also entice customers to explore a wider range of products. Additionally, Tao Heung has introduced imported products from other regions to build customer loyalty.

Financial Resources and Liquidity

As at 31 December 2023, the total assets decreased by 3.7% to approximately HK$2,188.8 million (2022: approximately HK$2,273.0 million) while the total equity increased by 0.9% to approximately HK$1,254.3 million (2022: approximately HK$1,243.1 million). As at 31 December 2023, the Group's total current assets and current liabilities were approximately HK$649.9 million (2022: approximately HK$582.8 million) and approximately HK$576.7 million (2022: approximately HK$661.1 million), respectively, while the current ratio calculated by dividing the total current assets over the total current liabilities was approximately 1.13 (2022: approximately 0.88). Funding for the Group's operation was sourced mainly from internally generated cash flows, with flexibility through the use of bank loans. As at 31 December 2023, the Group had cash and cash equivalents amounted to approximately HK$345.1 million (2022: approximately HK$251.9 million). After deducting the total interest-bearing bank borrowings of approximately HK$85.7 million (2022: approximately HK$109.8 million), the Group had a net cash surplus position of approximately HK$259.4 million (2022: approximately HK$142.1 million). As at 31 December 2023, the Group's total interest-bearing bank borrowings were decreased to approximately HK$85.7 million (2022: approximately HK$109.8 million) during the period under review. The gearing ratio (defined as the total of interest-bearing bank borrowings divided by the total equity attributable to the owners of the Company) was decreased to approximately 7.0% (2022: 9.0%). The Group maintains prudent funding and treasury policies towards its overall business operations and continues to apply measure to control costs, enhance cash flow and operational efficiency.

Capital expenditure

Capital expenditure for the year ended 31 December 2023 amounted to approximately HK$98.9 million (2022: approximately HK$99.1 million) and the capital commitments as at 31 December 2023 amounted to approximately HK$2.1 million (2022: approximately HK$2.9 million). The capital expenditure and the capital commitments were mainly for the renovation of the Group's new and existing restaurants and logistics centres.

Contingent liabilities

As at 31 December 2023, the Group had contingent liabilities in respect of bank guarantees given in lieu of rental and utility deposits amounting to approximately HK$32.5 million (2022: approximately HK$33.8 million).

Foreign exchange risk management

The Group's sales and purchases for the year ended 31 December 2023 were mostly denominated in Hong Kong Dollars ("HK$") and Renminbi ("RMB").

The RMB is not a freely convertible currency. Future exchange rates of the RMB could vary significantly from the current or historical exchange rates as a result of the controls that could be imposed by the PRC government. The exchange rates may also be affected by economic developments and political changes domestically and internationally, and the demand and supply of the RMB. The appreciation or devaluation of the RMB against HK$ may have impact on the Group results.

The Group currently does not maintain a foreign currency hedging policy. However, the management monitors the foreign exchange exposure and arranges foreign exchange forward contracts to minimise foreign currency exposure when appropriate.

Human resources

As at 31 December 2023, the Group had 4,813 employees. In order to attract and retain the high quality staff and to enable smooth operation within the Group, the Group offered competitive remuneration packages (with reference to market conditions and individual qualifications and experience) and various in-house training courses. The remuneration packages are subject to review on a regular basis. In addition, the Group also adopted share option schemes, where eligible employees are entitled to various share options to subscribe for the ordinary shares in the Company for their past and potential contribution to the growth of the Group. As at 31 December 2023, there are 7,450,000 outstanding options granted under the Share Option Scheme which have not been exercised yet.

Pledge of assets

As at 31 December 2023, the Group pledged its bank deposits of approximately HK$15.0 million (2022: approximately HK$14.5 million), right-of-use assets of approximately HK$46.1 million (2022: approximately HK$46.9 million) and buildings of approximately HK$28.0 million (2022: approximately HK$29.1 million) and investment properties of approximately HK$20.5 million (2022: approximately HK$20.5 million) to secure the banking facilities granted to the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

Prospects

According to The World Bank, global economic growth is expected to moderate in 2024, forecasted at 2.4%. Besides the lacklustre outlook, the F&B industry must also contend with the change in consumer sentiment, shopping patterns, demands and motivations post-COVID. Tao Heung will therefore monitor market developments closely, devise relevant strategies in a timely manner, and maintain a cautiously optimistic attitude in managing the performance of the Hong Kong and Mainland China businesses in 2024.

In Hong Kong, the city's integration with Mainland China and connectivity with the world has allowed citizens to satisfy their desire for travelling. Moreover, many Hong Kong people also enjoy visiting the Greater Bay Area and cities in Mainland China for consumption and tourism, which has been to the detriment of the Hong Kong catering industry. In view of this, the Group plans to enhance the quality of services to cope with market competition. This will include improving the dining experience by carefully analysing consumption patterns, preferences, and motivations of each customer segment through detailed surveys. Based on this analysis, the management will devise relevant strategies and develop appropriate service packages. In addition, greater resources will be allocated to train employees as well as to implement reward programmes for enhancing the quality of service. Furthermore, the Group will adopt innovative strategies to attract customers, such as creating cost-effective products and exploring partnerships for introducing different marketing and promotion campaigns. As one of Tao Heung's greatest strengths is its logistical support, the management will continue to allocate resources to bolster the Group's logistics centre. This will include purchasing machinery and hiring professionals to conduct research and development and improve production technologies, as well as to develop more new products to enhance Tao Heung's competitiveness in the Hong Kong market. Presently, the Group's OEM business is diverse, and is able to benefit from the shortage of labour, as reflected by the relatively high demand for its service. Tao Heung anticipates further growth in revenue from the OEM business in 2024.

Regarding Mainland China, the management recognises the tremendous potential of the market, when it is able to capitalise on Chinese social media platforms. It will therefore continue to leverage these platforms to both expand its brand exposure and promote business development. Besides utilising the current social media channels, it will also strive to explore more diverse channels and establish ties with different customers and partners. As for developing the chilled and packaged food segment specifically, the Group will not only penetrate other cities in Mainland China via various channels, but also promote its products in Southeast Asia and other parts of the world.

In view of the numerous variables that may affect the economic outlook of Hong Kong and Mainland China in 2024, the management will adhere to a cautious development strategy. Currently, it will not consider expanding the restaurant network, though if an opportunity should arise, it will only open smaller size restaurants in Hong Kong. This is because smaller size operations generally involve lower investment costs and generate faster returns. In addition, the management will look for other business opportunities and preserve the Group's financial stability as a whole.

DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Mr. Chung Wai Ping ("Mr. WP Chung"), BBS, MH, JP, aged 64, is an Executive Director and was appointed on 29 December 2005. Mr. WP Chung is the Chairman of our Board and Chief Executive Officer and one of our founders. Mr. WP Chung is primarily responsible for overall corporate strategies, planning and business development. Mr. WP Chung established our Group in 1991 and has over 50 years of experience in the Chinese restaurant industry. Mr. WP Chung started his career as an apprentice cook of a local restaurant in Hong Kong from 1975 and became the Sous Chef of the Garden Hotel, Guangzhou, China in 1985. In 1991, Mr. WP Chung co-founded the first Tao Heung Seafood Hotpot Restaurant in Hong Kong. Mr. WP Chung is currently the Emeritus Honorary President of the Chinese Cuisine Management Association, the President of Association of Restaurant Managers. Mr. WP Chung was given the VTC Honorary Fellow Awards and the VTC Honorary Degree of Doctorate in 2011 and 2014, respectively. Mr. WP Chung was also awarded a "Medal of Honour" by the HKSAR Government. Mr. WP Chung was appointed as Justice of Peace on 2017. Mr. WP Chung was awarded Bronze Bauhinia Star by the HKSARS Government on 2019. Mr. WP Chung was given "Honorary University Fellowship" by the Hong Kong Metropolitan University in 2023. Mr. WP Chung is the father of Mr. CF Chung and Mr. Chung Ling Fung as well as the uncle of Mr. Chung Shing Tat. They are an Executive Director of the Board, Operations Director and Supply Chain Director of the Group, respectively.

Mr. Wong Ka Wing, aged 66, is an Executive Director and was appointed on 1 March 2007. Mr. Wong is one of our founders. Mr. Wong is primarily responsible for the overall operation of our Dongguan food processing and Logistics Centre. Mr. Wong has over 30 years of experience in the Chinese restaurant industry. Mr. Wong obtained a diploma in production and industry engineering from Hong Kong Polytechnic University.

Mr. Ho Yuen Wah, aged 62, is an Executive Director and was appointed on 1 March 2007. Mr. Ho is the Chief Operations Officer — China and is primarily responsible for management and development of restaurants chain in Mainland China. Mr. Ho joined the Group in December 1991 as restaurant manager and was promoted to be the Director of Business Management department in 2003. Mr. Ho has over 30 years of experience in the Chinese restaurant industry.

Mr. Chung Chun Fung ("Mr. CF Chung"), aged 37 is an Executive Director and was appointed on 19 November 2019. Mr. CF Chung is the Operations Director — China and is primarily responsible for management of our marketing, purchasing, human resources and administration functions in Mainland China. Mr. CF Chung joined the Group in January 2013 as management trainee and began his career in the joint venture business Ringer Hut, then later he worked in the restaurants chain. Prior to joining the Group, Mr. CF Chung had 4 years of experience in the catering industry, working in McDonald's restaurant chain as a Store Assistant Manager. Mr. CF Chung holds a Bachelor degree of Arts (Honours) in Business Management from the University of Essex in the United Kingdom. Mr. CF Chung is the son of Mr. WP Chung, Chairman of the Board and Chief Executive Officer, the brother of Mr. Chung Ling Fung, Operations Director and the cousin of Mr. Chung Shing Tat, the Supply Chain Director of the Group.

Non-Executive Directors

Mr. Fong Siu Kwong, aged 66, is a Non-Executive Director and was appointed on 1 March 2007. Besides, he was also appointed as a member of Remuneration Committee on 9 June 2007. Mr. Fong holds a Bachelor degree of Laws of the University of Wolverhampton, a Postgraduate Certificate in Laws of The University of Hong Kong and a Master degree of Laws in Chinese and Comparative Law of the City University of Hong Kong. He was admitted as a solicitor in Hong Kong in 1996. Mr. Fong is currently the Principal of Howell & Co., Solicitors.

Mr. Fong has over 44 years of legal service experience. Mr. Fong is also the Honorary legal adviser to the Hong Kong Chinese Civil Servants' Association, HKU MACJS Alumni Association, Concentric Education Foundation (Hong Kong) Limited, Chinese History and Culture Enhancement Fund Limited and Centre of National History Education (Hong Kong).

Mr. Chan Yue Kwong, Michael, aged 72, is a Non-Executive Director and was appointed on 6 March 2007. Besides, he was also appointed as a member of Nomination Committee on 9 June 2007 and a member of Audit Committee on 15 October 2008. Mr. Chan was the former Chairman and is currently the Non-Executive Director of Cafe de Coral Holdings Limited, as well as an independent Non-Executive Director of Starlite Holdings Limited, Pacific Textiles Holdings Limited, Tse Sui Luen Jewellery (International) Limited, Modern Dental Group Limited and Human Health Holdings Limited, all of which are listed on the Main Board of the Stock Exchange. Mr. Chan holds a double major degree in Sociology and Political Science, a Master degree in City Planning, an Honorary Doctorate degree in Business Administration, and is bestowed as Honorary Fellow from Lingnam University.

Mr. Chan has many years of professional experience in the public sector and over 30 years of managerial experience in the food and catering industry. He is currently the Adviser of the Quality Tourism Services Association and the Honorary Chairman of the Hong Kong Institute of Marketing.

Independent Non-Executive Directors

Professor Chan Chi Fai, Andrew, SBS, JP, aged 70, is an Independent Non-Executive Director and was appointed on 9 March 2007. Besides, he was also appointed as a member of both Audit Committee and Nomination Committee on 9 June 2007. Professor Chan holds a Master degree of Business Administration from the University of California, Berkeley, U.S., a Bachelor degree of Business Administration and a Doctorate degree of Philosophy from the Chinese University of Hong Kong ("CUHK"). Professor Chan is currently the President of GBA Business School and the Emeritus Professor of Department of Marketing in the CUHK. He is also currently a Member of Energy Advisory Committee and an Adviser of the Quality Tourism Services Association. Professor Chan has over 40 years of experience in the education industry.

Mr. Mak Hing Keung, Thomas, aged 61, is an Independent Non-Executive Director and was appointed on 1 March 2007. Besides, he was also appointed as a member of both Audit Committee and Remuneration Committee on 9 June 2007. Mr. Mak holds a Bachelor degree of Commerce from Queen's University, Canada. Mr. Mak is a member of Chartered Professional Accountants of Canada, a fellow member of the Hong Kong Institute of Certified Public Accountants and a member of Hong Kong Business Accountants Association. Mr. Mak is currently the Chief Financial Officer of Global New Material International Holdings Limited, a company listed on the Main Board. Mr. Mak was the Chief Financial Officer of Fortunet e-Commerce Group Limited, a company listed on the Main Board from January 2017 to January 2020. Prior to Fortunet e-Commerce Group Limited, Mr. Mak was the Chief Financial Officer and Company Secretary in various listed and private companies. Mr. Mak worked for an investment bank and Listing Division of the Stock Exchange respectively. Mr. Mak has also worked for an international accounting firm in Hong Kong, Singapore and Canada for over seven years. Mr. Mak was appointed as an independent non-executive director and a member of each of the audit committee and nomination committee of China PengFei Group Limited, a company listed on the Main Board with effect from 25 October 2019.

On 23 August 2023, Mr. Mak was appointed as an Executive Director of CQV Co. Ltd, a Korean company with its common shares listed on Korean KOSDAQ market (KOSDAQ: 101240).

DIRECTORS AND SENIOR MANAGEMENT

Mr. Ng Yat Cheung, JP, aged 68, is an Independent Non-Executive Director and was appointed on 1 March 2007. Besides, he was also appointed as a member of Nomination Committee on 9 June 2007 and a member of Remuneration Committee on 21 May 2015. Mr. Ng holds an Associate degree in Arts in Business Data Processing from Chabot College in the United States. He holds offices as a director with a number of private companies which are principally engaged in technology, property development, finance and property holding. Mr. Ng is also an independent Non-Executive Director of China Agri-Products Exchange Limited which is listed on the Main Board of the Stock Exchange.

Ms. Wong Fun Ching, aged 61, is an Independent Non-Executive Director and was appointed on 1 January 2023. Besides, she was also appointed as a member of Audit Committee on 1 January 2023. Ms. Wong joined the Group as the deputy director of logistics operation and began her career in the Chinese restaurant industry in August 2005, and then was promoted as an Executive Director from March 2007 till May 2015. She then founded i-Health Living Company Limited, and was a director of i-Health from September 2015 to October 2022. Ms. Wong holds a Master's degree of Science in Engineering Business Management from the Hong Kong Polytechnic University jointly with the University of Warwick, United Kingdom and a Bachelor's degree of Business Administration with Honors in Business Information Systems from the Hong Kong Metropolitan University.

Senior Management

Ms. Cheung Kin Man, aged 55, is the Finance Director and Company Secretary of the Group and is primarily responsible for our overall finance, accounting and taxation functions. Ms. Cheung joined the Group in May 2022. Ms. Cheung has over 25 years of experience in financial management, accounting and internal control. Ms. Cheung holds a Master of Corporate Governance and a Bachelor of Arts in Accountancy from the Hong Kong Polytechnic University and is currently a member of the Hong Kong Institute of Certified Public Accountants and an associate member of the Hong Kong Chartered Governance Institute.

Ms. Yau Ching Man, aged 40, is the Vice President (Administration) and is responsible for our human resources, information technology, corporate communications and administration functions. Ms. Yau joined the Group in October 2018. Ms. Yau has over 10 years of experience in corporate management in both Mainland China and Hong Kong. Ms. Yau holds a Bachelor's degree in Computer Engineering from The University of Hong Kong. From March 2024, she was also appointed as an independent non-executive director at Yip's Chemical Holdings Limited, which is listed on the Main Board of the Stock Exchange.

Mr. Chung Ling Fung, aged 34, is the Operations Director and is responsible for the sales and marketing of the OEM business as well as the overall management of food processing and logistics centre in Hong Kong. Mr. Chung joined the Group in 2012 and had worked at different positions from front line restaurant management to back-office operations. Mr. Chung holds a Bachelor degree of Arts (Honours) in Economics and Marketing Management from Oxford Brookes University in the United Kingdom. Mr. Chung is the son of Mr. WP Chung, Chairman of the Board and Chief Executive Officer, the brother of Mr. CF Chung, Executive Director of the board, and the cousin of Mr. Chung Shing Tat, Supply Chain Director of the Group.

Mr. Chung Shing Tat, aged 34, is the Supply Chain Director and is responsible for the sales and marketing of the chilled and packaged food as well as the overall management of food processing and logistics centre in Dongguan. Mr. Chung joined the Group in 2017 and had held senior management role within the Group's restaurant, warehouse and purchasing department. Mr. Chung holds a Bachelor degree of Science (Honours) in psychology from Southampton University in the United Kingdom. Mr. Chung is the nephew of Mr. WP Chung, Chairman of the Board and Chief Executive Officer, the cousin of Mr. CF Chung and Chung Ling Fung, Executive Director of the board and Operations Director of the Group.

CORPORATE GOVERNANCE REPORT

Compliance with Corporate Governance Code

The Board is committed to maintaining high standard of corporate governance practices to safeguard the interests of the Company's shareholders and to enhance corporate value and accountability. These can be achieved by an effective Board, segregation of duties with clear accountability, sound internal control, appropriate risk assessment procedures and transparency to all the shareholders.

During the year ended 31 December 2023, the Company has adopted the Corporate Governance Code (the "Code") as set out in Appendix C1 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong (the "Hong Kong Stock Exchange") and complied with all applicable code provisions of the Code, save and except for the deviation from the code provision C.2.1 of the Code. Under the code provision C.2.1, the roles of Chairman and Chief Executive Officer ("CEO") should be separated and should not be performed by the same individual. Currently, the Company does not comply with code provision C.2.1, i.e., the roles of the Chairman and CEO have not been separated. Considering that Mr. Chung Wai Ping has been operating and managing the Group since its incorporation, the Board believes that it is in the best interest of the Group to have Mr. Chung Wai Ping taking up both roles for effective management and business development. Therefore, the Board considers that the deviation from code provision C.2.1 is appropriate in such circumstance.

Corporate purpose, culture and values

Tao Heung becomes one of the most esteemed Chinese restaurant group. We are committed to offering talent training to the food and beverage (F&B) industry, continuous innovation, and providing customers with high quality food and restaurant services.

Our corporate culture is the spirit of Tao Heung: Be resilient be adventurous be innovative, so we can thrive towards the same goal. Our staffs recognised Tao Heung's culture and have full confidence in the development of the food and beverage (F&B) industry, which is embedded us to moving forward and face the challenges in the future.

Our management team proactively to promote and implement our core values: Three-High Quality Standard, Talent training, Integrity and Creating value.

1. Three-High Quality Standard

Three-High Quality Standard consists of high-quality food production, high-quality service and high-quality environment. We persist in providing better food and service as well as giving customers the best dining environment and experience.

2. Talent training

We make investment in training talented fellows as well as put focus in raising the competency of our staff and embracing those who wish to develop their careers in the food and related industries.

3. Integrity

Integrity is a valuable asset for both businesses and society at large. We uphold integrity in all our actions.

4. Creating value

We aim to add value for staffs, customers, shareholders and community through a commitment to excellence in product quality and service delivery.

The Board ensures these values are embedded throughout the Group and aligning our purpose, culture and values across all levels and in all aspects of operations, which will then underpin sustainable growth and development.

Board of Directors

The Board is responsible for formulating overall strategic decision of the Company, setting objectives for the management, monitoring and controlling the performance of the management. The management of the Company implements the strategic decisions and deals with operational matters of the Group under the delegation and authority of the Board.

The Board has a balanced composition of Executive and Non-executive Directors to ensure independent viewpoints in all discussions. The Board currently comprises of ten directors, including four Executive Directors, two Non-executive Directors and four Independent Non-executive Directors. Board members are listed below:

Executive Directors:

Mr. Chung Wai Ping *(Chairman and Chief Executive Officer)*
Mr. Wong Ka Wing
Mr. Ho Yuen Wah
Mr. Chung Chun Fung

Non-Executive Directors:

Mr. Fong Siu Kwong
Mr. Chan Yue Kwong, Michael

Independent Non-Executive Directors:

Professor Chan Chi Fai, Andrew
Mr. Mak Hing Keung, Thomas
Mr. Ng Yat Cheung
Ms. Wong Fun Ching *(Appointed with effective from 1 January 2023)*

Biographical information of the Directors is set out on pages 13 to 15 of this annual report.

The Company has renewed the service contract of each of the Non-executive Directors and Independent Non-executive Directors for a term of two to three years commencing from 29 June 2022 or from 29 June 2023, unless terminated by either party giving to other not less than three months' prior notice in writing.

Exceed one-third of the Board member is made up of Independent Non-executive Directors, one of whom has appropriate professional qualifications, or accounting or related financial management expertise, as required by the Listing Rules.

Each of the Independent Non-executive Directors has given an annual confirmation of independent to the Company pursuant to Rule 3.13 of the Listing Rules. The Company is of the view that all Independent Non-executive Directors meet the independence guideline set out in Rule 3.13 of the Listing Rules and are independent in accordance with the terms of the guidelines.

The Chairman and Chief Executive Officer

During the year ended 31 December 2023, the Company has adopted the Corporate Governance Code (the "Code") as set out in Appendix C1 of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange of Hong Kong (the "Hong Kong Stock Exchange") and complied with all applicable code provisions under the Code, save and except for the deviation from the code provision C.2.1 of the Code. Under the code provision C.2.1, the roles of Chairman and Chief Executive Officer ("CEO") should be separate and should not be performed by the same individual. Currently, the Company does not comply with code provision C.2.1, i.e., the roles of the Chairman and CEO have not been separated. Considering that Mr. Chung Wai Ping has been operating and managing the Group since its incorporation, the Board believes that it is in the best interest of the Group to have Mr. Chung Wai Ping taking up both roles for effective management and business development. Therefore, the Board considers that the deviation from code provision C.2.1 is appropriate in such circumstance.

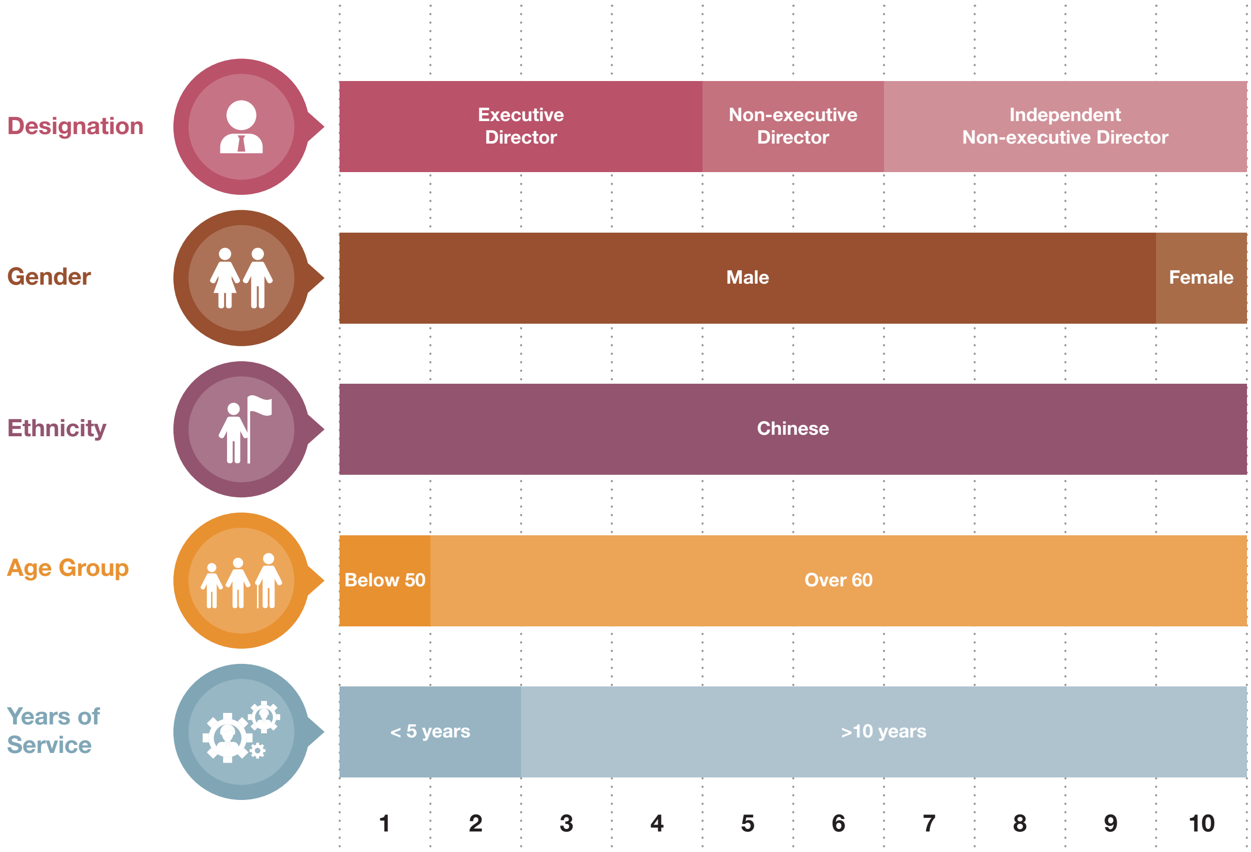
Board Diversity

The Company recognises that increasing diversity at the Board level will support the attainment of the Company's strategic objectives and sustainable development. The Board has adopted a Board Diversity Policy which sets out the approach to achieve and maintain diversity on the Board.

Pursuant to the Board Diversity Policy, the Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and other qualities. The Company also takes into consideration its own business model and specific needs from time to time in determining the optimal composition of the Board.

Measurable objectives based on four focus areas: gender, ethnicity, age, length of service were considered. Such objectives will be reviewed from time to time to ensure their appropriateness and the progress made towards achieving those objectives will be ascertained. Nomination Committee will review the Board Diversity Policy, as appropriate, to ensure its continued effectiveness from time to time.

The Board Diversity Policy is available on the website of the Company for public information. As at 31 December 2023, the following is a chart showing the diversity profile of the Board:



Induction and Development of Directors

On appointment to the Board, Directors receive a package of orientation materials on the Group and provided with a comprehensive induction on the business operations and practices of the Group, as well as the general and specific duties of directors under general law and the Listing Rules.

To assist Directors' continuing professional development, details on legal and regulatory changes are provided to all Directors. Directors are also recommended and encouraged to attend forums or seminars relating to the rules, functions and duties of a listed company director.

According to the information provided by the Directors, they have read seminar materials and updates relating to the latest development of the Listing Rules and other applicable regulatory requirements for the year ended 31 December 2023.

Board Committees

To facilitate the work of the Board, Board committees have been set up with written terms of reference which clearly define the role, authority and functions of each committee. Each Board committee is required to report their decisions or recommendations to the Board. Details of Directors' attendances at the Board committee meetings are shown on above.

The composition, role and function and summary of work done of each Board committee are set out below:

Audit Committee

Composition

The Company established the Audit Committee on 9 June 2007 with written terms of reference in compliance with the Code on Corporate Governance Practices as set out in Appendix C1 to the Listing Rules. The primary duties of the Audit Committee include the review and supervision of the financial reporting processes, the internal control systems and licensing issues of the Group. Currently, Mr. Mak Hing Keung, Thomas, Professor Chan Chi Fai, Andrew, and Ms. Wong Fun Ching, all being Independent Non-Executive Directors, and Mr. Chan Yue Kwong, Michael, a Non-Executive Director are members of the Audit Committee with Mr. Mak Hing Keung, Thomas, being the chairman.

Role And Function

The primary duties of the Audit Committee include reviewing the financial statements of the Company, reviewing the Company's financial reporting process, internal control and risk management system and review of the remuneration and terms of engagement of external auditors.

Summary of Work Done

Two meetings of the Audit Committee were held during the year ended 31 December 2023.

The following is a summary of the work performed by the Audit Committee:

1. Review external auditor's management letter and management response;

2. Review the interim and annual reports before submission to the Board for approval; and

3. Review the progress and effectiveness of the Group's internal control and risk management.

Nomination Committee

Composition

The Company established the Nomination Committee on 9 June 2007 with written terms of reference in compliance with the Code on Corporate Governance Practices as set out in Appendix C1 to the Listing Rules. The Nomination Committee has three members comprising Professor Chan Chi Fai, Andrew, Mr. Ng Yat Cheung, being Independent Non-Executive Directors and Mr. Chan Yue Kwong, Michael, a Non-Executive Director. The chairman of the Nomination Committee is Professor Chan Chi Fai, Andrew.

Role and Function

The Nomination Committee is mainly responsible for making recommendations to the Board on the appointment of Directors and the management of the Board succession.

Summary of Work Done

One meeting of the Nomination Committee was held during the year ended 31 December 2023.

The Nomination Committee has reviewed made recommendation on the re-election of the directors to be proposed for shareholders' approval at the annual general meeting on 30 May 2024.

Remuneration Committee

Composition

The Company established the Remuneration Committee on 9 June 2007 with written terms of reference in compliance with the Code on Corporate Governance Practices as set out in Appendix C1 to the Listing Rules. The Remuneration Committee has three members comprising Mr. Ng Yat Cheung, and Mr. Mak Hing Keung, Thomas, being Independent Non-Executive Directors and Mr. Fong Siu Kwong, a Non-Executive Director. The Remuneration Committee is currently chaired by Mr. Ng Yat Cheung.

Role and Function

The primary duties of the Remuneration Committee include making recommendations to the Board on the policy and structure of the company for all remuneration of Directors and on the establishment of a formal and transparent procedure for developing policy on such remuneration, determining the specific remuneration package of all Executive Directors, including without limitation — base salaries, share options and benefits in kind, incentive payments and making recommendations to the Board on the remuneration of Non-Executive Directors and Independent Non- Executive Directors.

Summary of Work Done

One meeting of the Remuneration Committee was held during the year ended 31 December 2023.

The Remuneration Committee has reviewed the current salaries and benefits (including discretionary bonus and incentive scheme) of all Executive Directors and fees of all Non-Executive Directors and Independent Non-Executive Directors.

Board and Board Committee Meetings

Regular Board and Board Committee meetings are scheduled a year ahead to facilitate maximum attendance by the Directors. Formal notices of at least 14 clear calendar days are given in respect of regular meetings and arrangement is in place to invite Directors to include matters in the agenda. For special Board or Board Committee meetings, reasonable notices are given.

Agenda of the meetings and the accompanying papers for regular Board and Board Committee meetings are sent in full to Directors at least three clear calendar days before the date of the meetings.

Minutes of Board and Board Committee meetings record in sufficient details the matter considered and decision reached, including any concern raised by Directors or dissenting views expressed. Drafts and final versions of minutes are sent to all Directors for comments within a reasonable time after the meetings and kept by the Company Secretary.

During the year, the Board held four regular meetings at approximately quarterly intervals. Director's attendance of the Board Meetings and Board Committee Meetings during the year ended 31 December 2023 are set out below:

Meetings attended during the year ended 31 December 2023

	Board	Audit Committee	Remuneration Committee	Nomination Committee
Number of meetings held during the year	4	2	1	1
Executive Directors:				
Mr. Chung Wai Ping				
(Chairman and Chief Executive Officer)	4/4	N/A	N/A	N/A
Mr. Wong Ka Wing	4/4	N/A	N/A	N/A
Mr. Ho Yuen Wah	3/4	N/A	N/A	N/A
Mr. Chung Chun Fung	4/4	N/A	N/A	N/A
Non-executive Directors:				
Mr. Fong Siu Kwong	4/4	N/A	1/1	N/A
Mr. Chan Yue Kwong, Michael	4/4	2/2	N/A	1/1
Independent Non-executive Directors:				
Professor Chan Chi Fai, Andrew	3/4	2/2	N/A	1/1
Mr. Mak Hing Keung, Thomas	3/4	2/2	1/1	N/A
Mr. Ng Yat Cheung	3/4	N/A	1/1	1/1
Ms. Wong Fun Ching	4/4	2/2	N/A	N/A

Accountability and Audit

Financial Reporting

The Directors understand and acknowledge their responsibility for making sure that the financial statements for each financial year are prepared to reflect the true and fair view of the state of affairs, results and cash flow of the Group and in compliance with relevant law and disclosure provisions of the Listing Rules. In preparing the financial statements for the year ended 31 December 2023, the Directors have selected appropriate accounting policies and applied them consistently; made judgements and estimates that are prudent and reasonable, and have prepared the financial statements on a going concern basis. The Directors also ensure that the financial statements of the Group are published in a timely manner.

External Auditors

The Group appointed Ernst & Young as the Group's principal auditors. The acknowledgement of their responsibilities on the financial statements is set out the Independent Auditor's Report on pages 34 to 38 of this annual report.

The remuneration paid to Ernst & Young, and its affiliated firms, for services rendered in respect of the year ended 31 December 2023 is as follows:

	2023 HK$'000	2022 HK$'000
Audit fee		
— provision for the year	**3,400**	3,300
Non-audit service fees	**255**	244
Total	**3,655**	3,544

Non-audit services are agreed upon procedures.

Risk Management and Internal Controls

Maintaining sound risk management and internal control system is pivotal to the fulfillment of the Group's business objectives and its long term sustainable growth. The Board has an overall responsibility for evaluating and determining the nature and extent of the risk according to the Board's risk appetite in achieving the Group's strategic objectives, ensuring that the Company establishes and maintains appropriate and effective risk management and internal control systems to safeguard shareholders' interests and the Group's assets. To this end, the Board continuously reviews and makes improvements in its risk management and internal control systems.

The Audit Committee, delegated by the Board, provides oversight and review on the risk management, financial reporting and internal control system.

The Company's internal Audit team, is an independent function reporting directly to the Audit Committee. It provides independent, objective, assurance on the risk management and internal control.

Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set forth in Appendix C3 of the Listing Rules as its own code of conduct for dealing in securities by the Directors of the Company. Based on specific enquiry with Directors, all Directors have confirmed that they had complied with the required standards as set forth in the Model Code during the year ended 31 December 2023.

Company Secretary

Ms. Cheung Kin Man, our Company Secretary is responsible for advising the Board on corporate governance matters and ensuring that the Board policy and procedures, and the applicable laws, rules and regulations are followed.

During the year ended 31 December 2023, Ms. Cheung has undertaken over 15 hours of relevant professional training.

Communication with Shareholders and Shareholder's Rights

Shareholders' Meeting

At the last annual general meeting of the Company held on 1 June 2023, the Chairman of the Board and all other Board members, including Chairman and representatives of the Board Committees as well as Senior management and the external auditor were present to communicate with Shareholders. Procedures for the poll voting on the proposed resolutions were explained at the meeting by the Chairman. The Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, acted as scrutineer to ensure the votes were properly counted and the poll results of the meeting were published on both the websites of the Company and the Hong Kong Stock Exchange.

Shareholder's Rights

Subject to the applicable laws and regulations, the Listing Rules and the Byelaws, Shareholders may convene general meetings of the Company and put forward proposals at general meetings. The procedures for Shareholders to convene a special general meeting, put forward proposals at Shareholders' meetings and propose a person for election as director of the Company are available on the website of the Company at www.taoheung.com.hk.

Shareholders may also send their enquiries and concern to the Board by addressing them to the Company Secretary of the Company at the Company's head office. Shareholders can also make enquires to the Board directly at general meetings.

Investor Relations

To enhance transparency and effectively communicate with the investment community, management of the Company meets with institutional investors, financial analysts and media from time to time and provides updates on the business progress and development of the company. Investors are welcome to share their views with the Board by writing to the Company at its Hong Kong head office or sending enquiries to the Company's website at www.taoheung.com.hk. Investors and shareholders are welcome to review the Company's recent announcements at the Company's website at www.taoheung.com.hk.

REPORT OF THE DIRECTORS

The Board is pleased to present their annual report together with the audited consolidated financial statements of Tao Heung Holdings Limited (the "Company") and its subsidiaries ("Tao Heung" or the "Group") for the year ended 31 December 2023.

Principal Activities

The principal activity of the Company is investment holding. The Group is principally involved in the restaurant and bakery operations, provision of food catering services, production, sale and distribution of food products and other items related to restaurant operations and poultry farm operations in Hong Kong and Mainland China. The principal activities of the principal subsidiaries are set out in note 1 to the financial statements.

Business Review

Further discussion and analysis of principal activities as required by Schedule 5 to the Hong Kong Companies Ordinance, including a description of the principal risks and uncertainties facing the Group and an indication of likely future development in the Group's business, can be found in the Management Discussion and Analysis set out on pages 7 to 12 of this annual report. This discussion forms part of this directors' report.

In light of the Environmental, Social and Governance Reporting Guide as set out in Appendix C2 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

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

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

Results and Dividends

The Group's profit for the year ended 31 December 2023 and the Group's financial position at that date are set out in the financial statements on pages 39 to 42.

The Board has recommended the payment of a final dividend of HK3.00 cents per ordinary share, totaling approximately HK$30,430,000 in respect of the year ended 31 December 2023 to shareholders on the register of members on 6 June 2024. The proposed final dividend is subject to approval by Shareholders of the Company at the forthcoming annual general meeting to be held on 30 May 2024 ("AGM"). Details of dividends for the year ended 31 December 2023 are set out in note 11 to the financial statements.

Closure of Register of Members

The register of members of the Company will be closed during the following periods:

(i) From Thursday, 23 May 2024 to Thursday, 30 May 2024, both days inclusive, for the purpose of ascertaining shareholders' entitlements to attend and vote at the 2023 Annual General Meeting. In order to be eligible to attend and vote at the 2023 Annual General Meeting, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 22 May 2024; and

(ii) On Thursday, 6 June 2024, for the purpose of ascertaining shareholders' entitlements to the proposed final dividend. In order to establish the entitlements to the proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 5 June 2024.

During the periods mentioned in sub-paragraphs (i) and (ii) above, no transfer of shares will be registered.

Five-Year Financial Summary

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five years, as extracted from the audited financial statements and restated/reclassified as appropriate, is set out on page 128. This summary does not form part of the audited financial statements.

Issued Capital and Share Options

Details of movements in the Company's issued capital and share options during the year are set out in notes 27 and 28 to the financial statements, respectively.

Pre-Emptive Rights

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

Purchase, Redemption or Sale of Listed Securities of the Company

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

Share Option Schemes

(A) Share Option Scheme

Pursuant to a share option scheme adopted by the Company on 9 June 2007 (the "Share Option Scheme"), 20,130,000 options have been granted and accepted by eligible directors, senior management and employees of the Group to subscribe for ordinary shares in the Company subject to the terms and conditions stipulated under the Share Option Scheme. No options were exercised during the year under review. 520,000 options were forfeited upon the termination of employment during the year under review. Share options granted under the Share Option Scheme shall vest in 2 tranches, as to 50% and 50% on 1 December 2017 and 1 December 2018, respectively, subject to the fulfilment of certain vesting conditions and are exercisable at HK$2.08 per share and the holders of the said share options may exercise the share options during the period from 2 December 2017 to 1 December 2026, both days inclusive.

Share Option Scheme expired on 8 June 2017 and no further options could be granted under the Share Option Scheme thereafter. However, the share options granted under the Share Option Scheme which have not been fully exercised remain valid until such time when such share options are fully exercised or have lapsed and will continue to be administered under the rules of the Share Option Scheme.

Details of the share options outstanding as at 31 December 2023 which have been granted under the Share Option Scheme are as follows:

		Number of options					
Name	Date of grant	Options outstanding at 1 January 2023	Granted during the year	Options exercised during the year	Options lapsed on expiry	Options forfeited upon termination of employment	Options outstanding at 31 December 2023
Executive Directors							
Mr. Ho Yuen Wah	2 December 2016	400,000	–	–	–	–	400,000
Connected Person							
Mr. Chung Wai Leung	2 December 2016	300,000	–	–	–	–	300,000
Other employees	2 December 2016	7,270,000	–	–	–	(520,000)	6,750,000
Total		7,970,000	–	–	–	(520,000)	7,450,000

(B) 2017 Share Option Scheme

On 25 May 2017, the Company adopted a new share option scheme (the "2017 Share Option Scheme"). Pursuant to the 2017 Share Option Scheme, the Directors may invite participants to take up options at a price determined by the Board of Directors but in any event shall not be less than the highest of (i) the closing price of the shares as stated in the daily quotations sheets issued by the Stock Exchange on the date of grant which must be a business day; (ii) the average closing price of the shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant; and (iii) the nominal value of the shares. The option may be exercised in accordance with the terms of the 2017 Share Option Scheme at any time during the option period which may be determined and notified by the Board to the grantee at the time of making an offer which shall not expire later than 10 years from the grant date. As at the date of this report, no options have been granted or agreed to be granted pursuant to the 2017 Share Option Scheme.

Distributable Reserves

At 31 December 2023, the Company's reserves available for distribution, calculated in accordance with the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, amounted to HK$840,087,000 of which HK$30,430,000 has been proposed as a final dividend for the year. In addition, the amount of HK$752,378,000 included the Company's share premium account and other reserves which may be distributable provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off debts as and when they fall due in the ordinary course of business.

Charitable Contributions

During the year, the Group made charitable contributions totaling HK$315,000.

Major Customers and Suppliers

For the year ended 31 December 2023, the percentage of total sales attributable to the Group's five largest customers was less than 30% while the five largest suppliers and the single largest supplier of the Group accounted for approximately 16.3% and 5.8 % of the total purchases of the Group, respectively.

None of the directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest suppliers or customers.

REPORT OF THE DIRECTORS

Directors

The directors of the Company during the year and up to date of this report were:

Executive Directors:

Mr. Chung Wai Ping *(Chairman and Chief Executive Officer)*
Mr. Wong Ka Wing
Mr. Ho Yuen Wah
Mr. Chung Chun Fung

NON-Executive Directors:

Mr. Fong Siu Kwong
Mr. Chan Yue Kwong, Michael

INDEPENDENT NON-Executive Directors:

Professor Chan Chi Fai, Andrew
Mr. Mak Hing Keung, Thomas
Mr. Ng Yat Cheung
Ms. Wong Fun Ching *(Appointed with effective from 1 January 2023)*

Pursuant to article 87(1) of the Company's articles of association, the following Executive Directors Mr. Wong Ka Wing and Mr. Ho Yuen Wah, Non-executive director Mr. Chan Yue Kwong, Michael and the following Independent Non-Executive director Mr. Ng Yat Cheung will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting. The Non-executive Directors and Independent Non-executive Directors are appointed for periods of two to three years.

The Company has received annual confirmations of independence from Professor Chan Chi Fai, Andrew, Mr. Mak Hing Keung, Thomas, Mr. Ng Yat Cheung and Ms. Wong Fun Ching and as at the date of this report still considers them to be independent.

Permitted Indemnity Provision

Pursuant to the articles of association of the Company, the applicable laws and regulations, every Director shall be indemnified and secured harmless out of the assets and profits of the Company against all actions, costs, charges, losses, damages and expenses which they or any of them may incur or sustain in the execution of their duties in their offices. Such permitted indemnity provision has been in force throughout the year. The Company has arranged appropriate Directors' liability insurance coverage for the Directors of the Group.

Directors' Service Contracts

None of the Directors who are proposed for re-election at the AGM has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

Directors' Remuneration

Details of the Directors' and senior management's emoluments and the five highest paid individuals in the Group are set out in notes 8 and 9 to the financial statements respectively. The emoluments of the Directors of the Company are decided by the Remuneration Committee, having regard to the Company's operating results, individual performance and prevailing market conditions.

Directors' Interests in Transactions, Arrangements or Contracts

Saved as disclosed under the section headed "Connected Transactions" on pages 32 to 33 of the annual report, no director nor a connected entity of a director had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Group and the Company to which the holding company of the Company, or any of the Company's subsidiaries or fellow subsidiaries was a party during the year.

Directors' Interests in Competing Business

None of the directors of the Company is interested in any business apart from the Group's businesses which competes or is likely to compete, either directly or indirectly, with the businesses of the Group during the year or at 31 December 2023.

Directors and Chief Executives' Interests and Short Positions in Shares and Underlying Shares

As at 31 December 2023, the interests and short positions of the directors in the share capital and underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register required to be kept 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 ("Model Code") were as follows:

Long positions in ordinary shares of the Company:

		Number of shares held, capacity and nature of interest						
Name of Directors	Notes	**Directly beneficially owned**	**Through spouse or minor children**	**Through controlled corporation**	**Beneficiary of a trust**	**Equity derivatives**	**Total**	**% of the Company's share capital**
Executive Directors								
Mr. Chung Wai Ping	(a) and (b)	5,962,000	12,174,222	–	423,434,689	–	441,570,911	43.53
Mr. Wong Ka Wing	(c)	5,522,679	–	103,283,124	–	–	108,805,803	10.73
Mr. Chung Chun Fung		3,000,000	–	–	–	–	3,000,000	0.30
Mr. Ho Yuen Wah	(d)	2,000,000	–	–	–	400,000	2,400,000	0.24
Non-executive Director								
Mr. Fong Siu Kwong		180,000	–	–	–	–	180,000	0.02
Independent Non-executive Director								
Ms. Wong Fun Ching		800,000	–	–	–	–	800,000	0.08

Notes:

(a) Billion Era International Limited is wholly-owned by Tin Tao Investments Limited ("Tin Tao") which in turn is wholly-owned by Sapphire Skye Holdings Limited ("Sapphire"). Sapphire is holding the shares in Tin Tao as nominee for Zedra Trustees (Singapore) Limited ("Zedra Trustee") as trustees for a discretionary trust, the discretionary objects of which include Mr. Chung Wai Ping and certain members of his family. For the purposes of the SFO, Mr. Chung is the settlor of this trust.

(b) 12,174,222 shares were held by Ms. Chan Sai Ying, spouse of Mr. Chung Wai Ping.

(c) Of these shares, 5,522,679 shares were held by Mr. Wong Ka Wing personally and 103,283,124 shares were held by Joy Mount Investments Limited, which is wholly-owned by Mr. Wong Ka Wing.

(d) These represented outstanding options granted to Directors under the Share Option Scheme to subscribe for shares of the Company, further details of which are set forth under the section headed "Share Option Schemes" to this report.

Save as disclosed above, as at 31 December 2023, none of the directors and chief executive had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares

As at 31 December 2023, the interests and short positions of every person, other than Directors or chief executive of the Company, in the shares and underlying shares of the Company, being 5% or more of the Company's issued share capital, as recorded in the register kept by the Company under Section 336 of the SFO were as follows:

		Number of ordinary shares (long position)			
Name of Shareholder	Notes	**Directly beneficially owned**	**Through controlled corporation**	**Total**	**% of total issued shares**
Billion Era International Limited	(a)	423,434,689	–	423,434,689	41.74
Tin Tao Investments Limited	(a)	–	423,434,689	423,434,689	41.74
Sapphire Skye Holdings Limited	(a)	–	423,434,689	423,434,689	41.74
Zedra Trust Company (Singapore) Limited	(a)	–	423,434,689	423,434,689	41.74
Joy Mount Investments Limited	(b)	103,283,124	–	103,283,124	10.18
Perfect Plan International Limited	(c)	102,053,976	–	102,053,976	10.06
Whole Gain Holdings Limited		56,795,068	–	56,795,068	5.60

Notes:

(a) Billion Era International Limited is wholly-owned by Tin Tao Investments Limited ("Tin Tao") which in turn is wholly-owned by Sapphire Skye Holdings Limited ("Sapphire"). Sapphire is holding the shares in Tin Tao as nominee for Zedra Trust Company (Singapore) Limited ("Zedra Trust") as trustees for a discretionary trust, the discretionary objects of which include Mr. Chung Wai Ping and certain members of his family. For the purposes of the SFO, Mr. Chung is the settlor of this trust.

(b) These shares were wholly-owned by Joy Mount Investments Limited, which is beneficially owned by Mr. Wong Ka Wing.

(c) These shares were wholly-owned by Perfect Plan International Limited, which is an indirect wholly owned subsidiary of Cafe de Coral Holdings Limited whose shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited.

Save as disclosed above, as at 31 December 2023, no person, other than the Directors and chief executive of the Company, whose interests are set out in the section "Directors' Interests and Short Positions in Shares and Underlying Shares" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to section 336 of the SFO.

Directors' Rights to Acquire Shares or Debentures

Save as disclosed above and in the share option scheme disclosed in note 28 to the financial statements, at no time during the year was the Company or any of its subsidiaries, a party to any arrangement to enable the Directors or the spouse or children under 18 years of age to acquired benefits by means of the acquisition of shares in, or debentures of the Company, or any other body corporate.

Connected Transactions

The Group had the following continuing connected and connected transactions with connected parties during the year:

	Notes	**2023 HK$'000**	2022 HK$'000
Continuing connected transaction			
Legal fee to a related party	(i)	**885**	669
Connected transactions			
Lease payment to a related party	(ii)	**12,594**	6,716
Management fee to a related party	(ii)	**8,495**	4,685

Notes:

(i) The legal fee to a related party, Howell & Co., of which Mr. Fong Siu Kwong, a Non-executive Director of the Company is a principal, was charged based on mutually agreed terms.

(ii) The lease payment and management fee to a related party, Dongguan Tian Yao Property Management Limited ("Dongguan Tian Yao"), a Company of which Mr. Chung Chun Fung, an executive Director of the Company, is holding 35.15% of the issue shares, was charged based on mutually agreed terms.

These transactions are exempt from the reporting, announcement or independent shareholders' approval requirements under Rule 14A.76 of the Listing Rules and the details of the transactions are included herein for information only.

On 5 June 2022, the Company, as tenant, and Dongguan Tian Yao, as landlord, entered into the Master Tenancy Agreement in respect of the Premises for a term of two years commencing on 6 June 2022 and expiring on 5 June 2024 (both days inclusive). As at the date of this announcement, 35.15% of the issue shares of the Landlord is held by Mr Chung Chun Fung, who is also a Director of the Tenant of which 43.176% of the issued share capital is held by Billion Era International Limited which is wholly owned by Tin Tao Investment Limited ("Tin Tao") which is in turn wholly owned by Sapphire Skye Holdings Limited ("Sapphire"). Sapphire is holding the shares in Tin Tao as nominee for Zedra Trust Company (Singapore) Limited ("Zedra Trust") which is s trustee for a discretionary trust, the discretionary objects of which include Mr Chung Wai Ping and certain members of his family and Mr Chung Chun Fung is one of the sons of Mr Chung Wai Ping who, for the purpose of the Securities and Future Ordinance, is the settlor of the discretionary trust. Hence, Dongguan Tian Yao is a connected person of the Company pursuant to Rule 14A.07 of the Listing Rules, and the tenancy as contemplated under the Master Tenancy Agreement constitute connected transaction for the Company under Chapter 14A of the Listing Rules.

Details of the tenancy agreement with Dongguan Tian Yao are set out in the announcement of the Company dated 5 June 2022.

Sufficiency of Public Float

Based on information that is publicly available to the Company and within the knowledge of the directors, at least 25% of the Company's total number of issued shares were held by the public as at the date of this report.

Auditor

Ernst & Young retire and a resolution for their reappointment as auditor of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

Chung Wai Ping
Chairman and Chief Executive Officer

Hong Kong
27 March 2024

EY 安永

To the shareholders of Tao Heung Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of Tao Heung Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 39 to 126, which comprise the consolidated statement of financial position as at 31 December 2023, 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 material accounting policy information.

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 2023, 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.

Key Audit Matters (continued)

Key audit matter	How our audit addressed the key audit matter
Impairment of property, plant and equipment and right-of-use assets	
The Group's management performed impairment assessment of property, plant and equipment and right-of-use assets for identified restaurants and shops that continued to underperform by estimating the recoverable amounts of the relevant cash-generating units based on value in use calculations. Impairment losses, net, of approximately HK$4.4 million and HK$6.8 million have been recorded during the year. Significant judgements and estimates were involved in the assessment of the recoverable amounts of the property, plant and equipment and right-of-use assets of those restaurants and shops, including assumptions on the budgeted revenue and earnings before interest, tax, depreciation, and amortisation ("EBITDA") of the respective restaurants and shops and discount rates. Relevant disclosures of impairment assessment of property, plant and equipment and right-of-use assets are set out in notes 2.4, 3, 13 and 14 to the financial statements.	In evaluating management's impairment assessment, we tested the key assumptions used in the value in use calculations by: (i) comparing the budgeted revenue and EBITDA with historical results and other industry specific statistics and (ii) assessing the sensitivity of management's estimates and assumptions used in evaluating whether a reasonably possible change in assumptions could cause the carrying amounts to exceed their recoverable amounts. We also involved our internal valuation experts to assist us in evaluating the methodologies used and certain key assumptions and estimates made.
Recognition of deferred tax assets	
As at 31 December 2023, the Group recognised deferred tax assets of approximately HK$121.7 million. Recognition of deferred tax assets is made to the extent that it is probable that future taxable profits will be available against which the deferred tax assets can be utilised. Significant management judgement is involved 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. Relevant disclosures of deferred tax assets are set out in notes 2.4, 3 and 19 to the financial statements.	Our audit procedures included: (i) reviewing management's assessment on the recoverability of deferred tax assets based on the Group's projection of future taxable profits within the statutory time limits in the jurisdictions in which the tax losses or deductible temporary differences had arisen by comparing the budgeted revenue and EBITDA with historical results and other industry specific statistics and assessing the sensitivity of management's estimates and assumptions used in evaluating whether a reasonably possible change in assumptions could cause a decrease in future taxable profits; and (ii) comparing the Group's projection to its tax planning strategies, tax reconciling adjustments and historical financial information.

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.

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 HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with 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.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

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 Wu Ka Lai, Cary.

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

27 March 2024

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2023

	Notes	2023 HK$'000	2022 HK$'000
REVENUE	5	**2,949,362**	2,401,849
Cost of sales		**(2,623,696)**	(2,391,379)
Gross profit		**325,666**	10,470
Other income and gains, net	5	**85,551**	137,295
Selling and distribution expenses		**(74,854)**	(96,498)
Administrative expenses		**(165,492)**	(149,720)
Other expenses		**(28,479)**	(34,391)
Finance costs	6	**(24,798)**	(27,024)
Share of profits of associates		**2,151**	2,525
PROFIT/(LOSS) BEFORE TAX	7	**119,745**	(157,343)
Income tax credit/(expense)	10	**(34,289)**	20,324
PROFIT/(LOSS) FOR THE YEAR		**85,456**	(137,019)
Attributable to:			
Owners of the parent		**73,655**	(143,138)
Non-controlling interests		**11,801**	6,119
		85,456	(137,019)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
— Basic (HK cents)	12	**7.26**	(14.11)
— Diluted (HK cents)	12	**7.26**	(14.11)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2023

	2023 HK$'000	2022 HK$'000
PROFIT/(LOSS) FOR THE YEAR	**85,456**	(137,019)
OTHER COMPREHENSIVE LOSS		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(1,443)**	(105,210)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	**84,013**	(242,229)
Attributable to:		
Owners of the parent	**72,339**	(246,211)
Non-controlling interests	**11,674**	3,982
	84,013	(242,229)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2023

	Notes	2023 HK$'000	2022 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**732,114**	792,835
Right-of-use assets	14(a)	**538,194**	599,930
Investment properties	15	**25,100**	25,100
Goodwill	16	**36,557**	38,492
Other intangible asset	17	**–**	–
Investments in associates	18	**13,025**	12,302
Deferred tax assets	19	**121,694**	141,441
Deposits and other receivable	22	**68,606**	63,363
Deposits for purchases of items of property, plant and equipment		**3,642**	16,723
Total non-current assets		**1,538,932**	1,690,186
CURRENT ASSETS			
Inventories	20	**132,955**	126,358
Trade receivables	21	**55,980**	46,640
Prepayments, deposits and other receivables	22	**100,855**	143,338
Tax recoverable		**–**	87
Pledged deposits	23	**14,951**	14,515
Cash and cash equivalents	23	**345,146**	251,854
Total current assets		**649,887**	582,792
CURRENT LIABILITIES			
Trade payables	24	**133,093**	127,335
Other payables and accruals	25	**221,919**	230,040
Interest-bearing bank borrowings	26	**37,756**	109,833
Lease liabilities	14(b)	**176,196**	190,438
Tax payable		**7,694**	3,415
Total current liabilities		**576,658**	661,061
NET CURRENT ASSETS/(LIABILITIES)		**73,229**	(78,269)
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,612,161**	1,611,917

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2023

	Notes	2023 HK$'000	2022 HK$'000
NON-CURRENT LIABILITIES			
Other payables and accruals	25	**9,609**	12,374
Interest-bearing bank borrowings	26	**47,951**	–
Lease liabilities	14(b)	**281,907**	339,478
Deferred tax liabilities	19	**18,439**	16,943
Total non-current liabilities		**357,906**	368,795
Net assets		**1,254,255**	1,243,122
EQUITY			
Equity attributable to owners of the parent			
Issued capital	27	**101,435**	101,435
Reserves	29	**1,131,599**	1,120,120
		1,233,034	1,221,555
Non-controlling interests		**21,221**	21,567
Total equity		**1,254,255**	1,243,122

Chung Wai Ping
Chairman and Chief Executive Officer

Chung Chun Fung
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2023

	Notes	Attributable to owners of the parent											
		Issued capital HK$'000	Share premium account HK$'000	Treasury shares HK$'000 (note 29)	Capital reserve HK$'000 (note 29)	Other reserve HK$'000 (note 29)	Share option reserve HK$'000	Capital redemption reserve HK$'000	Exchange fluctuation reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2022		101,635	326,430	(1,779)	110,748	(21,455)	4,207	509	43,669	964,662	1,528,626	17,585	1,546,211
Profit/(loss) for the year		–	–	–	–	–	–	–	–	(143,138)	(143,138)	6,119	(137,019)
Other comprehensive loss for the year:													
Exchange differences on translation of foreign operations		–	–	–	–	–	–	–	(103,073)	–	(103,073)	(2,137)	(105,210)
Total comprehensive income/(loss) for the year		–	–	–	–	–	–	–	(103,073)	(143,138)	(246,211)	3,982	(242,229)
Transfer of share option reserve upon forfeiture of share options	28	–	–	–	–	–	(430)	–	–	430	–	–	–
Shares cancelled	27	(200)	(1,579)	1,779	–	–	–	–	–	–	–	–	–
Final 2021 dividend	11	–	–	–	–	–	–	–	–	(30,430)	(30,430)	–	(30,430)
Interim 2022 dividend	11	–	–	–	–	–	–	–	–	(30,430)	(30,430)	–	(30,430)
At 31 December 2022		101,435	324,851*	–*	110,748*	(21,455)*	3,777*	509*	(59,404)*	761,094*	1,221,555	21,567	1,243,122

	Notes	Attributable to owners of the parent											
		Issued capital HK$'000	Share premium account HK$'000	Treasury shares HK$'000 (note 29)	Capital reserve HK$'000 (note 29)	Other reserve HK$'000 (note 29)	Share option reserve HK$'000	Capital redemption reserve HK$'000	Exchange fluctuation reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2023		101,435	324,851	-	110,748	(21,455)	3,777	509	(59,404)	761,094	1,221,555	21,567	1,243,122
Profit for the year		-	-	-	-	-	-	-	-	73,655	73,655	11,801	85,456
Other comprehensive loss for the year:													
Exchange differences on translation of foreign operations		-	-	-	-	-	-	-	(1,316)	-	(1,316)	(127)	(1,443)
Total comprehensive income for the year		-	-	-	-	-	-	-	(1,316)	73,655	72,339	11,674	84,013
Dividends paid to a non-controlling shareholder of a subsidiary		-	-	-	-	-	-	-	-	-	-	(12,020)	(12,020)
Transfer of share option reserve upon forfeiture of share options	28	-	-	-	-	-	(246)	-	-	246	-	-	-
Final 2022 dividend	11	-	-	-	-	-	-	-	-	(30,430)	(30,430)	-	(30,430)
Interim 2023 dividend	11	-	-	-	-	-	-	-	-	(30,430)	(30,430)	-	(30,430)
At 31 December 2023		101,435	324,851*	-*	110,748*	(21,455)*	3,531*	509*	(60,720)*	774,135*	1,233,034	21,221	1,254,255

* These reserve accounts comprise the consolidated reserves of HK$1,131,599,000 (2022: HK$1,120,120,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2023

	Notes	2023 HK$'000	2022 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax		**119,745**	(157,343)
Adjustments for:			
Interest income	5	**(6,861)**	(7,998)
Gain on termination of leases	5	**(12,750)**	(19,331)
Finance costs	6	**24,798**	27,024
Impairment of items of property, plant and equipment, net	7	**4,375**	5,380
Impairment of right-of-use assets, net	7	**6,766**	9,232
Impairment of goodwill	7	**1,879**	–
Reversal of impairment of other receivable	7	**(1,136)**	–
Reversal of impairment of trade receivables, net	7	**(585)**	(1,364)
Write-off of items of property, plant and equipment	7	**17,180**	11,874
Depreciation of property, plant and equipment	7	**150,547**	159,839
Depreciation of right-of-use assets	7	**215,010**	220,816
Covid-19 related rent concessions from lessors	7	**–**	(26,147)
Share of profits of associates		**(2,151)**	(2,525)
		516,817	219,457
Decrease/(increase) in inventories		**(6,856)**	16,432
Decrease/(increase) in trade receivables		**(8,882)**	8,325
Decrease in prepayments, deposits and other receivables		**38,081**	5,605
Increase in trade payables		**5,980**	11,745
Decrease in other payables and accruals		**(7,042)**	(746)
Cash generated from operations		**538,098**	260,818
Interest paid		**(5,950)**	(6,082)
Hong Kong profits tax paid		**(8,207)**	(178)
Overseas taxes paid		**(683)**	–
Net cash flows from operating activities		**523,258**	254,558

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2023

	Notes	2023 HK$'000	2022 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(95,269)**	(82,358)
Deposits paid for purchases of items of property, plant and equipment		**(3,642)**	(16,723)
Dividend from an associate		**1,428**	4,170
Increase in pledged deposits		**(491)**	(160)
Interest received		**6,861**	7,998
Decrease in non-pledged deposits with original maturity over three months when acquired		**57,995**	–
Net cash flows used in investing activities		**(33,118)**	(87,073)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans		**243,000**	331,000
Repayment of bank loans		**(267,126)**	(382,834)
Principal portion of lease payments		**(221,265)**	(201,410)
Interest element of lease payments		**(18,848)**	(20,942)
Dividends paid		**(60,860)**	(60,860)
Dividends paid to a non-controlling shareholder of a subsidiary		**(12,020)**	–
Net cash flows used in financing activities		**(337,119)**	(335,046)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**153,021**	(167,561)
Cash and cash equivalents at beginning of year		**193,311**	393,148
Effect of foreign exchange rate changes, net		**(1,734)**	(32,276)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**344,598**	193,311
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	23	**248,242**	193,311
Non-pledged time deposits with original maturity of less than three months when acquired	23	**96,356**	–
Non-pledged time deposits with original maturity of more than three months when acquired	23	**548**	58,543
Cash and cash equivalents as stated in the consolidated statement of financial position	23	**345,146**	251,854
Time deposits with original maturity of more than three months when acquired	23	**(548)**	(58,543)
Cash and cash equivalents as stated in the consolidated statement of cash flows		**344,598**	193,311

1. Corporate and Group Information

Tao Heung Holdings Limited was incorporated in the Cayman Islands on 29 December 2005 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The registered office address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and its principal place of business in Hong Kong is located at No. 18 Dai Fat Street, Tai Po Industrial Estate, Tai Po, New Territories, Hong Kong.

During the year, the Group was involved in the following principal activities:

- restaurant operations and provision of food catering services
- bakery operations
- production, sale and distribution of food products and other items related to restaurant operations
- poultry farm operations

Information about principal subsidiaries

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

Company name	Place of incorporation/ registration and business	Issued ordinary share capital/ registered paid-up capital	Percentage of equity attributable to the Company		Principal activities
			2023	2022	
Directly held:					
Sky Cheer Group Limited	British Virgin Islands/ Hong Kong	Ordinary US$1	**100%**	100%	Investment holding
Indirectly held:					
Best Harvest Food Limited	Hong Kong	Ordinary HK$2	**100%**	100%	Production, sale and distribution of products related to restaurant operations
Elite Sky International Development Limited	Hong Kong	Ordinary HK$2	**100%**	100%	Restaurant operations and provision of food catering services
Great Sky International Enterprise Limited	Hong Kong	Ordinary HK$2	**100%**	100%	Investment holding, restaurant operations and provision of food catering services

1. Corporate and Group Information (continued)

Information about principal subsidiaries (continued)

Company name	Place of incorporation/ registration and business	Issued ordinary share capital/ registered paid-up capital	Percentage of equity attributable to the Company 2023	2022	Principal activities
Sky Castle Development Limited	Hong Kong	Ordinary HK$2	**100%**	100%	Investment holding, restaurant operations and provision of food catering services
Sky Fine International Industrial Limited	Hong Kong	Ordinary HK$2	**100%**	100%	Investment holding, restaurant operations and provision of food catering services
Sky Great Development Limited	Hong Kong	Ordinary HK$2	**100%**	100%	Restaurant operations and provision of food catering services
Sky Hero Development Limited	Hong Kong	Ordinary HK$2	**100%**	100%	Restaurant operations and provision of food catering services
Sky Leader Industrial Limited	Hong Kong	Ordinary HK$2	**100%**	100%	Investment holding, restaurant operations and provision of catering services
Sky Triumph International Limited	Hong Kong	Ordinary HK$2	**100%**	100%	Investment holding, restaurant operations and provision of food catering services
Sky Well International Investment Limited	Hong Kong	Ordinary HK$2	**100%**	100%	Restaurant operations and provision of food catering services
Skyford Enterprises Limited	Hong Kong	Ordinary HK$2	**100%**	100%	Restaurant operations and provision of food catering services
Skyland Investments Limited	Hong Kong	Ordinary HK$2	**100%**	100%	Property investment
Skymart Limited	Hong Kong	Ordinary HK$10,000	**100%**	100%	Investment holding
Skywell Enterprise Limited	Hong Kong	Ordinary HK$500,000	**100%**	100%	Investment holding, restaurant operations and provision of food catering services
Starway International Development Limited	Hong Kong	Ordinary HK$2	**100%**	100%	Restaurant operations and provision of food catering services

1. Corporate and Group Information (continued)

Information about principal subsidiaries (continued)

Company name	Place of incorporation/ registration and business	Issued ordinary share capital/ registered paid-up capital	Percentage of equity attributable to the Company 2023	2022	Principal activities
Tao Heung Seafood Hotpot Restaurant Limited	Hong Kong	Ordinary HK$38,000	**100%**	100%	Investment holding, provision of management and promotion services, trading of food and other operating items related to restaurant operations and property investment
Tensel Investment Limited	Hong Kong	Ordinary HK$58,749,053	**100%**	100%	Investment holding and provision of treasury services
Top Eagle Development Limited	Hong Kong	Ordinary HK$40,000	**100%**	100%	Property investment
Triumph Sky Holdings Limited	Hong Kong	Ordinary HK$2	**100%**	100%	Investment holding
Skyera International Holdings Limited	Hong Kong	Ordinary HK$10,000	**100%**	100%	Restaurant operations and provision of food catering services
Tao Heung Management Limited	Hong Kong	Ordinary HK$2	**100%**	100%	Property investment
Tao Heung Development Limited	Hong Kong	Ordinary HK$2	**100%**	100%	Provision of human resources support, restaurant operations and provision of food catering services
Sky Gain Investment Limited	Hong Kong	Ordinary HK$2	**100%**	100%	Investment holding
Sky Talent Enterprise Limited	Hong Kong	Ordinary HK$2	**100%**	100%	Investment holding, restaurant operations and provision of food catering services
東莞萬好食品有限公司*	People's Republic of China ("PRC")/ Mainland China	HK$322,100,000 and Renminbi ("RMB") 22,050,000	**100%**	100%	Production, sale and distribution of food products, restaurant operations and provision of food catering services
深圳領鮮稻香飲食有限公司*	PRC/Mainland China	HK$32,000,000	**100%**	100%	Restaurant operations and provision of food catering services
Basic Tech Limited	Hong Kong	Ordinary HK$28,000	**100%**	100%	Property investment
Huge Sky Investments Limited	Hong Kong	Ordinary HK$291,000	**100%**	100%	Property investment and investment holding

1. Corporate and Group Information (continued)

Information about principal subsidiaries (continued)

Company name	Place of incorporation/ registration and business	Issued ordinary share capital/ registered paid-up capital	Percentage of equity attributable to the Company 2023	2022	Principal activities
Nature Lion Limited	Hong Kong	Ordinary HK$250,000	**100%**	100%	Property investment and sale and distribution of food products and operating items related to restaurant operations
Poly Sky Investment Limited	Hong Kong	Ordinary HK$48,000	**100%**	100%	Restaurant operations and provision of food catering services
Skyking Restaurant Limited	Hong Kong	Ordinary HK$71,000	**100%**	100%	Investment holding, restaurant operations and provision of food catering services
Tin Shing Company Limited	Hong Kong	Ordinary HK$67,500	**100%**	100%	Restaurant operations and provision of food catering services
Miracle Time Enterprise Limited	Hong Kong	Ordinary HK$1,000,000	**100%**	100%	Restaurant operations and provision of food catering services
Skybest International Investment Enterprise Limited	Hong Kong	Ordinary HK$10,000	**100%**	100%	Restaurant operations and provision of food catering services
Glory Rainbow International Trading Limited	Hong Kong	Ordinary HK$2	**100%**	100%	Investment holding, restaurant operations and provision of food catering services
Loyal Sky Holdings Limited	Hong Kong	Ordinary HK$2	**100%**	100%	Investment holding
Sky Rich (China) Limited	Hong Kong	Ordinary HK$2	**100%**	100%	Investment holding
Skymark Asia Limited	Hong Kong	Ordinary HK$2	**100%**	100%	Investment holding, restaurant operations and provision of food catering services
Sky Tai International Catering Company Limited	Hong Kong	Ordinary HK$10,000	**100%**	–	Investment holding
深圳濱海稻香飲食有限公司	PRC/Mainland China	HK$7,000,000	**100%**	100%	Restaurant operations and provision of food catering services
迎喜皇宮飲食(深圳)有限公司*	PRC/Mainland China	HK$33,000,000	**100%**	100%	Restaurant operations and provision of food catering services

1. Corporate and Group Information (continued)

Information about principal subsidiaries (continued)

Company name	Place of incorporation/ registration and business	Issued ordinary share capital/ registered paid-up capital	Percentage of equity attributable to the Company 2023	2022	Principal activities
廣州市新港稻香海鮮火鍋酒家有限公司*	PRC/Mainland China	HK$8,250,000	**100%**	100%	Restaurant operations and provision of food catering services
廣州市僑光稻香海鮮火鍋酒家有限公司*	PRC/Mainland China	HK$8,250,000	**100%**	100%	Restaurant operations and provision of food catering services
Hongyet Limited	Hong Kong	Ordinary HK$100,000	**100%**	100%	Investment holding, restaurant operations and provision of food catering services
Sky Trend Holdings Limited	Hong Kong	Ordinary HK$2	**100%**	100%	Investment holding, restaurant operations and provision of food catering services
東莞地王稻香飲食有限公司*	PRC/Mainland China	HK$30,264,000	**100%**	100%	Restaurant operations and provision of food catering services
東莞天景稻香飲食有限公司*	PRC/Mainland China	HK$36,000,000	**100%**	100%	Restaurant operations and provision of food catering services
Tai Cheong Holdings Group Limited	British Virgins Islands	Ordinary US$10,000	**100%**	100%	Investment holding
Tai Cheong Bakery Company Limited	Hong Kong	Ordinary HK$300,000	**100%**	100%	Production and retail of bakery products
Tai Cheong (TM) Co., Limited	Hong Kong	Ordinary HK$10,000	**100%**	100%	Provision of promotion services
廣州天暉稻香飲食有限公司*	PRC/Mainland China	HK$18,000,000	**100%**	100%	Restaurant operations and provision of food catering services
廣州市百興畜牧飼料有限公司** Guangzhou Baixing Pasturage and Feed Co., Ltd.	PRC/Mainland China	RMB3,000,000	**70%**	70%	Slaughtering, processing and sale of livestock
廣州益生種禽有限公司** Guangzhou Yisheng Poultry Co., Ltd.	PRC/Mainland China	RMB4,000,000	**70%**	70%	Sale of livestock
穗香(廣州)農業發展有限公司** Suixiang (Guangzhou) Agricultural Development Co., Ltd.	PRC/Mainland China	RMB2,000,000	**70%**	–	Sale of livestock
瀋陽迎喜餐飲有限公司*	PRC/Mainland China	HK$18,000,000	**100%**	100%	Restaurant operations and provision of food catering services

1. Corporate and Group Information (continued)

Information about principal subsidiaries (continued)

Company name	Place of incorporation/ registration and business	Issued ordinary share capital/ registered paid-up capital	Percentage of equity attributable to the Company 2023	2022	Principal activities
武漢漢街稻香飲食有限公司*	PRC/Mainland China	HK$18,000,000	**100%**	100%	Restaurant operations and provision of food catering services
廣州東匯城稻香飲食有限公司*	PRC/Mainland China	HK$12,400,000	**100%**	100%	Restaurant operations and provision of food catering services
上海天浩迎喜餐飲有限公司*	PRC/Mainland China	HK$18,000,000	**100%**	100%	Restaurant operations and provision of food catering services
佛山南海天勝稻香飲食有限公司*	PRC/Mainland China	HK$18,000,000	**100%**	100%	Restaurant operations and provision of food catering services
Keen Port International Limited	Hong Kong	Ordinary HK$2	**100%**	100%	Investment holding, restaurant operations and provision of food catering services
中山健港稻香飲食有限公司*	PRC/Mainland China	HK$18,000,000	**100%**	100%	Restaurant operations and provision of food catering services
Sky Joy Enterprise Limited	Hong Kong	Ordinary HK$2	**100%**	100%	Investment holding
鶴山天欣稻香飲食有限公司*	PRC/Mainland China	RMB24,000,000	**100%**	100%	Restaurant operations and provision of food catering services
Baker Limited	Hong Kong	Ordinary HK$10,000	**100%**	100%	Investment holding
豐王樂食品(深圳)有限公司* ACT Foods (Shenzhen) Company Limited	PRC/Mainland China	RMB45,000,000	**100%**	100%	Production and retail of bakery products
Winsky Creation Limited	Hong Kong	Ordinary HK$22,000,000	**100%**	100%	Restaurant operations and provision of food catering services
上海愚園迎喜餐飲管理有限公司*	PRC/Mainland China	RMB15,000,000	**100%**	100%	Restaurant operations and provision of food catering services
Tang Dynasty Ceramics Co., Limited	Hong Kong	Ordinary HK10,000	**80%**	80%	Trading of products related to restaurant operations

1. Corporate and Group Information (continued)

Information about principal subsidiaries (continued)

Company name	Place of incorporation/ registration and business	Issued ordinary share capital/ registered paid-up capital	Percentage of equity attributable to the Company 2023	2022	Principal activities
上海迎喜天浩餐飲管理有限公司*	PRC/Mainland China	RMB20,000,000	**100%**	100%	Restaurant operations and provision of food catering services
鄭州稻香餐飲有限公司*	PRC/Mainland China	HK$14,000,000	**100%**	100%	Restaurant operations and provision of food catering services
上海淞滬迎喜餐飲管理有限公司*	PRC/Mainland China	RMB18,000,000	**100%**	100%	Restaurant operations and provision of food catering services
無錫海岸城稻香餐飲管理有限公司*	PRC/Mainland China	HK$14,000,000	**100%**	100%	Restaurant operations and provision of food catering services
Sky Ascent Development Limited	Hong Kong	Ordinary HK$1	**100%**	100%	Restaurant operations and provision of food catering services
Winsky Enterprise Limited	Hong Kong	Ordinary HK$2	**100%**	100%	Restaurant operations and provision of food catering services
Sky Earth Development Limited	Hong Kong	Ordinary HK$2	**100%**	100%	Investment holding
深圳市天宜稻香飲食有限公司*	PRC/Mainland China	RMB10,000,000	**100%**	100%	Restaurant operations and provision of food catering services
Tao Heung Group Limited	Hong Kong	Ordinary HK$2	**100%**	100%	Restaurant operations and provision of food catering services
東莞巧味餐飲管理有限公司*	PRC/Mainland China	RMB1,000,000	**100%**	100%	Restaurant operations and provision of food catering services

* These companies are wholly-foreign-owned enterprises established in the PRC.
** These companies are Sino-foreign co-operative joint ventures established in the PRC.

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.

2. Accounting Policies

2.1 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") 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

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2023. 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).

Generally, there is a presumption that a majority of voting rights results in control. When the Company has 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.

2. Accounting Policies (continued)

2.1 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 parent of the Group 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 the related assets (including goodwill), liabilities, any non-controlling interest and the exchange fluctuation reserve; and recognises the fair value of any investment retained and 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.

2.2 Changes in Accounting Policies and Disclosures

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

HKFRS 17	*Insurance Contracts*
Amendments to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies*
Amendments to HKAS 8	*Definition of Accounting Estimates*
Amendments to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
Amendments to HKAS 12	*International Tax Reform — Pillar Two Model Rules*

2. Accounting Policies (continued)

2.2 Changes in Accounting Policies and Disclosures (continued)

The nature and the impact of the new and revised HKFRSs that are applicable to the Group are described below:

(a) Amendments to HKAS 1 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 *Making Materiality Judgements* provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has disclosed the material accounting policy information in note 2 to the financial statements. The amendments did not have any impact on the measurement, recognition or presentation of any items in the Group's financial statements.

(b) 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. Since the Group's approach and policy align with the amendments, the amendments had no impact on the Group's financial statements.

(c) Amendments to HKAS *12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in HKAS 12 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 (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions.

Upon the application of the amendments, the Group has determined the temporary differences arising from right-of-use assets and lease liabilities separately, which have been reflected in the reconciliation disclosed in note 19 to the financial statements. However, they did not have any material impact on the overall deferred tax balances presented in the consolidated statement of financial position as the related deferred tax balances qualified for offsetting under HKAS 12.

(d) Amendments to HKAS 12 *International Tax Reform — Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. The Group has applied the amendments retrospectively. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact to the Group.

2. Accounting Policies (continued)

2.3 Issued But Not Yet Effective Hong Kong Financial Reporting Standards

The Group has not applied the following revised HKFRSs, that have been issued but are not yet effective, in these financial statements. The Group intends to apply these revised HKFRSs, if applicable, when they become effective.

Amendments to HKFRS 10 and HKAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to HKFRS 16	*Lease Liability in a Sale and Leaseback*[1]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current (the "2020 Amendments")*[1, 4]
Amendments to HKAS 1	*Non-current Liabilities with Covenants (the "2022 Amendments")*[1, 4]
Amendments to HKAS 7 and HKFRS 7	*Supplier Finance Arrangements*[1]
Amendments to HKAS 21	*Lack of Exchangeability*[2]

1 Effective for annual periods beginning on or after 1 January 2024
2 Effective for annual periods beginning on or after 1 January 2025
3 No mandatory effective date yet determined but available for adoption
4 As a consequence of the 2020 Amendments and 2022 Amendments, 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 to align the corresponding wording with no change in conclusion

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

Amendments to HKFRS 10 and HKAS 28 address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 was removed by the HKICPA. However, the amendments are available for adoption now.

Amendments to HKFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively to sale and leaseback transactions entered into after the date of initial application of HKFRS 16 (i.e., 1 January 2019). Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

2. Accounting Policies (continued)

2.3 Issued But Not Yet Effective Hong Kong Financial Reporting Standards (continued)

The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period. The amendments shall be applied retrospectively with early application permitted. An entity that applies the 2020 Amendments early is required to apply simultaneously the 2022 Amendments, and vice versa. The Group is currently assessing the impact of the amendments and whether existing loan agreements may require revision. Based on a preliminary assessment, the amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 7 and HKFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. Earlier application of the amendments is permitted. The amendments provide certain transition reliefs regarding comparative information, quantitative information as at the beginning of the annual reporting period and interim disclosures. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 21 specify how an entity shall assess whether a currency is exchangeable into another currency and how it shall estimate a spot exchange rate at a measurement date when exchangeability is lacking. The amendments require disclosures of information that enable users of financial statements to understand the impact of a currency not being exchangeable. Earlier application is permitted. When applying the amendments, an entity cannot restate comparative information. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening balance of retained profits or to the cumulative amount of translation differences accumulated in a separate component of equity, where appropriate, at the date of initial application. The amendments are not expected to have any significant impact on the Group's financial statements.

2. Accounting Policies (continued)

2.4 Material Accounting Policies

Investments in associates

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's investments in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Group's share of the post-acquisition results and other comprehensive income of associates is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investments in the associates, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates is included as part of the Group's investments in associates.

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

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 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.

2. Accounting Policies (continued)

2.4 Material Accounting Policies (continued)

Business combinations and goodwill (continued)

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.

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 assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

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

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.

2. Accounting Policies (continued)

2.4 Material Accounting Policies (continued)

Fair value measurement

The Group 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.

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

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

2. Accounting Policies (continued)

2.4 Material Accounting Policies (continued)

Impairment of non-financial assets (continued)

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) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises.

Related parties

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

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

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

(ii) has significant influence over the Group; or

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

or

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

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

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

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

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

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

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

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

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

2. Accounting Policies (continued)

2.4 Material 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. 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 shorter of the land lease and 2%–5%
Leasehold improvements	Over the shorter of the lease terms and 10%–$33^{1}/_{3}\%$
Furniture, fixtures and equipment	20%–$33^{1}/_{3}\%$
Motor vehicles	20%–25%

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

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

Construction in progress is stated at cost less any impairment losses, and is not depreciated. It is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

2. Accounting Policies (continued)

2.4 Material Accounting Policies (continued)

Investment properties

Investment properties are interests in land and buildings (including right-of-use assets) held to earn rental income and/or for capital appreciation. 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 asset (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.

Trademark

Purchased trademark is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful life of 17 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.

2. Accounting Policies (continued)

2.4 Material 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. Where applicable, the cost of a right-of-use asset also includes an estimate of costs to dismantle and remove the underlying assets or the site on which it is located. 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	Over the lease terms
Leasehold properties	Over the lease terms
Equipment	5 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(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.

2. Accounting Policies (continued)

2.4 Material Accounting Policies (continued)

Leases (continued)

Group as a lessee (continued)

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

When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. 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 other income and gains in the statement of profit or loss. 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.

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost.

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, 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.

2. Accounting Policies (continued)

2.4 Material Accounting Policies (continued)

Financial assets (continued)

Initial recognition and measurement (continued)

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. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

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

Subsequent measurement of financial assets at amortised cost

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of 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 consolidated statement of financial position) when:

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

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

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

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

2. Accounting Policies (continued)

2.4 Material 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 that there has been a significant increase in credit risk with contractual payments are more than 30 days past due.

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 in 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

Simplified approach

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

2. Accounting Policies (continued)

2.4 Material Accounting Policies (continued)

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as 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.

Subsequent measurement

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

Financial liabilities at amortised cost (trade and other payables, and borrowings)

After initial recognition, trade and other payables, and interest-bearing 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 the statement of 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 the statement of profit or loss.

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contracts at the higher of: (i) the ECL allowance determined in accordance with the policy as set out in "Impairment of financial assets"; and (ii) the amount initially recognised less, when appropriate, the cumulative amount of income recognised.

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 the statement of profit or loss.

2. Accounting Policies (continued)

2.4 Material Accounting Policies (continued)

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.

Treasury shares

Own equity instruments which are reacquired and held by the Company or the Group (treasury shares) are recognised directly in equity at cost. No gain or loss is recognised in the statement of profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash on hand and at banks, and short-term highly liquid deposits with a maturity of generally within three months that are readily convertible into known amounts of cash, subject to an insignificant risk of changes in value and held for the purpose of meeting short-term cash commitments.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and at banks, and short-term deposits as defined above, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

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 the statement of profit or loss.

If the Group has a contract that is onerous, the present obligation under the contract is recognised and measured as a provision. However, before a separate provision for an onerous contract is established, the Group recognises any impairment loss that has occurred on assets dedicated to that contract.

2. Accounting Policies (continued)

2.4 Material Accounting Policies (continued)

Provisions (continued)

An onerous contract is a contract under which the unavoidable costs (i.e., the costs that the Group cannot avoid because it has the contract) of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it.

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 and does not give rise to equal taxable and deductible temporary differences; and

- in respect of taxable temporary differences associated with investments in subsidiaries and associates, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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 and does not give rise to equal taxable and deductible temporary differences; and

- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

2. Accounting Policies (continued)

2.4 Material Accounting Policies (continued)

Income tax (continued)

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

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

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

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed. Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments.

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 these goods or services.

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

2. Accounting Policies (continued)

2.4 Material Accounting Policies (continued)

Revenue recognition (continued)

Revenue from contracts with customers (continued)

(i) Restaurant and bakery operations

Revenue from restaurant and bakery operations is recognised at the point in time when control of the goods and services are transferred to the customer, being at the point the customer purchases the goods or when the food catering services are completed at the restaurants and bakery shops.

The Group's loyalty programme allows customers to accumulate points that can be redeemed for products. The loyalty points give rise to a separate performance obligation as they provide a material right to the customer. A portion of the transaction price is allocated to the loyalty points awarded to customers based on relative stand-alone selling price and recognised as a contract liability until the points are redeemed. Revenue is recognised upon redemption of products by the customer.

When estimating the stand-alone selling price of the loyalty points, the Group considers the likelihood that the customer will redeem the points. The Group updates its estimates of the points that will be redeemed and any adjustments to the contract liability balance are charged against revenue.

(ii) Sale of food and other items and poultry farm operations

Revenue from sale of food and other items and poultry farm operations is recognised at the point in time when control of the asset is transferred to the customer, generally being at the point the customer purchases the goods at shops or upon delivery of the goods.

Some contracts for the sale of food and other items provide customers with volume rebates. Retrospective volume rebates may be provided to certain customers once the quantity of products purchased during the period exceeds a threshold specified in the contract. Rebates are offset against the amounts payable by the customer. To estimate the variable consideration for the expected future rebates, the most likely amount method is used for contracts with a single-volume threshold and the expected value method for contracts with more than one volume threshold. The selected method that best predicts the amount of variable consideration is primarily driven by the number of volume thresholds contained in the contract.

Other income

Rental income is recognised on a time proportion basis over the lease terms. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are incurred.

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

Sponsorship income is recognised when there is reasonable assurance that the sponsorship income will be received and all attaching conditions will be complied with. Where the sponsorship income relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments.

2. Accounting Policies (continued)

2.4 Material Accounting Policies (continued)

Revenue recognition (continued)

Other income (continued)

Government grants are recognised where there is reasonable assurance that the grant will be received and all attaching condition will be complied with, as further explained in the accounting policies for "Government grants" above.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Share-based payments

The Company operates share option schemes. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services in exchange for equity instruments ("equity-settled transactions"). The cost of equity-settled transactions with employees 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 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.

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.

2. Accounting Policies (continued)

2.4 Material Accounting Policies (continued)

Share-based payments (continued)

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.

Other employee benefits

Retirement benefit schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of 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.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by local municipal government. These subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

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 Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

2. Accounting Policies (continued)

2.4 Material Accounting Policies (continued)

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in 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 the statement of profit or loss.

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 and associates 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 exchange rates that approximate to those prevailing at the dates of the transactions.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve, except to the extent that the differences are attributable to non-controlling interests. On disposal of a foreign operation, the cumulative amount in the reserve relating to that particular foreign operation is recognised in the statement of profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

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:

Income taxes

The Group is subject to income taxes in different jurisdictions. Significant judgement is involved in determining the provision for income taxes. Determining income tax provisions involves judgement on the future tax treatment of certain transactions and interpretation of tax rules. The Group carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislation, interpretations and practices in respect thereof.

There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

3. Significant Accounting Judgements and Estimates (continued)

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.

Useful lives and residual values of items of property, plant and equipment

In determining the useful lives and residual values of items of property, plant and equipment, the Group has to consider various factors, such as technical or commercial obsolescence arising from changes or improvements in the provision of services, or from a change in the market demand for the product or service output of an asset, the expected usage of the asset, the expected physical wear and tear, the care and maintenance of the asset, and legal or similar limits on the use of the asset. The estimation of the useful life of the asset is based on the experience of the Group with similar assets that are used in a similar way. Adjustment of depreciation is made if the estimated useful lives and/or the residual values of items of property, plant and equipment are different from previous estimation. Useful lives and residual values are reviewed at the end of each reporting period, based on changes in circumstances.

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

The Group assesses whether there are any indicators of impairment for its property, plant and equipment and right-of-use assets at the end of each reporting period. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is determined based on its value in use. In assessing value in use, management must estimate the expected future cash flows from the asset or cash-generating unit based on key assumptions, such as budgeted revenue and earnings before interest, tax, depreciation, and amortisation ("EBITDA"), and choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amounts of property, plant and equipment and right-of-use assets at 31 December 2023 were HK$732,114,000 (2022: HK$792,835,000) and HK$538,194,000 (2022: HK$599,930,000), respectively. Further details are given in note 13 and note 14, respectively, to the financial statements.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amounts of goodwill are disclosed in note 16 to the financial statements.

Impairment of non-financial assets (other than goodwill, property, plant and equipment and right-of-use assets)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value 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.

3. Significant Accounting Judgements and Estimates (continued)

Estimation uncertainty (continued)

Deferred tax assets

Deferred tax assets are recognised for deductible temporary differences and unused tax losses to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax 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 estimated using key assumptions such as budgeted revenue and EBITDA together with future tax planning strategies. The carrying amounts of deferred tax assets are disclosed in note 19 to the financial statements.

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).

Estimation of fair value of investment properties

Investment properties are stated at their fair values. The fair value at the end of the reporting period was based on a valuation on these investment properties conducted by an independent firm of professionally qualified valuers using property valuation techniques which involve making assumptions on certain market conditions. Favourable or unfavourable changes to these assumptions would result in changes in the fair value of the Group's investment properties and the corresponding adjustments to the gain or loss recognised in the statement of profit or loss. The carrying amounts of investment properties are disclosed in note 15 to the financial statements.

Provision for expected credit losses ("ECLs") on trade and other receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by customer type).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic products) are expected to deteriorate over the next year which can lead to an increased number of defaults, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The carrying amounts of trade receivables and other receivables are disclosed in note 21 and note 22, respectively, to the financial statements.

4. Operating Segment Information

The Group is principally engaged in the provision of food catering services through a chain of restaurants and bakery shops. Information reported to the Group's chief operating decision maker (i.e., the chief executive officer) for the purpose of resource allocation and performance assessment focuses on the operating results of the Group as a whole as the Group's resources are integrated and no discrete operating segment financial information is available. Accordingly, no operating segment information is presented.

Geographical information

The following tables present revenue from external customers by geographic markets for the years ended 31 December 2023 and 2022, and certain non-current asset information as at 31 December 2023 and 2022, by geographic area.

(a) Revenue from external customers

	2023 HK$'000	2022 HK$'000
Hong Kong	**1,783,447**	1,307,605
Mainland China	**1,165,915**	1,094,244
	2,949,362	2,401,849

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

(b) Non-current assets

	2023 HK$'000	2022 HK$'000
Hong Kong	**548,147**	610,862
Mainland China	**800,485**	874,520
	1,348,632	1,485,382

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

Information about major customers

No further information about any major customers is presented as no more than 10% of the Group's revenue was derived from sales to any single customer during the year (2022: Nil).

5. Revenue, Other Income and Gains, Net

An analysis of revenue is as follows:

	2023 HK$'000	2022 HK$'000
Restaurant and bakery operations	**2,616,895**	2,011,308
Sale of food and other items	**198,708**	238,777
Poultry farm operations	**133,759**	151,764
	2,949,362	2,401,849

Revenue from contracts with customers

(i) Disaggregated revenue information

	2023 HK$'000	2022 HK$'000
Geographical markets		
Hong Kong	**1,783,447**	1,307,605
Mainland China	**1,165,915**	1,094,244
Total revenue from contracts with customers	**2,949,362**	2,401,849
Timing of revenue recognition		
At a point in time	**2,949,362**	2,401,849

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:

	2023 HK$'000	2022 HK$'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Restaurant and bakery operations	**58,498**	60,336
Sale of food and other items	**220**	1,379
Poultry farm operations	**–**	826
	58,718	62,541

5. Revenue, Other Income and Gains, Net (continued)

Revenue from contracts with customers (continued)

(ii) Performance obligations

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

Restaurant and bakery operations

The performance obligation is satisfied when the customer obtains control of the promised goods or services being at the point the customer purchases the goods or when food catering services are completed at the restaurants and bakery shops. Payment of the transaction price is due immediately at the point the customer purchases the goods or when food catering services are completed.

Sale of food and other items and poultry farm operations

The performance obligation is satisfied when the customer obtains control of the promised goods, being at the point the customer purchases the goods at shops or upon delivery of the goods. Payment of the transaction price is generally due at the point the customer purchases the goods at shops or within 30 to 90 days from delivery. Some contracts provide customers with volume rebates which give rise to variable consideration subject to constraint.

The Group has applied the practical expedient under HKFRS 15 and does not include information about revenue that the Group will be entitled to when it satisfied the remaining performance obligations for contracts with an original expected duration of one year or less.

5. Revenue, Other Income and Gains, Net (continued)

An analysis of other income and gains, net is as follows:

	2023 HK$'000	2022 HK$'000
Bank interest income	**6,861**	7,998
Compensation received	**35,364**	–
Government grants*	**3,822**	84,721
Gross rental income	**1,216**	464
Sponsorship income	**1,114**	1,267
Gain on termination of leases	**12,750**	19,331
Foreign exchange differences, net	**3,167**	–
Others	**21,257**	23,514
	85,551	137,295

* Government grants mainly included various government grants received by certain subsidiaries in connection with setting up or the closure of certain facilities at a poultry farm and a logistics centre. During the year ended 31 December 2022, government grants also included subsidies granted by the Government of the Hong Kong Special Administrative Region under the anti-epidemic fund. Certain grants are credited to a deferred income account and are released to the statement of profit or loss over the useful lives of the relevant facilities. There are no unfulfilled conditions or other contingencies attaching to the government grants recognised.

6. Finance Costs

An analysis of finance costs is as follows:

	2023 HK$'000	2022 HK$'000
Interest on bank loans	**5,950**	6,082
Interest on lease liabilities	**18,848**	20,942
	24,798	27,024

7. Profit/(Loss) Before Tax

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

	Notes	2023 HK$'000	2022 HK$'000
Cost of inventories sold		**1,007,710**	904,046
Depreciation of items of property, plant and equipment*	13	**150,547**	159,839
Depreciation of right-of-use assets*	14(a)	**215,010**	220,816
Employee benefit expense*			
(including directors' remuneration (note 8)):			
Salaries and bonuses		**795,674**	707,172
Retirement benefit scheme contributions			
(defined contribution schemes)^		**55,559**	56,363
		851,233	763,535
Lease payments*:			
Lease payments not included in the measurement			
of lease liabilities	14(c)	**10,476**	8,868
Covid-19 related rent concessions from lessors	14(c)	**–**	(26,147)
		10,476	(17,279)
Foreign exchange difference, net		**(3,167)**	9,244
Auditors' remuneration		**5,526**	5,859
Impairment of items of property, plant and equipment, net#	13	**4,375**	5,380
Impairment of right-of-use assets, net#	14(a)	**6,766**	9,232
Impairment of goodwill#	16	**1,879**	–
Reversal of impairment of trade receivables, net#	21	**(585)**	(1,364)
Reversal of impairment of other receivable#	22	**(1,136)**	–
Write-off of items of property, plant and equipment#	13	**17,180**	11,874

* The cost of sales for the year ended 31 December 2023 amounting to HK$2,623,696,000 (2022: HK$2,391,379,000) included depreciation of items of property, plant and equipment of HK$141,569,000 (2022: HK$151,268,000), depreciation of right-of-use assets of HK$214,828,000 (2022: HK$220,519,000), employee benefit expense of HK$763,564,000 (2022: HK$674,932,000) and lease payments not included in the measurement of lease liabilities of HK$10,476,000 (2022: HK$8,868,000). The cost of sales for the year ended 31 December 2022 also included Covid-19 related rent concessions from lessors of HK$26,147,000.

Included in "Other expenses" in the consolidated statement of 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.

8. Directors' Remuneration

Directors' remuneration for the year, disclosed pursuant to the Rules Governing the Listing of the Securities (the "Listing Rules") on the Stock Exchange of Hong Kong Limited (the "Stock Exchange"), 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:

	2023 **HK$'000**	2022 HK$'000
Fees	**1,224**	1,020
Other emoluments:		
Salaries	**3,019**	3,064
Discretionary bonuses	**1**	1
Retirement benefit scheme contributions	**94**	63
	3,114	3,128
	4,338	4,148

8. Directors' Remuneration (continued)

2023	Fees HK$'000	Salaries HK$'000	Discretionary bonuses HK$'000	Retirement benefit scheme contributions HK$'000	Total HK$'000
Executive directors:					
Mr. Chung Wai Ping	–	221	1	22	244
Mr. Wong Ka Wing	–	705	–	–	705
Mr. Ho Yuen Wah	–	1,463	–	36	1,499
Mr. Chung Chun Fung	–	630	–	36	666
	–	3,019	1	94	3,114
Non-executive directors:					
Mr. Fong Siu Kwong	204	–	–	–	204
Mr. Chan Yue Kwong, Michael	204	–	–	–	204
	408	–	–	–	408
Independent non-executive directors:					
Professor Chan Chi Fai, Andrew	204	–	–	–	204
Mr. Mak Hing Keung, Thomas	204	–	–	–	204
Mr. Ng Yat Cheung	204	–	–	–	204
Ms. Wong Fun Ching*	204	–	–	–	204
	816	–	–	–	816
	1,224	3,019	1	94	4,338

* Appointed with effect from 1 January 2023

8. Directors' Remuneration (continued)

2022	Fees HK$'000	Salaries HK$'000	Discretionary bonuses HK$'000	Retirement benefit scheme contributions HK$'000	Total HK$'000
Executive directors:					
Mr. Chung Wai Ping	–	203	1	10	214
Mr. Wong Ka Wing	–	736	–	17	753
Mr. Ho Yuen Wah	–	1,512	–	18	1,530
Mr. Chung Chun Fung	–	613	–	18	631
	–	3,064	1	63	3,128
Non-executive directors:					
Mr. Fong Siu Kwong	204	–	–	–	204
Mr. Chan Yue Kwong, Michael	204	–	–	–	204
	408	–	–	–	408
Independent non-executive directors:					
Professor Chan Chi Fai, Andrew	204	–	–	–	204
Mr. Mak Hing Keung, Thomas	204	–	–	–	204
Mr. Ng Yat Cheung	204	–	–	–	204
	612	–	–	–	612
	1,020	3,064	1	63	4,148

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2022: Nil).

The above directors' remuneration only included remuneration during the tenure of each executive director of the Company. There were no other emoluments payable to the executive directors during the year (2022: Nil).

9. Five Highest Paid Employees

The five highest paid employees during the year included one (2022: one) director, details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining four (2022: four) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2023	2022
	HK$'000	HK$'000
Salaries	**3,832**	3,584
Discretionary bonuses	**2**	2
Retirement benefit scheme contributions	**72**	72
	3,906	3,658

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

	Number of employees	
	2023	2022
Nil to HK$1,000,000	**3**	4
HK$1,000,001 to HK$1,500,000	**1**	–
	4	4

10. Income Tax

Hong Kong profits tax has been provided at the rate of 16.5% (2022: 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 (2022: HK$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (2022: 8.25%) and the remaining assessable profits are taxed at 16.5% (2022: 16.5%). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	2023 **HK$'000**	2022 HK$'000
Current — Hong Kong		
Charge for the year	**7,828**	3,409
Overprovision in prior years	**(43)**	(114)
Current — Mainland China	**5,224**	2,292
Deferred (note 19)	**21,280**	(25,911)
Total tax charge/(credit) for the year	**34,289**	(20,324)

Pursuant to the PRC Corporate Income Tax Law and its interpretation rules, the assessable income generated from qualifying agricultural business is eligible for certain tax benefits, including full PRC Corporate Income Tax exemption. Certain PRC subsidiaries of the Group engaged in qualifying agricultural business are entitled to exemption of the PRC Corporate Income Tax.

10. Income Tax (continued)

A reconciliation of the tax expense/(credit) applicable to profit/(loss) before tax at the Hong Kong statutory tax rate to the tax charge/(credit) at the Group's effective tax rate is as follows:

	2023 HK$'000	2023 %	2022 HK$'000	2022 %
Profit/(loss) before tax	**119,745**		(157,343)	
Tax at the Hong Kong statutory tax rate	**19,758**	**16.5**	(25,962)	16.5
Difference in tax rates applied for specific provinces in Mainland China	**3,681**		(11,014)	
Effect of withholding tax on 5% or 10% on the distributable profits of the Group's PRC subsidiaries	**319**		(1,341)	
Adjustments in respect of current tax of previous years	**(43)**		(114)	
Income not subject to tax	**(6,246)**		(19,951)	
Expenses not deductible for tax	**1,446**		415	
Tax losses not recognised	**682**		38,465	
Derecognition of temporary differences previously recognised	**7,299**		—	
Profits attributable to associates	**(355)**		(417)	
Others	**7,748**		(405)	
Tax charge/(credit) at the Group's effective rate	**34,289**	**28.6**	(20,324)	12.9

The share of tax attributable to associates amounting to approximately HK$411,000 (2022: HK$668,000) is included in "Share of profits of associates" in the consolidated statement of profit or loss.

11. Dividends

	2023 HK$'000	2022 HK$'000
Dividends recognised as distribution during the year:		
2021 final dividend — HK3.00 cents per ordinary share	**–**	30,430
2022 interim dividend — HK3.00 cents per ordinary share	**–**	30,430
2022 final dividend — HK3.00 cents per ordinary share	**30,430**	–
2023 interim dividend — HK3.00 cents per ordinary share	**30,430**	–
	60,860	60,860

	2023 HK$'000	2022 HK$'000
Dividends proposed after the end of the reporting period:		
2022 final dividend — HK3.00 cents per ordinary share	**–**	30,430
2023 final dividend — HK3.00 cents per ordinary share	**30,430**	–
	30,430	30,430

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

12. Earnings/(Loss) Per Share Attributable to Ordinary Equity Holders of the Parent

The calculation of the basic earnings/(loss) per share amount is based on the profit/(loss) for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 1,014,348,000 (2022: 1,014,348,000) in issue during the year.

No adjustment has been made to the basic earnings/(loss) per share amount in respect of a dilution as the impact of share options outstanding had no dilutive effect on the basic earnings/(loss) per share.

The calculation of basic and diluted earnings/(loss) per share is based on:

	2023 **HK$'000**	2022 HK$'000
Profit/(loss)		
Profit/(loss) attributable to ordinary equity holders of the parent, used in the basic and diluted earnings/(loss) per share calculation	**73,655**	(143,138)

	Number of shares	
	2023	2022
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic and diluted earnings/(loss) per share calculation	**1,014,348,000**	1,014,348,000

13. Property, Plant and Equipment

	Buildings HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
31 December 2023						
Cost:						
At 1 January 2023	**510,138**	**1,400,953**	**884,272**	**9,023**	**751**	**2,805,137**
Additions	**–**	**76,410**	**34,783**	**–**	**799**	**111,992**
Transfer	**–**	**1,356**	**–**	**–**	**(1,356)**	**–**
Write-off	**–**	**(110,239)**	**(116,323)**	**(301)**	**–**	**(226,863)**
Exchange realignment	**(1,353)**	**(3,043)**	**(1,963)**	**(17)**	**(2)**	**(6,378)**
At 31 December 2023	**508,785**	**1,365,437**	**800,769**	**8,705**	**192**	**2,683,888**
Accumulated depreciation and impairment:						
At 1 January 2023	**165,919**	**1,136,761**	**701,296**	**8,326**	**–**	**2,012,302**
Provided during the year	**12,360**	**89,665**	**48,226**	**296**	**–**	**150,547**
Write-off	**–**	**(103,961)**	**(105,421)**	**(301)**	**–**	**(209,683)**
Impairment	**–**	**7,227**	**644**	**–**	**–**	**7,871**
Reversal of impairment	**–**	**(3,496)**	**–**	**–**	**–**	**(3,496)**
Exchange realignment	**(549)**	**(3,441)**	**(1,759)**	**(18)**	**–**	**(5,767)**
At 31 December 2023	**177,730**	**1,122,755**	**642,986**	**8,303**	**–**	**1,951,774**
Net book value:						
At 31 December 2023	**331,055**	**242,682**	**157,783**	**402**	**192**	**732,114**
31 December 2022						
Cost:						
At 1 January 2022	554,349	1,474,508	989,512	9,692	51	3,028,112
Additions	–	70,315	35,221	–	705	106,241
Write-off	(3,627)	(45,853)	(70,353)	(183)	–	(120,016)
Exchange realignment	(40,584)	(98,017)	(70,108)	(486)	(5)	(209,200)
At 31 December 2022	510,138	1,400,953	884,272	9,023	751	2,805,137
Accumulated depreciation and impairment:						
At 1 January 2022	167,758	1,148,702	778,902	8,548	–	2,103,910
Provided during the year	13,274	89,013	57,203	349	–	159,839
Write-off	(3,627)	(27,402)	(76,930)	(183)	–	(108,142)
Impairment	–	3,177	2,203	–	–	5,380
Exchange realignment	(11,486)	(76,729)	(60,082)	(388)	–	(148,685)
At 31 December 2022	165,919	1,136,761	701,296	8,326	–	2,012,302
Net book value:						
At 31 December 2022	344,219	264,192	182,976	697	751	792,835

13. Property, Plant and Equipment (continued)

As at 31 December 2023, buildings and leasehold land included in right-of-use assets (note 14(a)) with net carrying amounts of approximately HK$27,970,000 (2022: HK$29,085,000) and HK$46,095,000 (2022: HK$46,886,000) situated in Hong Kong were pledged to secure the banking facilities granted to the Group (note 26).

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

As at 31 December 2023, the Group's management identified certain restaurants and shops which continued to underperform and estimated the corresponding recoverable amounts of their property, plant and equipment and right-of-use assets. Based on these estimates, impairment losses, net, of HK$4,375,000 (2022: HK$5,380,000) and HK$6,766,000 (2022: HK$9,232,000) were recognised to write down/write back the carrying amounts of these items of property, plant and equipment and right-of-use assets to their recoverable amounts of HK$43,649,000 (2022: HK$20,767,000) and HK$60,698,000 (2022: HK$33,446,000), respectively, as at 31 December 2023. The estimates of the recoverable amounts were based on the value in use of these items of property, plant and equipment and right-of-use assets, determined using discount rates in the range of 12.3% to 20.0% (2022: 17.3% to 19.8%).

14. Leases

The Group as a lessee

The Group has lease contracts for certain of its office premises, restaurants and bakery properties and equipment used in its operations. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 30 to 99 years, and no ongoing payments will be made under the terms of these land leases. Leases for leased properties and equipment are for a period of 1 year to 20 years and 5 years, respectively. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

14. Leases (continued)

The Group as a lessee (continued)

(a) Right-of-use assets

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

	Leasehold land HK$'000	Leased properties HK$'000	Equipment HK$'000	Total HK$'000
As at 1 January 2022	185,145	504,186	110	689,441
Additions	–	204,042	–	204,042
Termination of leases	–	(26,093)	–	(26,093)
Impairment	–	(9,232)	–	(9,232)
Depreciation charge	(4,708)	(216,003)	(105)	(220,816)
Exchange realignment	(11,898)	(25,509)	(5)	(37,412)
As at 31 December 2022 and 1 January 2023	**168,539**	**431,391**	**–**	**599,930**
Additions	**–**	**152,807**	**–**	**152,807**
Termination of leases	**–**	**(26,726)**	**–**	**(26,726)**
Modification	**–**	**37,744**	**–**	**37,744**
Impairment	**–**	**(8,933)**	**–**	**(8,933)**
Reversal of impairment	**–**	**2,167**	**–**	**2,167**
Depreciation charge	**(4,536)**	**(210,474)**	**–**	**(215,010)**
Exchange realignment	**(394)**	**(3,391)**	**–**	**(3,785)**
As at 31 December 2023	**163,609**	**374,585**	**–**	**538,194**

Further details of the leasehold land pledged to secure banking facilities granted to the Group and impairment of right-of-use assets are disclosed in note 26 and note 13 to the financial statements, respectively.

14. Leases (continued)

The Group as a lessee (continued)

(b) Lease liabilities

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

	2023 HK$'000	2022 HK$'000
Carrying amount at 1 January	**529,916**	640,197
New leases	**152,407**	203,318
Modification	**37,744**	–
Termination of leases	**(39,476)**	(45,424)
Accretion of interest recognised during the year	**18,848**	20,942
Covid-19-related rent concessions from lessors	**–**	(26,147)
Payments	**(240,113)**	(222,352)
Exchange realignment	**(1,223)**	(40,618)
Carrying amount at 31 December	**458,103**	529,916
Analysed into:		
Current	**176,196**	190,438
Non-current	**281,907**	339,478
Carrying amount at 31 December	**458,103**	529,916

The maturity analysis of lease liabilities is as follows:

	2023 HK$000	2022 HK$000
Within one year	**176,196**	190,438
In the second year	**100,321**	135,142
In the third to fifth years, inclusive	**115,071**	122,771
Beyond five years	**66,515**	81,565
	458,103	529,916

The Group applied the practical expedient to all eligible Covid-19-related rent concessions granted by the lessors during the year ended 31 December 2022.

14. Leases (continued)

The Group as a lessee (continued)

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

	2023 HK$'000	2022 HK$'000
Interest on lease liabilities	**18,848**	20,942
Depreciation charge of right-of-use assets	**215,010**	220,816
Lease payments relating to short-term leases (included in cost of sales)	**373**	1,634
Variable lease payments not included in the measurement of lease liabilities (included in cost of sales)	**10,103**	7,234
Covid-19-related rent concessions from lessors	**–**	(26,147)
Impairment of right-of-use assets	**6,766**	9,232
Gain on termination lease	**(12,750)**	(19,331)
Total amount recognised in profit or loss	**238,350**	214,380

(d) The total cash outflow for leases is disclosed in note 30(c) to the financial statements.

The Group as a lessor

The Group leases certain of its investment properties (note 15) 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$1,216,000 (2022: HK$464,000), details of which are included in note 5 to the financial statements.

At 31 December 2023, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2023 HK$'000	2022 HK$'000
Within one year	**38**	38

15. Investment Properties

	2023 HK$'000	2022 HK$'000
Carrying amount at 31 December	**25,100**	25,100

15. Investment Properties (continued)

The Group's investment properties consist of eleven (2022: eleven) car parking spaces in Hong Kong. The directors of the Company had determined that the investment properties consist of one (2022: one) class of asset, i.e., car parking spaces, based on the nature, characteristics and risks of each property. The Group's investment properties were revalued on 31 December 2023 based on valuations performed by Colliers International (Hong Kong) Limited, an independent professionally qualified valuer, at HK$25,100,000. Each year, the Group appoints an external valuer to be responsible for the external valuations of the Group's properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Group has discussions with the valuer 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 lease arrangements, further summary details of which are included in note 14 to the financial statements.

At 31 December 2023, the Group's investment properties with a total carrying amount of HK$20,500,000 (2022: HK$20,500,000) were pledged to secure the banking facilities granted to the Group (note 26).

Fair value hierarchy

All investment properties were classified under Level 3 in the fair value hierarchy. During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2022: Nil).

Details of the fair value hierarchy are set out in note 2.4 to the financial statements.

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

	Car parking spaces HK$'000
At 1 January 2022, 31 December 2022, 1 January 2023 and 31 December 2023	25,100

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

	Valuation technique	**Significant unobservable inputs**	**Value**	
			2023	2022
Car parking spaces	Income capitalisation approach	Estimated rental value (per car parking space per month)	**HK$5,000**	HK$5,000
		Capitalisation rate	**2.60%**	2.60%

A significant increase/decrease in the estimated rental value would result in a significant increase/decrease in the fair value of the investment properties. A significant increase/decrease in the capitalisation rate would result in a significant decrease/increase in the fair value of the investment properties.

16. Goodwill

	HK$'000
Cost and net carrying amount at 1 January 2022	40,153
Exchange realignment	(1,661)
Cost and net carrying amount at 31 December 2022 and 1 January 2023	**38,492**
Impairment during the year	**(1,879)**
Exchange realignment	**(56)**
Net carrying amount at 31 December 2023	**36,557**
At 31 December 2023	
Cost	**38,436**
Accumulated impairment	**(1,879)**
Net carrying amount	**36,557**

Impairment testing of goodwill

Goodwill acquired through business combinations is allocated to the following cash-generating units for impairment testing:

- Restaurant operations;
- Bakery operations;
- Property investment; and
- Poultry farm operations.

The carrying amount of goodwill allocated to each of the cash-generating units is as follows:

	2023			2022
	Cost HK$'000	**Accumulated impairment HK$'000**	**Net carrying amount HK$'000**	Cost and net carrying amount HK$'000
Restaurant operations	**16,766**	**–**	**16,766**	16,766
Bakery operations	**7,072**	**(1,879)**	**5,193**	7,072
Property investment	**61**	**–**	**61**	61
Poultry farm operations	**14,537**	**–**	**14,537**	14,593
	38,436	**(1,879)**	**36,557**	38,492

16. Goodwill (continued)

Impairment testing of goodwill (continued)

The recoverable amounts of the cash-generating units have been determined based on value in use calculations using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rates applied to cash flow projections are in the range of 14.1% to 17.2% (2022: 10.9% to 19.5%), and the cash flows beyond the five-year period are extrapolated using an average growth rate of 2.0% (2022: 2.0%).

Assumptions were used in the value in use calculation of the cash-generating units for the years ended 31 December 2023 and 31 December 2022. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Budgeted revenue and EBITDA — The basis used to determine the value assigned to the budgeted revenue and EBITDA is the average revenue and EBITDA achieved in the year immediately before the budget year, adjusted for expected efficiency improvements, and expected market development.

Discount rates — The discount rates used are before tax and reflect specific risks relating to the relevant units.

Growth rates — The growth rates used are with reference to the long term average growth rates for the relevant markets.

Management believes that a reasonably possible change in any of the above key assumptions would not cause the carrying amounts of the CGUs to materially exceed their respective recoverable amounts.

As at 31 December 2023, all bakery shops of the Group under the brand name of Bakerz 180 in Mainland China were closed. Due to the intense competition. The Group did not have any plan to continue to operate bakery business in Mainland China. Accordingly, full impairment of HK$1,879,000 (2022: Nil) has been recognised in respect of the gross amount of goodwill during the year.

17. Other Intangible Asset

	Trademark	
	2023 HK$'000	2022 HK$'000
At 1 January and 31 December:		
Cost	**1,393**	1,393
Accumulated amortisation and impairment	**(1,393)**	(1,393)
Net carrying amount	**–**	–

18. Investments in Associates

	2023 HK$'000	2022 HK$'000
Share of net assets	**13,055**	12,332
Goodwill on acquisition	**122**	122
Provision for impairment	**(152)**	(152)
	13,025	12,302

The Group's other receivable with an associate is disclosed in note 22 to the financial statements.

Particulars of the Group's associates are as follows:

Company name	Particulars of issued shares held	Place of incorporation	Percentage of ownership interest attributable to the Group 2023	2022	Principal activities
Tin Park Limited	Ordinary shares	Hong Kong	**39%**	39%	Inactive
World Wider International Limited	Ordinary shares	Hong Kong	**39%**	39%	Inactive
Tai Cheong Bakery Pte. Limited	Ordinary shares	Singapore	**49%**	49%	Production and retail of bakery products

The above associates are indirectly held by the Company.

The following table illustrates the aggregate financial information of the Group's associates that are not individually material:

	2023 HK$'000	2022 HK$'000
Share of the associates' profits and losses for the year	**2,151**	2,525
Share of the associates' total comprehensive income	**2,151**	2,525
Aggregate carrying amount of the Group's investments in associates	**13,025**	12,302

19. Deferred Tax

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

Deferred tax assets

	Lease liabilities HK$'000	Depreciation in excess of related deprecation allowance HK$'000	Losses available for offsetting against future taxable profits HK$'000	Total HK$'000
At 1 January 2022	61,899	20,872	85,587	168,358
Deferred tax credited to the statement of profit or loss during the year (note 10)	10,668	1,577	20,151	32,396
Exchange realignment	(7,283)	–	(2,661)	(9,944)
Gross deferred tax assets at 31 December 2022 and 1 January 2023	**65,284**	**22,449**	**103,077**	**190,810**
Deferred tax credited/(charged) to the statement of profit or loss during the year (note 10)	**(2,112)**	**1,372**	**(18,799)**	**(19,539)**
Exchange realignment	**(218)**	**–**	**72**	**(146)**
Gross deferred tax assets at 31 December 2023	**62,954**	**23,821**	**84,350**	**171,125**

19. Deferred Tax (continued)

Deferred tax liabilities

	Right-of-use assets HK$'000	Depreciation allowance in excess of related depreciation HK$'000	Withholding taxes HK$'000	Total HK$'000
At 1 January 2022	43,516	9,578	12,000	65,094
Deferred tax credited to the statement of profit or loss during the year (note 10)	7,920	(204)	(1,341)	6,375
Exchange realignment	(5,157)	–	–	(5,157)
Gross deferred tax liabilities at 31 December 2022 and 1 January 2023	**46,279**	**9,374**	**10,659**	**66,312**
Deferred tax charged to the statement of profit or loss during the year (note 10)	**359**	**1,063**	**319**	**1,741**
Exchange realignment	**(183)**	**–**	**–**	**(183)**
Gross deferred tax liabilities at 31 December 2023	**46,455**	**10,437**	**10,978**	**67,870**

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:

	2023 HK$'000	2022 HK$'000
Net deferred tax assets recognised in the consolidated statement of financial position	**121,694**	141,441
Net deferred tax liabilities recognised in the consolidated statement of financial position	**(18,439)**	(16,943)
	103,255	124,498

19. Deferred Tax (continued)

Deferred tax liabilities (continued)

Deferred tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefits through future taxable profits is probable. The Group has tax losses arising in Hong Kong of HK$172,683,000 (2022: HK$167,165,000), subject to agreement by the Hong Kong Inland Revenue Department, that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. The Group also has tax losses arising in Mainland China of HK$174,819,000 (2022: HK$173,188,000) that will expire in one to five years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that future taxable profits will be available against which the tax losses can be utilised.

The Group is liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008. The applicable rate is 5% or 10% for the Group. Deferred tax has not been fully recognised for withholding taxes that would be payable on certain portions of the unremitted earnings that are subject to withholding taxes of certain of the Group's subsidiaries established in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries will distribute these unremitted earnings in the foreseeable future. The aggregate amount of temporary differences associated with the investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately HK$22,815,000 (2022: HK$22,167,000) as at 31 December 2023.

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

20. Inventories

	2023 **HK$'000**	2022 HK$'000
Food and beverages and other operating items	**118,415**	116,138
Frozen poultry farm products	**12,957**	6,995
Raw materials for the production of animal feed	**1,583**	3,225
	132,955	126,358

21. Trade Receivables

	2023 HK$'000	2022 HK$'000
Trade receivables	**57,846**	49,091
Impairment	**(1,866)**	(2,451)
	55,980	46,640

The Group's trading terms with its customers are mainly on cash and credit card settlement. The Group also grants a credit period of 30 to 90 days to certain customers. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a number of diversified customers, there is no significant concentration of credit risk. 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 and net of loss allowance, is as follows:

	2023 HK$'000	2022 HK$'000
Within 1 month	**40,240**	34,165
1 to 3 months	**15,090**	12,195
Over 3 months	**650**	280
	55,980	46,640

The movements in the loss allowance for impairment of trade receivables are as follows:

	2023 HK$'000	2022 HK$'000
At beginning of year	**2,451**	3,815
Impairment losses, net (note 7)	**(585)**	(1,364)
At end of year	**1,866**	2,451

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 customer type). 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.

21. Trade Receivables (continued)

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

31 December 2023

	Credit impaired receivables	Current	Past due: Less than 1 month	Past due: 1 to 3 months	Past due: Over 3 months	Total
Expected credit loss rate	**100.0%**	**0.16%**	**0.39%**	**4.71%**	**49.9%**	**3.23%**
Gross carrying amount (HK$'000)	**1,092**	**40,302**	**12,663**	**2,720**	**1,069**	**57,846**
Expected credit losses (HK$'000)	**1,092**	**63**	**50**	**128**	**533**	**1,866**

31 December 2022

	Credit impaired receivables	Current	Past due: Less than 1 month	Past due: 1 to 3 months	Past due: Over 3 months	Total
Expected credit loss rate	100.0%	0.16%	0.23%	2.78%	81.45%	4.99%
Gross carrying amount (HK$'000)	1,092	34,218	9,810	2,483	1,488	49,091
Expected credit losses (HK$'000)	1,092	55	23	69	1,212	2,451

22. Prepayments, Deposits and Other Receivables

	2023 HK$'000	2022 HK$'000
Prepayments	**9,732**	48,238
Deposits and other receivables	**159,729**	161,073
	169,461	209,311
Impairment allowance	**–**	(2,610)
	169,461	206,701
Analysed into:		
Current	**100,855**	143,338
Non-current	**68,606**	63,363
	169,461	206,701

Included in other receivables was an amount due from an associate of HK$47,000 (2022: HK$40,000), which was unsecured, interest-free and repayable on demand.

The movement in the loss allowance for impairment of other receivable is as follows:

	2023 HK$'000	2022 HK$'000
At beginning of year	**2,610**	2,775
Reversal of impairment	**(1,136)**	–
Written off as uncollectible	**(1,474)**	–
Exchange realignment	**–**	(165)
At 31 December	**–**	2,610

As at 31 December 2022, other receivables of HK$2,610,000 were included in stage 3 as credit-impaired receivables. Lifetime ECL of 100% was provided for these receivables.

The remaining financial assets included in the above balances were neither past due nor impaired as at 31 December 2023 and 2022, for which there was no recent history of default. As at 31 December 2023 and 2022, the loss allowance on the remaining financial assets was assessed to be minimal.

23. Cash and Cash Equivalents and Pledged Time Deposits

	2023 HK$'000	2022 HK$'000
Cash and bank balances	**248,242**	193,311
Time deposits	**111,855**	73,058
	360,097	266,369
Less: Pledged deposits for short term bank borrowings	**(14,951)**	(14,515)
Cash and cash equivalents	**345,146**	251,854

At the end of the reporting period, cash and bank balances of the Group denominated in RMB amounted to HK$253,317,000 (2022: HK$146,579,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, and Sale and Payment of Foreign Exchange 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 varying periods of between one day and twelve months (2022: one day and twelve months) depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

24. Trade Payables

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

	2023 HK$'000	2022 HK$'000
Within 1 month	**90,152**	88,589
1 to 2 months	**34,907**	32,935
2 to 3 months	**2,055**	446
Over 3 months	**5,979**	5,365
	133,093	127,335

The trade payables are non-interest-bearing and generally with payment terms within 60 days.

25. Other Payables and Accruals

	Notes	2023 HK$'000	2022 HK$'000
Contract liabilities	(a)	**61,790**	58,718
Accrued payroll		**96,297**	87,633
Other payables and accruals		**58,639**	80,910
Deferred income in respect of government grants		**6,511**	6,935
Provision for reinstatement cost	(b)	**8,291**	8,218
		231,528	242,414
Less: Portion classified as non-current liabilities		**(9,609)**	(12,374)
Portion classified as current liabilities		**221,919**	230,040

Notes:

(a) Details of contract liabilities are as follows:

	2023 HK$'000	2022 HK$'000
Short-term advances received from customers		
Restaurant and bakery operations	**61,669**	58,498
Sale of food and other items	**121**	220
	61,790	58,718

Contract liabilities include short-term advances received to deliver goods and catering services. The increase in contract liabilities in 2023 was mainly due to the increase in short-term advances received from customers in relation to restaurant and bakery operations.

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

	2023 HK$'000	2022 HK$'000
At 1 January	**8,218**	7,681
Additional provision made	**400**	724
Provision utilised	**(327)**	(187)
At 31 December	**8,291**	8,218

The provision represents management's best estimate of the Group's liabilities of the costs of dismantling and removing the leasehold improvements and restoring the sites on which they are located.

Other payables are non-interest-bearing.

26. Interest-Bearing Bank Borrowings

	2023			2022		
	Effective interest rate (%)	**Maturity**	**HK$'000**	Effective interest rate (%)	Maturity	HK$'000
Current						
— Bank loans, secured	**6.2**	**2024**	**24,000**	5.0–5.9	2023	77,999
— Current portion of long term bank loans, secured	**3.6**	**2024**	**13,756**	5.7–6.4	2023	31,834
			37,756			109,833
Non-current						
— Bank loans, secured	**3.6**	**2025–2028**	**47,951**	–	–	–
			85,707			109,833

Notes:

(i) Certain loans of the Group with a carrying amount of HK$24,000,000 (2022: HK$109,833,000) contained repayment on demand clauses. As at 31 December 2022, a portion of those loans due for repayment after one year with a carrying amount of HK$31,834,000 was classified as current liabilities in accordance with Hong Kong Interpretation 5 *Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause*.

Ignoring the effect of any repayment on demand clause and based on the maturity terms of the loans, the interest-bearing bank borrowings are repayable as follows:

	2023 HK$'000	2022 HK$'000
Bank loans repayable:		
Within one year	**37,756**	109,833
In the second year	**14,259**	–
In the third to fifth years, inclusive	**33,692**	–
	85,707	109,833

(ii) All bank loans were denominated in Hong Kong dollars.

(iii) At the end of the reporting period, the Group's bank loans were secured by:

(a) mortgages over certain of the Group's leasehold land and buildings situated in Hong Kong, which had an aggregate net carrying value at the end of the reporting period of HK$74,065,000 (2022: HK$75,971,000);

(b) mortgages over certain of the Group's investment properties situated in Hong Kong, which had an aggregate carrying value at the end of the reporting period of HK$20,500,000 (2022: HK$20,500,000); and

(c) the pledge of certain of the Group's time deposits amounting to HK$14,515,000 (2022: HK$14,515,000).

27. Issued Capital

	Company	
	2023	2022
	HK$'000	HK$'000
Authorised:		
23,400,000,000 ordinary shares of HK$0.10 each	**2,340,000**	2,340,000
Issued and fully paid:		
1,014,348,000 ordinary shares of HK$0.10 each	**101,435**	101,435

A summary of movements in the Company's issued capital and share premium account is as follows:

	Number of shares in issue	Issued capital	Share premium account	Total
		HK$'000	HK$'000	HK$'000
At 1 January 2022	1,016,348,000	101,635	326,430	428,065
Shares cancelled	(2,000,000)	(200)	(1,579)	(1,779)
At 31 December 2022 ,1 January 2023 and 31 December 2023	**1,014,348,000**	**101,435**	**324,851**	**426,286**

In January 2022, the Company cancelled 2,000,000 issued shares that were repurchased in 2021 at an aggregate consideration of HK$1,779,000, resulting in a decrease in issued share capital of HK$200,000 and a decrease in share premium account of HK$1,579,000.

28. Share Option Schemes

Share options

The Company operated two share option schemes, namely Share Option Scheme and 2017 Share Option Scheme (collectively, the "Schemes") for the purpose of providing incentives and rewards to eligible participants who contributed to the success of the Group's operations and to motivating eligible participants to work towards enhancing the value of the Group for the benefits of the Group and the shareholders as a whole. The Share Option Scheme expired on 8 June 2017 and 2017 Share Option Scheme became effective on 25 May 2017 and unless otherwise forfeited or amended, will remain in force for 10 years from that date.

Eligible participants of the Schemes include the Company's directors, including executive directors, non-executive directors and independent non-executive directors, employees of the Group and any advisors, consultants, distributors, contractors, suppliers, agents, customers, business partners, joint venture business partners, promoters or service providers of any member of the Group who, in the opinion of the board of directors, have contributed or will contribute to the Group.

The maximum number of unexercised share options currently permitted to be granted under the 2017 Share Option Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue on the date of adoption of the 2017 Share Option Scheme on 25 May 2017. The maximum number of shares issuable under share options to each eligible participant in the 2017 Share Option Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in advance in a general meeting.

Share options granted under the Schemes to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors of the Company. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue on the date of such grant or with an aggregate value (based on the closing price of the Company's shares at the date of grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options under the Schemes may be accepted within 28 days from the date of offer, 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 may commence from the date of the offer of the share options, and ends on a date which is not later than 10 years from the date of the offer of the share options.

28. Share Option Schemes (continued)

Share Option Scheme

The exercise price of the share options under the Share Option Scheme is HK$2.08 per share and the share options are exercisable in the following manner:

Vesting period of the relevant percentage of the options	Maximum percentage of options exercisable
From 2 December 2016 to 1 December 2017 (both days inclusive)	50
From 2 December 2016 to 1 December 2018 (both days inclusive)	50

The exercise price of the share options under the Share Option Scheme is determinable by the board of directors, but may not be less than the higher of (i) the Stock Exchange closing price of the Company's shares on the date of offer of the share options; (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of offer; and (iii) the nominal value of the Company's shares.

There are no cash settlement alternatives. The Group does not have a past practice of cash settlement for these share options. The Group accounts for the Share Option Scheme as an equity-settled plan.

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

Movements in the number of share options granted under the Share Option Scheme were as follows:

	2023		2022	
	Weighted average exercise price HK$ per share	**Number of options '000**	Weighted average exercise price HK$ per share	Number of options '000
At 1 January	**2.08**	**7,970**	2.08	8,880
Forfeited during the year	**2.08**	**(520)**	2.08	(910)
At 31 December	**2.08**	**7,450**	2.08	7,970

28. Share Option Schemes (continued)

Share Option Scheme (continued)

The exercise price and exercise period of the share options granted under the Share Option Scheme outstanding as at the end of reporting period are as follows:

	Number of options '000	Exercise price HK$ per share	Exercise period
2023	7,450	2.08	2 December 2017 to 1 December 2026
2022	7,970	2.08	2 December 2017 to 1 December 2026

The forfeited share options with an aggregate carrying amount of approximately HK$246,000 (2022: approximately HK$430,000) were transferred from the share option reserve to retained profits during the year.

2017 Share Option Scheme

The exercise price of the share options under the 2017 Share Option Scheme is determinable by the board of directors, but may not be less than the highest of (i) the Stock Exchange closing price of the Company's shares on the date of offer of the share options; (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of offer; and (iii) the nominal value of the Company's shares.

No share options under the 2017 Share Option Scheme were granted during the year.

The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 7,450,000 (2022: 7,970,000) additional ordinary shares of the Company and additional share capital of HK$745,000 (2022: HK$797,000) and share premium of HK$14,751,000 (2022: HK$15,781,000) (before share issue expenses).

At the date of approval of these financial statements, the Company had no share options outstanding under 2017 Share Option Scheme and 7,370,000 share options outstanding under the Share Option Scheme, which represented approximately 0.7% of the Company's shares in issue as at that date.

29. Reserves

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 43 of the financial statements.

Treasury shares

During the year ended 31 December 2021, the Company repurchased 2,000,000 of its own ordinary shares on the Stock Exchange at an aggregate consideration of HK$1,779,000 which were fully cancelled during the year ended 31 December 2022.

Capital reserve

The capital reserve represents the waiver of an amount due to a shareholder of the Company of approximately HK$110,748,000 pursuant to a declaration dated 31 December 2006 and a deed of release dated 12 March 2007.

Other reserve

The other reserve of the Group represents (i) the aggregate of the nominal value of the paid-up capital of the subsidiaries acquired; (ii) the difference between the acquisition of equity interests attributable to these then non-controlling shareholders and the nominal value of the shares of a former holding company and an existing subsidiary of the Group issued in exchange therefor prior to the listing of the Company's shares; and (iii) the differences between the acquisitions of equity interests attributable to these then non-controlling shareholders of subsidiaries and the considerations paid by the Group after the listing of the Company's shares.

30. Notes to the Consolidated Statement of Cash Flows

(a) Major non-cash transactions

During the year, the Group had the following non-cash transactions:

(I) The Group had non-cash additions to right-of-use assets of HK$152,407,000 (2022: HK$203,318,000) and lease liabilities of HK$152,407,000 (2022: HK$203,318,000), respectively, in respect of lease arrangements for leased properties.

(II) Pursuant to the terms and conditions of certain rental agreements, the Group is required to restore the restaurant and bakery properties to the conditions as stipulated in the rental agreements. Accordingly, as at 31 December 2023, the Group has accrued and capitalised the estimated reinstatement cost of HK$400,000 (2022: HK$724,000) when such obligations arose.

30. Notes to the Consolidated Statement of Cash Flows (continued)

(b) Changes in liabilities arising from financing activities

	Interest-bearing bank borrowings HK$'000	Lease liabilities HK$'000
2023		
At 1 January 2023	**109,833**	**529,916**
Changes from financing cash flows	**(24,126)**	**(240,113)**
Termination of leases	**–**	**(39,476)**
New leases	**–**	**152,407**
Modification	**–**	**37,744**
Interest expense	**–**	**18,848**
Foreign exchange movement	**–**	**(1,223)**
At 31 December 2023	**85,707**	**458,103**

	Interest-bearing bank borrowings HK$'000	Lease liabilities HK$'000
2022		
At 1 January 2022	161,667	640,197
Changes from financing cash flows	(51,834)	(222,352)
Termination of leases	–	(45,424)
New leases	–	203,318
Covid-19-related rent concessions from lessors	–	(26,147)
Interest expense	–	20,942
Foreign exchange movement	–	(40,618)
At 31 December 2022	109,833	529,916

30. Notes to the Consolidated Statement of Cash Flows (continued)

(c) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	2023 HK$'000	2022 HK$'000
Within operating activities	**10,476**	8,868
Within financing activities	**240,113**	222,352
	250,589	231,220

31. Contingent Liabilities

At the end of the reporting period, contingent liabilities not provided for in the financial statements were as follows:

	2023 HK$'000	2022 HK$'000
Bank guarantees given in lieu of utility and property rental deposits	**32,544**	33,790

32. Commitments

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

	2023 HK$'000	2022 HK$'000
Leasehold improvements, furniture, fixtures and equipment	**2,116**	2,858

33. Related Party Transactions

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

	Notes	**2023 HK$'000**	2022 HK$'000
Legal fee to a related party	(i)	**885**	669
Lease payment to a related party	(ii)	**12,594**	6,716
Management fee to a related party	(ii)	**8,495**	4,685

Notes:

(i) The legal fee to a related party, Howell & Co., of which Mr. Fong Siu Kwong, a non-executive director of the Company is a principal, was charged based on mutually agreed terms.

(ii) The lease payment and management fee to a related party, Dongguan Tian Yao Property Management Limited, a company of which Mr. Chung Chun Fung, an executive director of the Company, is holding 35.15% of the issued shares, were charged based on mutually agreed terms.

(b) The compensation of key management personnel of the Group for each reporting period represented the directors' emoluments as disclosed in note 8 to the financial statements.

The related party transactions mentioned in note (a) above constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules.

34. Financial Instruments by Category

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

Financial assets

	2023 HK$'000	2022 HK$'000
Financial assets at amortised cost:		
Trade receivables	**55,980**	46,640
Financial assets included in prepayments, deposits and other receivables	**159,729**	158,463
Pledged deposits	**14,951**	14,515
Cash and cash equivalents	**345,146**	251,854
	575,806	471,472

Financial liabilities

	2023 HK$'000	2022 HK$'000
Financial liabilities at amortised cost:		
Trade payables	**133,093**	127,335
Financial liabilities included in other payables and accruals	**58,639**	80,910
Interest-bearing bank borrowings	**85,707**	109,833
Lease liabilities	**458,103**	529,916
	735,542	847,994

35. Fair Value of Financial Instruments

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

The Group's management is responsible for determining the policies and procedures for the fair value measurement of financial instruments. At each reporting date, management 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 management. The valuation process and results are discussed with the audit committee once a year for annual financial reporting.

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. The following methods and assumptions were used to estimate the fair values:

The fair values of the non-current portion of rental deposits, 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. The changes in fair value as a result of the Group's own non-performance risk for interest-bearing bank borrowings as at 31 December 2023 were assessed to be insignificant. In the opinion of the directors, their carrying amounts are not significantly different from their respective fair values.

36. Financial risk management objectives and policies

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

Interest Rate Risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's interest-bearing bank borrowings with floating interest rates. The Group's policy is to obtain the most favourable interest rates available for its borrowings.

For Hong Kong dollar floating-rate borrowings, assuming that the amount of liabilities outstanding at the end of the reporting period was outstanding for the whole year with all other variables held constant, a 50 basis point increase/decrease in interest rates at the end of the reporting periods would have decreased/increased (2022: increased/decreased) the Group's profit (2022 : loss) before tax by HK$429,000 (2022 : HK$549,000).

36. Financial Risk Management Objectives and Policies (continued)

Credit risk

The Group's major exposure to credit risk arises from default of trade receivables, with a maximum exposure equal to their carrying amounts in the consolidated statement of financial position. The Group has no significant concentration of credit risk with respect to its restaurant and bakery operations as it has a large number of diversified customers. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December. The amounts presented are gross carrying amounts for financial assets.

As at 31 December 2023

	12-month ECLs	Lifetime ECLs			
	Stage 1 HK$'000	Stage 2 HK$'000	Stage 3 HK$'000	Simplified approach HK$'000	Total HK$'000
Trade receivables*	–	–	–	57,846	57,846
Financial assets included in prepayments, deposits and other receivables					
— Normal**	159,729	–	–	–	159,729
Pledged deposits					
— Not yet past due	14,951	–	–	–	14,951
Cash and cash equivalents					
— Not yet past due	345,146	–	–	–	345,146
	519,826	–	–	57,846	577,672

36. Financial Risk Management Objectives and Policies (continued)

Credit risk (continued)

Maximum exposure and year-end staging (continued)

As at 31 December 2022

	12-month ECLs	Lifetime ECLs			
	Stage 1 HK$'000	Stage 2 HK$'000	Stage 3 HK$'000	Simplified approach HK$'000	Total HK$'000
Trade receivables*	–	–	–	49,091	49,091
Financial assets included in prepayments, deposits and other receivables					
— Normal**	158,463	–	–	–	158,463
— Doubtful**	–	–	2,610	–	2,610
Pledged deposits					
— Not yet past due	14,515	–	–	–	14,515
Cash and cash equivalents					
— Not yet past due	251,854	–	–	–	251,854
	424,832	–	2,610	49,091	476,533

* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 21 to the financial statements.

** The credit quality of the financial assets included in prepayments, deposits and other receivables is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

36. Financial Risk Management Objectives and Policies (continued)

Foreign currency risk

The Group operates in Hong Kong and Mainland China and is exposed to foreign exchange risk arising mainly from transactions in RMB. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in operations in Mainland China. The RMB is not a freely convertible currency. Future exchange rates of the RMB could vary significantly from the current or historical exchange rates as a result of controls that could be imposed by the PRC government. The exchange rates may also be affected by domestic and international economic and political changes, and the demand and supply of the RMB. The appreciation or devaluation of the RMB against the Hong Kong dollar may also have an impact on the operating results of the Group.

In addition, the Group's foreign exchange position is monitored on an ongoing basis in order to minimise the impact from the fluctuation of foreign currency rate. The Group currently does not maintain a foreign currency hedging policy. However, management monitors the foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

For RMB denominated monetary assets and liabilities in Hong Kong, with all other variables held constant, a 5% increase/decrease in RMB rate against Hong Kong dollar at the end at the reporting period would have increased/decreased (2022: decreased/increased) the Group's profit (2022: loss) before tax by HK$2,063,000 (2022: HK$3,653,000).

36. Financial Risk Management Objectives and Policies (continued)

Liquidity risk

The Group's objective is to ensure that there are adequate funds to meet commitments associated with its financial liabilities and to maintain a balance between continuity of funding and flexibility through the use of bank loans. Cash flows of the Group are closely monitored by senior management on an ongoing basis. In addition, banking facilities have been put in place for contingency purposes.

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

	2023				
	Repayable on demand HK$'000	**Less than 1 year HK$'000**	**1 to 5 years HK$'000**	**Over 5 years HK$'000**	**Total HK$'000**
Trade payables	**–**	**133,093**	**–**	**–**	**133,093**
Financial liabilities included in other payables and accruals	**–**	**58,639**	**–**	**–**	**58,639**
Interest-bearing bank borrowings (note)	**24,000**	**15,749**	**50,855**	**–**	**90,604**
Lease liabilities	**–**	**194,406**	**230,059**	**74,066**	**498,531**
	24,000	**401,887**	**280,914**	**74,066**	**780,867**

	2022				
	Repayable on demand HK$'000	Less than 1 year HK$'000	1 to 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
Trade payables	–	127,335	–	–	127,335
Financial liabilities included in other payables and accruals	–	80,910	–	–	80,910
Interest-bearing bank borrowings (note)	109,833	–	–	–	109,833
Lease liabilities	–	204,026	284,815	89,737	578,578
	109,833	412,271	284,815	89,737	896,656

36. Financial Risk Management Objectives and Policies (continued)

Liquidity risk (continued)

Note:

Included in the above interest-bearing bank borrowings are term loans with a carrying amount of HK$24,000,000 (2022: HK$109,833,000), which loan agreements contain a repayment on demand clause giving the bank the unconditional right to call in the loans at any time. Therefore, for the purpose of the above maturity profile, the total amount is classified as "repayable on demand".

In accordance with the terms of the loans which contain a repayment on demand clause, the maturity profile of the interest-bearing bank borrowings as at the end of the reporting period, based on the contractual undiscounted payments and ignoring the effect of any repayment on demand clause, is as follows:

	Less than 1 year HK$'000	1 to 5 years HK$'000	Total HK$'000
As at 31 December 2023	**39,873**	**50,855**	**90,728**
As at 31 December 2022	111,554	–	111,554

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and business strategies. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is required to comply with certain externally imposed capital requirements set out in certain of its banking facility agreements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2023 and 31 December 2022.

The Group regards the equity attributable to owners of the parent as capital and monitors capital using a gearing ratio, which is total borrowings to total shareholders' equity. Total borrowings include interest-bearing bank borrowings. Total shareholders' equity comprises all components of equity attributable to owners of the parent. The Group's policy is to maintain the gearing ratio at a reasonable level. The gearing ratios as at the end of the reporting periods were as follows:

	2023 HK$'000	2022 HK$'000
Total borrowings	**85,707**	109,833
Total equity attributable to owners of the parent	**1,233,034**	1,221,555
Gearing ratio	**7.0%**	9.0%

37. 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:

	2023 HK$'000	2022 HK$'000
NON-CURRENT ASSETS		
Investments in subsidiaries	**442,613**	442,860
CURRENT ASSETS		
Prepayments	**848**	283
Due from a subsidiary	**500,605**	497,954
Cash and cash equivalents	**2,902**	3,513
Total current assets	**504,355**	501,750
CURRENT LIABILITIES		
Other payables and accruals	**1,915**	1,865
NET CURRENT ASSETS	**502,440**	499,885
Net assets	**945,053**	942,745
EQUITY		
Issued capital	**101,435**	101,435
Reserves (note)	**843,618**	841,310
Total equity	**945,053**	942,745

37. Statement of Financial Position of the Company (continued)

Note:

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

	Share premium account HK$'000	Treasury shares HK$'000	Share option reserve HK$'000	Capital redemption reserve HK$'000	Other reserve* HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2022	326,430	(1,779)	4,207	509	427,527	81,509	838,403
Profit and total comprehensive income for the year	–	–	–	–	–	63,997	63,997
Transfer of share option reserve upon forfeiture of share options	–	–	(430)	–	–	–	(430)
Shares cancelled	(1,579)	1,779	–	–	–	–	200
Final 2021 dividend	–	–	–	–	–	(30,430)	(30,430)
Interim 2022 dividend	–	–	–	–	–	(30,430)	(30,430)
At 31 December 2022 and 1 January 2023	**324,851**	**–**	**3,777**	**509**	**427,527**	**84,646**	**841,310**
Profit and total comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**63,414**	**63,414**
Transfer of share option reserve upon forfeiture of share options	**–**	**–**	**(246)**	**–**	**–**	**–**	**(246)**
Final 2022 dividend	**–**	**–**	**–**	**–**	**–**	**(30,430)**	**(30,430)**
Interim 2023 dividend	**–**	**–**	**–**	**–**	**–**	**(30,430)**	**(30,430)**
A t 31 December 2023	**324,851**	**–**	**3,531**	**509**	**427,527**	**87,200**	**843,618**

* The other reserve of the Company represents the difference between the cost of investments in subsidiaries pursuant to the Group reorganisation in prior years and the nominal value of the Company's shares issued in exchange therefor.

38. Comparative Amounts

Certain comparative amounts have been reclassified to conform to the current year's presentation. The directors consider that such reclassifications allow a more appropriate presentation of the Group's financial performance and/or better reflect the nature of the transactions/balances.

39. Approval of the Financial Statements

The financial statements were approved and authorised for issue by the board of directors on 27 March 2024.

INVESTMENT PROPERTIES

Principal Properties Held for Investment Purposes

Location	Existing use	Term of lease	Attributable interest of the Group
Car Parking Space No. 64 in the Basement, Causeway Center, 28 Harbour Road, Wanchai, Hong Kong	Commercial	Long	100%
Car Parking Spaces Nos. 107, 109, 110, 120, 121, 122, 123, 125, 126 and 127 on 1st Basement, CNT Tower, 338 Hennessy Road, Wanchai, Hong Kong	Commercial	Long	100%

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.

	Year ended 31 December				
	2023	2022	2021	2020	2019
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
RESULTS					
REVENUE	**2,949,362**	2,401,849	2,836,098	2,388,477	3,905,708
Cost of sales	**(2,623,696)**	(2,391,379)	(2,613,079)	(2,356,715)	(3,409,940)
Gross profit	**325,666**	10,470	223,019	31,762	495,768
Other income and gains, net	**85,551**	137,295	65,850	213,500	106,748
Selling and distribution expenses	**(74,854)**	(96,498)	(93,595)	(90,047)	(105,078)
Administrative expenses	**(165,492)**	(149,720)	(179,921)	(168,418)	(198,253)
Other expenses	**(28,479)**	(34,391)	(11,149)	(27,893)	(66,486)
Finance costs	**(24,798)**	(27,024)	(30,703)	(36,921)	(42,977)
Share of profits of associates	**2,151**	2,525	8,394	5,600	666
PROFIT/(LOSS) BEFORE TAX	**119,745**	(157,343)	(18,105)	(72,417)	190,388
Income tax credit/(expense)	**(34,289)**	20,324	(969)	17,034	(54,584)
PROFIT/(LOSS) FOR THE YEAR	**85,456**	(137,019)	(19,074)	(55,383)	135,804
Attributable to:					
Owners of the parent	**73,655**	(143,138)	(21,232)	(57,956)	124,968
Non-controlling interests	**11,801**	6,119	2,158	2,573	10,836
	85,456	(137,019)	(19,074)	(55,383)	135,804

Assets, Liabilities and Non-Controlling Interests

	As at 31 December				
	2023	2022	2021	2020	2019
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
TOTAL ASSETS	**2,188,819**	2,272,978	2,750,789	2,943,918	3,061,313
TOTAL LIABILITIES	**(934,564)**	(1,029,856)	(1,204,578)	(1,349,079)	(1,424,022)
NON-CONTROLLING INTERESTS	**(21,221)**	(21,567)	(17,585)	(22,602)	(32,292)
	1,233,034	1,221,555	1,528,626	1,572,237	1,604,999

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