稻香集團

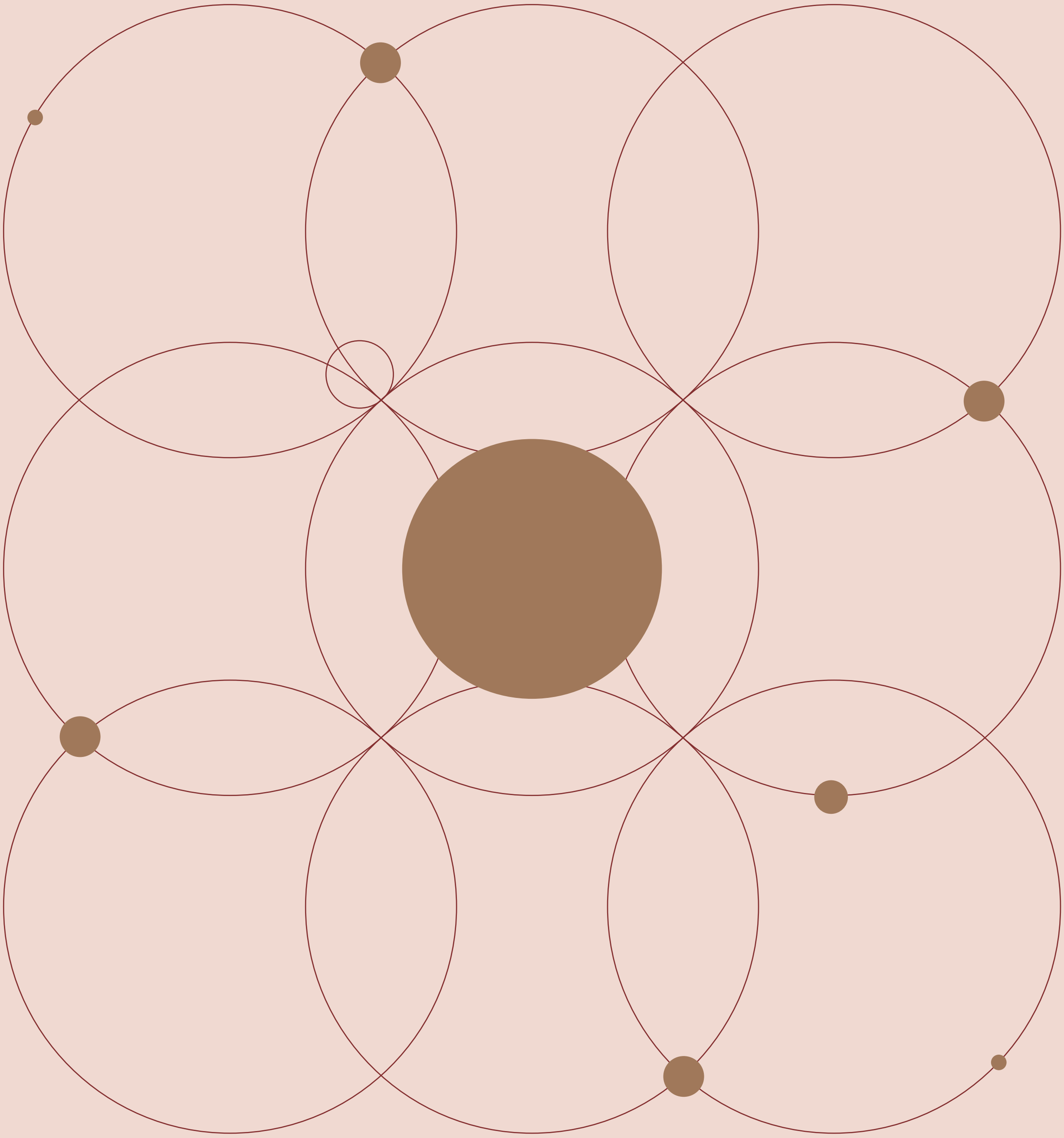
Tao Heung Holdings Limited
稻香控股有限公司*

(Incorporated in the Cayman Islands with Limited Liability)
Stock Code : 573

* For identification purposes only

ANNUAL REPORT

2019



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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
(Appointed on 19 November 2019)
Mr. Leung Yiu Chun
(Resigned on 19 November 2019)

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

Company Secretary

Ms. Tsang Wing Ka

Authorised Representatives

Mr. Chung Chun Fung
Mr. Ho Yuen Wah

Members of Audit Committee

Mr. Mak Hing Keung, Thomas *(Chairman)*
Professor Chan Chi Fai, Andrew
Mr. Chan Yue Kwong, Michael

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

Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road, George Town
Grand Cayman KY1-1110, 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
Bank of East Asia, Limited
BNP Paribas, Hong Kong Branch
Hang Seng Bank Limited
Standard Chartered Bank (Hong Kong) Limited
The Hongkong and Shanghai Banking Corporation Limited

Principal Auditor

Ernst & Young

Stock Code

573

Website

www.taoheung.com.hk

Financial Highlights and Calendar

Key Financial Ratios	Notes	2019 HK$'000	2018 HK$'000	Increase/ (Decrease) in %
Performance				
Revenue		**3,905,708**	4,138,788	(5.6%)
Profit attributable to owners of the parent		**124,968**	116,390	7.4%
Gross profit margin		**12.7%**	11.2%	13.4%
Net profit margin	1	**3.2%**	2.8%	14.3%
Per Share Data		**HK cents**	HK cents	
Earnings per share				
– Basic		**12.29**	11.45	7.3%
– Dilutive		**12.29**	11.45	7.3%
Interim dividend per share		**6.00**	5.50	9.1%
Proposed final dividend per share		**3.50**	6.00	(41.7%)

		2019 HK$'000	2018 HK$'000	Increase/ (Decrease) in %
Total assets		**3,061,313**	2,391,292	28.0%
Net assets		**1,637,291**	1,686,040	(2.9%)
Cash and cash equivalents		**620,940**	531,416	16.8%
Net cash	2	**467,840**	381,749	22.6%
Liquidity and Gearing				
Current ratio	3	**1.3**	1.5	(13.3%)
Quick ratio	4	**1.1**	1.3	(15.4%)
Gearing ratio	5	**9.5%**	9.0%	5.6%
Per Share Data		**HK cents**	HK cents	
Net assets per share	6	**161.05**	165.85	(2.9%)
Net cash per share	7	**46.02**	37.55	22.6%

Notes:

1. Net profit margin is calculated as net profit 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 1,016,611,000 shares (2018: 1,016,611,000 shares).
7. Net cash per share is calculated based on the number of 1,016,611,000 shares (2018: 1,016,611,000 shares).

Financial Highlights and Calendar

CALENDAR

22 August 2019	Announcement of interim results
24 March 2020	Announcement of annual results
16 April 2020	Despatch of annual report to shareholders
15 May 2020 to 19 May 2020 **26 May 2020**	Closure of register of members for attending the annual general meeting for proposed final dividend
19 May 2020	Annual general meeting
Dividends	
11 October 2019	Interim: HK6.00 cents per share paid
9 June 2020	Final: HK3.50 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 2019.

Over the past 12 months, the food and beverage industry has faced a particularly challenging period as macroeconomic uncertainties, social unrest and the outbreak of the COVID-19 in the beginning of 2020 have impacted on both Hong Kong and Mainland China, leading to weak consumption sentiment. Though Tao Heung was placed under considerable pressure, we nonetheless were able to lessen the impact of such issues by leveraging our flexible and effective business strategies. Furthermore, we continued to offer a wide range of products that catered for different demographics, which has always been one of our core strengths. Underpinned by our long-term "MISS" business plan, we will continue to grasp opportunities and adjust strategies when necessary to achieve continuous growth, and just as importantly, diversify income streams to cope with volatile conditions.

Looking at the Long Haul

Since 2016, we have been observing our "**MISS**" (Marketing, Innovation, Service and Succession) business plan, which is the Group's blueprint for sustaining its competitive edge and for ensuring that efforts are upheld in strengthening its foothold in the industry while at the same time maintaining responsive to market changes.

On the **Marketing** front, we have continued to consolidate as well as launch seasonal promotions to maintain our business performance in Hong Kong. The promotions such as "half-price dim sum" have been able to generate steady income for the Group, while seasonal promotions like "Alaskan King Crab" have performed encouragingly on the back of solid customer uptake. Furthermore, by leveraging a variety of effective channels such as collaborations with supermarkets and OEM related activities, we have been able to achieve the dual benefits of extending our reach to customers in Hong Kong. As for Mainland China, we have broadened our customer base by capitalising on our packaged and chilled food products, through expanded geographical coverage via both online and offline channels. Moreover, by offering a greater range of food products options, we have been able to grow the wholesale operation.

Chairman's Statement

With respect to **Innovation**, we have been making every effort in ensuring that we are at the forefront of relevant technology deployments that further strengthen our businesses. Apart from adopting mobile payment platforms such as Alipay and WeChat Pay, we have started introducing mobile ordering systems across our restaurant networks to raise efficiency. We have also partnered with Tmall.com and JD.com to help bolster our e-commerce exposure. Through these online distributors, our products are now able to reach customers across vast regions of Mainland China. What is more, via ties with Dianping.com (大眾點評), Meituan (美團) and ele.me (餓了麼), we are able to provide takeaway services that align with the demands of today's health conscious customers and which has been further heightened with the outbreak of the COVID-19. As we also view automation as essential in maintaining the relevance of our business models, we will continue to employ technologies that ensure our food processing and packaging capabilities are optimised, production costs are well managed, and products are of the highest quality so that not only the Group stands to benefit, but also all of our customers are likewise beneficiaries.

As food and **Service** are two sides of the same coin, both essential for attracting and retaining customers, we have continued to invest in the latter in the form of training, and by offering performance-related bonuses/remunerations. Furthermore, we have employed "mystery customers" to examine the service of frontline staff and the general performance of our restaurants. Through their feedback, we are able to modify training courses, while conversely, we are able update inspection criteria to ensure their effectiveness and relevance. Still a further means of advancing service involves the use of focus groups, which allow us to gauge changing preferences and emerging trends as well as understand consumers' expectations. On the whole, all of these measures have proved effective, and our services have continued to improve. Going forward, we will further employ such measures to enhance dining experiences and to motivate and boost the loyalty and performance of our staff. A testament to the success of the latter, our chef, Mr. Chung King Nam, was presented with the Best Name Award and Best Presentation Award from Champion of Gourmet Master Chef 2019, honours that everyone at Tao Heung are delighted and proud of.

Preparing for the future is also of paramount importance to the Group, which is why **Succession** is regarded as a cornerstone of our long-term business plan. This entails the decentralisation of management as it pertains to daily activities, and the empowerment of colleagues so that they can have direct input in operational performance. It also involves providing appropriate incentives that reward them for their commitment, while just as importantly, strengthen their loyalty to the Group, leading to the retention of skilled and experienced staff.

Yet other efforts to advance our succession goal involves the organising of exchange programmes where selected Hong Kong staff are able to meet their Mainland China counterparts to gain insights into local practices, including the combining of duties, thus allowing frontline staff to become more flexible, leading ultimately to higher efficiency and quality of service. Such programmes also result in the interchange of experiences and expertise that benefits both the Hong Kong and Mainland China operations.

Besides protecting the future of the Group, we are mindful as well of the need to protect the future of our industry. Hence the reason why we established the Tao Miao Institute ("稻苗學院") jointly with the Vocational Training Council ("VTC") back in 2012. Through this collaborative effort, we are able to preserve traditional Chinese cuisine culture and techniques for future generations. We will further examine opportunities that align with this goal, as this also constitutes part of our corporate culture. Clear affirmation of the effectiveness of such efforts include the earning of the plaudit, "Hong Kong Star Brand Award 2019 – Enterprise", thus further elevating the stature of Tao Heung in the Chinese culinary world.

While **MISS** is synonymous with Tao Heung's long-term plan, we are no less committed to fulfilling our corporate social responsibilities. Towards this commitment, we have in recent years introduced the concept of the "energy saving kitchen" as the use of cooking equipments in more energy efficient and environmentally friendly manner. In recognition of our environmental efforts, we were presented with the Joint Energy Saving Award, part of CLP Smart Energy Award 2019.

Appreciation

In the future, we will promote the Group's development by focusing on our main strength: Chinese cuisine. This will include examining relevant market trends and industry changes, and prudently capitalising on advances that spurs our advancement. At the same time, we will contribute to the progress of industry and society, as expected of a responsible corporate citizen. Correspondingly, we will explore opportunities to co-operate with government agencies in areas of industry and social development, as well as take initiatives that encourage the mutual progress of the Group and the communities in which we serve.

Chung Wai Ping
Chairman

Hong Kong
24 March 2020

Management Discussion and Analysis

Review

The Board hereby announces the annual results of the Group for the year ended 31 December 2019. During the past year, the Group, as with its peers, faced a slump in the F&B sector. Nonetheless, The Group was able to lessen its impact by leveraging its strong market position, as well as its renowned brands, which many consumers associate with value for money cuisine. Consequently, it has been able to achieve slight growth in profit in both Hong Kong and Mainland China. Such an achievement also highlights the successful efforts of the Group in controlling costs and enhancing operations, as well as its ability to adapt to changing operating conditions and consumption trends.

Financial Results

As at the year ended 31 December 2019, the Group recorded total revenue of HK$3,905.7 million (2018: HK$4,138.8 million), representing a decline of 5.6% year-on-year due in part to the renovation of several restaurants and the closure of several restaurants upon lease expiry during the year. Profit attributable to owners of the parent climbed to HK$125.0 million, up 7.4% year-on-year from HK$116.4 million in 2018, which was attributable to the effective consolidation of stores and the introduction of menus targeted towards a younger demographic. Hong Kong has continued to be the principal revenue contributor of the Group, accounting for 61.1% (2018: 62.5%) versus 38.9% (2018: 37.5%) for Mainland China.

The Board has proposed a final dividend of HK3.5 cents (2018: HK6.0 cents) per share for the year ended 31 December 2019. Together with an interim dividend of HK6.0 cents per share already paid (2018: HK5.5 cents), the total dividend will be HK9.5 cents (2018: HK11.5 cents), which represents a dividend payout ratio of 77.3% (2018: 100.4%).

Management Discussion and Analysis

Hong Kong Operations

The Hong Kong operations contributed revenue of HK$2,386.6 million (2018: HK$2,587.8 million) during the review year. Earnings before interest, tax, depreciation and amortisation (EBITDA) totalled HK$160.5 million (2018: HK$205.2 million), with profit attributable to owners of the parent at HK$61.2 million (2018: HK$92.2 million).

The Hong Kong operations faced challenges in 2019, specifically the social unrest during the second half year. Despite of this, Tao Heung employed several marketing strategies to stimulate consumptions. This included the "half-price dim sum" promotions which proved successful in attracting foot traffic to its establishments. Also the signature promotion of "Alaskan King Crab" has been overwhelming by our customers. Furthermore, updates were made to menus to both attract young customers while also entice existing customers. In view of the increasing tech savviness of customers, the Group has been gradually rolling out mobile ordering systems. Among the benefits of which include higher efficiency in receiving and processing orders leading to quicker turnaround times, hence adding to the dining experience. Furthermore, the Group is able to better manage labour costs and workflow, resulting in greater efficiency. Still another means of raising efficiency has been through duties integration. As conducted in its Mainland China restaurants, and is being implemented in stages in Hong Kong, such effort involves empowering frontline staff so that they are able to complete a variety of tasks following relevant training. The benefits are manifold, and include enhancing the skillset and job satisfaction of colleagues, while customers are also afforded more prompt and comprehensive services. Owing to these and other efforts, same store sales rose by 1.0% and average spend per head increased by 1.7% during the review year.

As at 31 December 2019, Tao Heung maintained a strong network of restaurants in Hong Kong, comprising 49 restaurants (2018: 64 restaurants, including 5 operated by the associates). The adjustment of the Hong Kong network highlights the Group's efforts to rightsize and consolidate its restaurants, which have achieved the desired goal of reducing costs. While streamlining operations, the Group has maintained its focus on reinforcing its stature as a Chinese culinary group, hence it will continue to maintain and upkeep its self-owned brands of Chinese restaurants.

With respect to the Tai Cheong bakery operation, its revitalised image has helped to consolidate the bakery's premium stature both at home and abroad. In respect of the former, Tai Cheong bakery's standing has been further strengthened with prime openings at the new shopping mall V Walk and The Peak Galleria, with the bakery network in Hong Kong now comprising 17 (2018: 16) shops as at the review year. Tai Cheong bakery also has a presence in Taiwan and Beijing by way of franchises operated in partnership with members of the SSP Group plc ("SSP"). Elsewhere, its presence in Singapore continues to deliver favourable results via four outlets found in strategic locations across the country.

Mainland China Operations

Revenue totalling HK$1,519.1 million (2018: HK$1,551.0 million) was generated by the Mainland China operations as at the close of the review year, with EBITDA at HK$232.9 million (2018: HK$184.3 million). Profit attributable to owners was HK$63.8 million versus HK$24.2 million in 2018. If excluding the compensation received for the closure of chicken farms of HK$51.8 million, EBITDA was HK$181.1 million (2018: HK$184.3 million). Profit attributable to owners was HK$27.5 million (2018: HK$24.2 million), excluding the share of above mentioned compensation of HK$36.3 million.

Faced with rising economic headwinds and weakening consumption sentiment, the Mainland China operation experienced a decline in same store sales of 1.8% as well as a weakening in average spend per head. However, the Group has employed marketing strategies such as "half-price dim sum" in all restaurants and has successfully increased the traffic by 6.9%. To combat softness in consumption, the Group has sought to both control costs and raise efficiency. With regard to the former, and particularly the rise in cost of key ingredients such as pork, it has been purchasing items in bulk when prices are reasonably low for later use. To further address cost pertaining to labour while concurrently raise efficiency, the Group has been providing training so that staff can take on a number of tasks,

Management Discussion and Analysis

which, combined with the adoption of a mobile ordering system by its entire restaurant network, has enabled higher efficiency to be achieved in all relevant areas of operation and enhanced customer services. Also, with a view to enhancing customer service, particularly given current health concerns, the Group has introduced takeaway services in conjunction with such platforms as Dianping.com (大眾點評), Meituan (美團) and ele.me (餓了麼).

With reference to the three integrated complexes of which one is the combination of Chinese restaurants, self-owned supermarket, indoor playground, museum and shops and two with Chinese restaurants and self-owned supermarket, they have continued to deliver encouraging results by appealing to customers on multiple levels. As for the wholesale business, it remains an important backbone for supporting the Group's brands in their online penetration, particularly for proprietary packaged food products. Through partnerships with popular online distributors including T.mall.com and JD.com, such products have been able to reach customers from across the country, hence achieving encouraging online sales growth of 20% during the review period. The Group is no less committed to delivering omnichannel experiences, which is why supermarkets chains are also leveraged in delivering its packaged foods to a wider spectrum of customers. At the same time, sales and marketing efforts have been made to strengthen revenue contributions from the wholesale operation.

As at 31 December 2019, Tao Heung had a total of 46 (2018: 44) restaurants in operation in Mainland China. In addition, the Group had 25 (2018: 27) Bakerz 180 outlets in the country. The two networks generated combined revenue of HK$1,263.5 million during the review year. Even though the overall number of restaurants has declined, the Group's Tao Heung private label products have been able to broaden the Group's reach by way of e-commerce and collaborations with distributors and supermarkets.

Impact of Coronavirus

In early 2020, in response to the public health risks associated with an outbreak of COVID-19 in Wuhan, China, all of our restaurants in China have been temporarily closed since late January 2020. While restaurants in Guangdong Province are planned to reopen gradually from early March, four restaurants in Wuhan regions will remain close until further notice from the local government. In the meantime, we have temporarily closed four restaurants in Hong Kong while adjusted the operating hours of some of our restaurants according to latest demand. We will continue to closely monitor the development of the circumstance and work diligently to sustain in this difficult time.

Financial Resources and Liquidity

As at 31 December 2019, the Group's total assets were approximately HK$3,061.3 million (2018: approximately HK$2,391.3 million) while the total equity was approximately HK$1,637.3 million (2018: approximately HK$1,686.0 million).

As at 31 December 2019, the Group had cash and cash equivalents of approximately HK$620.9 million. After deducting total interest-bearing bank borrowings of approximately HK$153.1 million, the Group had a net cash surplus position of approximately HK$467.8 million.

As at 31 December 2019, the Group's gearing ratio (defined as total interest-bearing bank borrowings divided by total equity attributable to owners of the parent) was 9.5% (2018: 9.0%).

Capital Expenditure

Capital expenditure for the year ended 31 December 2019 amounted to approximately HK$150.8 million and capital commitments as at 31 December 2019 amounted to approximately HK$30.0 million. The capital expenditure and capital commitments were mainly for the renovation of the Group's new and existing restaurants.

Contingent Liabilities

As at 31 December 2019, the Group had contingent liabilities in respect of bank guarantees given in lieu of rental and utility deposits amounting to approximately HK$26.9 million (2018: approximately HK$18.7 million).

Foreign Exchange Risk Management

The Group's sales and purchases for the year ended 31 December 2019 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 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 operation results of the Group.

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

Human Resources

As at 31 December 2019, the Group had 6,741 employees. In order to attract and retain high quality staff and to enable smooth operation within the Group, the Group offers competitive remuneration packages (with reference to market conditions and individual qualifications and experience) and various in-house as well as external 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 2019, there are 13,650,000 outstanding options granted under the Share Option Scheme which have not been exercised yet.

Pledge of Assets

As at 31 December 2019, the Group pledged its bank deposits of approximately HK$13.9 million, right-of-use assets of approximately HK$33.4 million and buildings of approximately HK$16.0 million and investment properties of approximately HK$20.5 million to secure the banking facilities granted to the Group.

Management Discussion and Analysis

Prospects

While we are pleased with our 2019 achievements, the beginning of 2020 has proven to be challenging for everyone as a result of an outbreak of a respiratory illness caused by the COVID-19. Our thoughts remain with the people of Wuhan and greater Hubei Province, the medical personnel on the front lines and the rest of Mainland China, as great steps are taken, in the all-out effort to contain the spread of virus. We expect the repercussions of this health crisis in Hong Kong and Mainland China will have a material impact on the first quarter of 2020. Given the dynamic nature of the circumstances, it is difficult to predict the magnitude and materiality of the impact of the COVID-19 outbreak in future reporting periods for 2020.

Despite an increasingly challenging macro economy, the Group's ongoing development efforts in Hong Kong and Mainland China have begun to bear fruit. The combination of marketing campaigns and business consolidation consistent with the Group's "MISS" long-term plan have proved effective at creating a more appealing and streamlined operation, respectively. Though tremendous headwinds remain, the management is cautiously optimistic about the Group's immediate future, and will persist in invigorating its Hong Kong and Mainland China operations so that even higher quality food and services are delivered to customers. In line with this goal, the management will further adjust the Group's business model so that it can readily and seamlessly adapt to market changes.

In Hong Kong, the Group will bolster its existing brand portfolio while holding true to its "value for money" maxim. Correspondingly, the Group will continue to hone and enhance its food and services, delivering an effective mix of good value and quality cuisine complemented by efficient services that both enhances customers' dining experiences and allows the Group to efficiently employ its workforce. Given the current operational challenges that are affecting the industry, and which is also impacting the Group, the management will be employing flexible operating hours to ensure that its resources are not squandered.

Concerning the Mainland China operation, the Group's successful wholesale business has, via online distribution platforms, enabled it to buildout its national presence. Collaborations with supermarkets have further provided Tao Heung with offline channels to boost sales. To ensure that such positive trends continue, and profit margins improve, the Group will effectively utilise its Dongguan logistics centre. As the capacity of the centre has not been fully utilised, the management has been able to initiate flexible operating hours since the outbreak of COVID-19. Consequently, the output of packaged food has been doubled, hence, the Group has continued to benefit from diversified revenue streams.

As Tao Heung maintains its commitment to the geographical expansion of proprietary brands, it will not rely solely on the wholesale operation, which has been supported by both online and offline platforms, but also through partnerships as exemplified by Tai Cheong's presence in Singapore. While both are viable options, still more avenues will be explored as the Group expands their footprints in the region. Concurrently, Tao Heung will leverage the benefits of strategies employed over the past years and its competitive edges to form the foundation for business development and the diversification of revenue streams, resulting ultimately in greater value creation for the Group's shareholders.

Directors and Senior Management

Executive Directors

Mr. Chung Wai Ping ("Mr. WP Chung"), JP, BHS, aged 60, is an Executive Director and was appointed on 29 December 2005. Mr. WP Chung is the chairman and chief executive officer of our Board 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 40 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 and The Honorary Chairman of the China branch of Les Amis d'Escoffier Society Co. Mr. WP Chung won the Chief Executive Officer of the year (Hospitality) in 2003 organized by the Asia Pacific Customer Service Consortium, the Top Ten Man of the Time in Catering Industry in Yue-Gang-Ao held by the China Hospitality Association and Innovative entrepreneur of the Year organized by the Junior Chamber International Hong Kong in 2005. In 2006, Mr. WP Chung won the Capital Leader of Excellence 2006 organized by the "Capital" Magazine. 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 as at 30 June 2017. Mr WP Chung was awarded Bronze Bauhinia Star by the HKSAR Government on 9 November 2019. Mr. WP Chung is the father of Mr. CF Chung, an Executive Director of the Company.

Mr. Wong Ka Wing, aged 62, 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 Logistics Centre. Mr. Wong has over 25 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 58, is an Executive Director and was appointed on 1 March 2007. Mr. Ho is the Chief Operation 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 25 years of experience in the Chinese restaurant industry.

Mr. Chung Chun Fung ("Mr. CF Chung"), aged 33 is an Executive Director and was appointed on 19 November 2019. Mr. CF Chung is the Acting Director (Marketing & Business Development) and is primarily responsible for our business development and overall strategic planning in marketing. Mr. CF Chung joined us in January 2013 as management trainee and began his career in the joint venture business Ringer Hut then later he worked in the Chinese restaurant industry. Prior to joining us, 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.

Directors and Senior Management

Non-Executive Directors

Mr. Fong Siu Kwong, aged 62, 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 from 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 a partner of Howell & Co., Solicitors.

Mr. Fong has over 40 years of legal 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 and Chinese History and Culture Enhancement Fund Limited.

Mr. Chan Yue Kwong, Michael, aged 68, 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, JP, aged 66, 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 a professor in the Department of Marketing and teaches for the EMBA Program in the CUHK. Professor Chan is also currently the Chairman of Cantonese Opera Advisory Committee. In addition, he is a Member of Social Enterprise Advisory Committee, Energy Advisory Committee, Cantonese Opera Development Fund Advisory Committee, and Task Force for Review on Enhancement of Lump Sum Grant Subvention System. Besides, he is the Adviser of the Quality Tourism Services Association. Professor Chan has approximately 30 years of experience in the education industry.

Directors and Senior Management

Mr. Mak Hing Keung, Thomas, aged 57, 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 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 Peng Fei Group Limited, a company listed on the Main Board with effect from 25 October 2019.

Mr. Ng Yat Cheung, JP, aged 64, 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.

Senior Management

Ms. Lau Lee Fong, Rosa, aged 64 is the Chief Operations Officer – Hong Kong since March 2017. Before joining the Group, Ms. Lau had worked in the Café de Coral Group since 1979 and was retired from the Senior General Manager – Specialty Restaurants of the Café de Coral Group in 2016. Ms. Lau holds a Master's Degree in Business Administration from the University of East Asia, Macau and a Master's Degree of Science in Hotel & Tourism Management from the Hong Kong Polytechnic University. Ms. Lau is a member of the Hotel & Catering International Management Association (U.K.).

Ms. Tsang Wing Ka, aged 45, is the Company Secretary and the Chief Financial Officer and is primarily responsible for our overall finance, accounting and taxation functions. Ms. Tsang joined the Group in December 2002 as finance and accounting manager. Ms. Tsang has over 20 years of experience in financial management. Ms. Tsang holds a Master's degree of Business Administration from the Chinese University of Hong Kong, a Bachelor's degree in Commerce (Accounting) from Curtin University of Technology in Australia and is currently an associate member of the Hong Kong Institute of Certified Public Accountants.

Corporate Governance Report

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 2019, the Company has adopted the Corporate Governance Code (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and complied with all applicable code provisions under the Code, save and except for the deviation from the code provision A.2.1 of the Code. Under the code provision A.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 A.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 A.2.1 is appropriate in such circumstance.

Model Code for Securities

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set forth in Appendix 10 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 the Directors, all the Directors have complied with the required standards as set forth in the Model Code throughout the year under review.

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 nine directors, including four Executive Directors, two Non-executive Directors and three 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 *(Appointed on 19 November 2019)*
Mr. Leung Yiu Chun *(Resigned on 19 November 2019)*

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

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

Each of the Executive Directors of the Company entered into a service contract with the Company for an initial term of three years commencing from the Listing Date and may only be terminated in accordance with the provisions of the service contract after the first two years by either party giving to the other not less than three months' prior notice in writing.

Corporate Governance 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 years commencing from 29 June 2018 unless terminated by either party giving to other not less than three months' prior notice in writing.

One-third of the Board 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.

Board Diversity

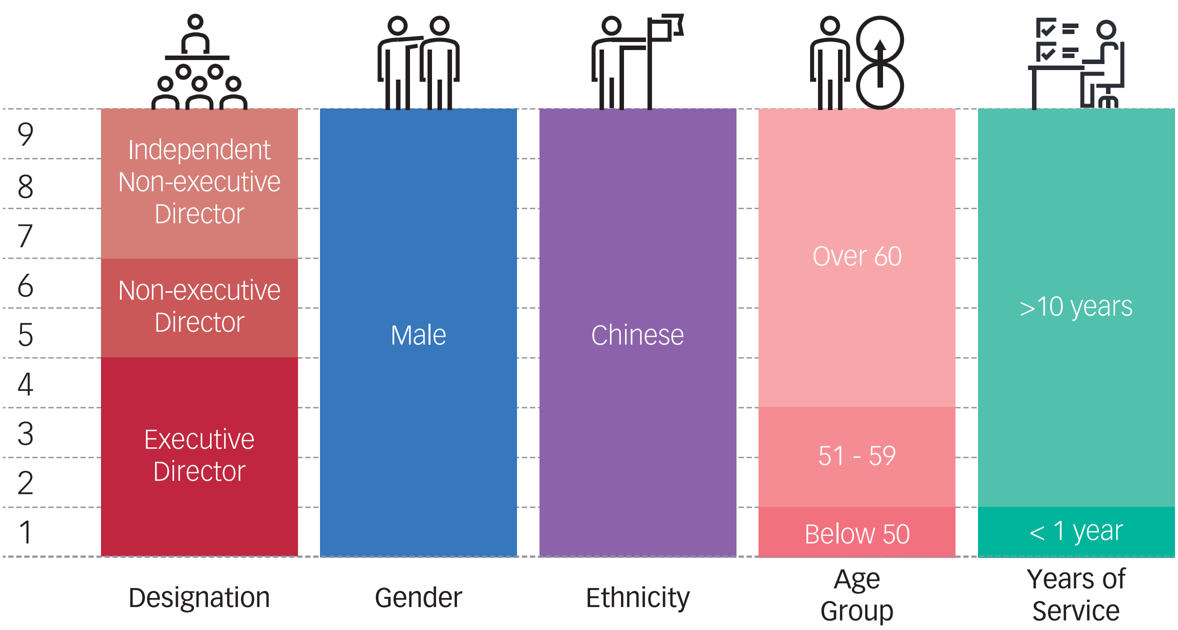
The Company recognises that increasing diversity at the Board level will support the attainment of the Company's strategic objectives and sustainable development. The Board has adopted a Board Diversity Policy which sets out the approach to achieve and maintain diversity on the Board.

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 2019, 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 2019.

The Chairman and Chief Executive Officer

During the year ended 31 December 2019, the Company has adopted the Corporate Governance Code (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and complied with all applicable code provisions under the Code, save and except for the deviation from the code provision A.2.1 of the Code. Under the code provision A.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 A.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 A.2.1 is appropriate in such circumstance.

Board Meetings

The Board met regularly in person or by means of electronic communication. The Board is going to meet at least four times a year after the Listing. Regular board meetings are usually scheduled at the beginning of the year to give all directors adequate time to plan their schedules to attend. Directors receive at least 14 days' prior written notice of regular board meetings and an agenda. The Board paper, including supporting analyses and relevant background information, are normally sent to all Directors at least three days before the Board meeting. For other Board meetings, Directors are given as much notice as possible in the circumstances.

The company secretary of the Company is responsible to take and keep minutes of all Board meetings and committee meetings. Draft minutes are normally circulated to Directors for comment within a reasonable time after each meeting and the final version is open for directors' inspection.

Corporate Governance Report

Details of Directors' attendance at Board meetings and Board committees meetings are set out in the following table:

MEETINGS ATTENDED DURING THE YEAR ENDED 31 DECEMBER 2019

	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	3/4	N/A	N/A	N/A
Mr. Ho Yuen Wah	2/4	N/A	N/A	N/A
Mr. Chung Chun Fung *(Appointed on 19 November 2019)*	1/1	N/A	N/A	N/A
Mr. Leung Yiu Chun *(Resigned on 19 November 2019)*	3/3	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	1/2	N/A	1/1
Independent Non-executive Directors:				
Professor Chan Chi Fai, Andrew	4/4	2/2	N/A	1/1
Mr. Mak Hing Keung, Thomas	4/4	2/2	1/1	N/A
Mr. Ng Yat Cheung	4/4	N/A	1/1	1/1

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 Corporate Governance as set out in Appendix 14 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 and Professor Chan Chi Fai, Andrew, 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

The following is a summary of the work performed by the Audit Committee during the year ended 31 December 2019:

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 Corporate Governance Code as set out in Appendix 14 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

During the year ended 31 December 2019, 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 19 May 2020.

Remuneration Committee

COMPOSITION

The Company established the Remuneration Committee on 9 June 2007 with written terms of reference in compliance with the Corporate Governance Code as set out in Appendix 14 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

During the year ended 31 December 2019 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.

Remuneration of Directors and Senior Management

Pursuant to code provision B.1.5 of the Code, the remuneration of the members of senior management by band for the year ended 31 December 2019 is set out below:

	Number of Individual
Nil – HK$1,000,000	1
HK$1,000,001 – HK$1,500,000	–
HK$1,500,001 – HK$2,000,000	–
HK$2,000,001 – HK$2,500,000	1

Further particulars in relation to Director's remuneration and the five highest paid employees as required to be disclosed pursuant to Appendix 16 to the Listing Rules are set out in notes 8 and 9 respectively, to the financial statements.

Directors' Responsibility for the Financial Statements

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 2019, 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.

The statement by the external auditor of the Company regarding the Directors' reporting responsibilities of the financial statements of the Group is set out in the Independent Auditor's Report on pages 31 to 35 of this annual report.

Company Secretary

Ms. Tsang Wing Ka, 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 2019, Ms. Tsang has undertaken over 15 hours of relevant professional training.

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 31 to 35 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 2019 is as follows:

	2019 **HK$'000**	2018 HK$'000
Audit fee		
– provision for the year	**3,370**	3,230
Non-audit service fees	**244**	293
Total	**3,614**	3,523

Non-audit services are agreed upon procedures.

Internal Controls

The Board is responsible for maintaining an adequate internal control system to safeguard shareholders' interests and reviewing the effectiveness of such on an annual basis through the audit committee. The Board with the assistance of the internal audit department is conducting an annual review and assessment of the effectiveness of the risk management and internal control system of the Group. Such review covered all material controls, including financial, operational and compliance controls and risk management functions.

The Board would communicate regularly with the audit committee and the external consultant.

Investor Relations

To enhance transparency and effectively communicate with the investment community, the executive directors and senior management of the Company actively maintains close communications with various institutional investors, financial analysts and financial media by convening road shows and investors' conferences during the year. 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 the Company and the Group for the year ended 31 December 2019.

Principal Activities and Business Review

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. The principal activities of the principal subsidiaries are set out in note 1 to the financial statements.

The Group's financial condition, results of operations, businesses and prospects would be affected by a number of risks and uncertainties including credit risk and liquidity risk. The risk management policies and practices of the Group are set out in note 39 to the financial statements.

The Group commits to the long term sustainability of the environment and communities in which it operates. Acting in an environmentally responsible manner, the Group endeavours to comply with laws and regulations regarding environmental protection and adopt effective measures to achieve efficient use of resources, energy saving and waste reduction. The Group also commits to the principle and practice of recycling and reducing, such as joining food waste recycling partnership scheme and waste oil collection campaign; using LED lighting facilities and electric cooking equipments and implementing green office practices including using recycled paper for printing and copying, double-sided printing and copying, switching off idle lightings, air conditioning and electrical appliances.

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.

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.

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 8 to 12 of this annual report. This discussion forms part of this directors' report.

Report of the Directors

Results and Dividends

The Group's profit for the year ended 31 December 2019 and the Group's financial position at that date are set out in the financial statements on pages 36 to 118.

An interim dividend of HK6.00 cents per ordinary share, totaling approximately HK$60,997,000 was paid on 11 October 2019. The directors recommend the payment of a final dividend of HK3.50 cents per ordinary share, totaling approximately HK$35,581,000 in respect of the year to shareholders on the register of members on 25 May 2020. The proposed final dividend for the year ended 31 December 2019 has been approved at the Company's board meeting on 24 March 2020. Details of dividends for the year ended 31 December 2019 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 Friday, 15 May 2020 to Tuesday, 19 May 2020, both days inclusive, for the purpose of ascertaining shareholders' entitlements to attend and vote at the 2019 Annual General Meeting. In order to be eligible to attend and vote at the 2019 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 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Thursday, 14 May 2020; and

(ii) On Tuesday, 26 May 2020, 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 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Monday, 25 May 2020.

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

Summary Financial Information

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 120. 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 30 and 31 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. 2,510,000 options where 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 2019 which have been granted under the Share Option Scheme are as follows:

		Number of options					
Name	Date of grant	Options outstanding at 1 January 2019	Granted during the year	Options exercised during the year	Options lapsed on expiry	Options forfeited upon termination of employment	Options outstanding at 31 December 2019
Executive Directors							
Mr. Ho Yuen Wah	2 December 2016	400,000	–	–	–	–	400,000
Mr. Leung Yiu Chun*	2 December 2016	600,000	–	–	–	(600,000)	–
Connected Person							
Mr. Chung Wai Leung	2 December 2016	300,000	–	–	–	–	300,000
Other employees	2 December 2016	14,860,000	–	–	–	(1,910,000)	12,950,000
Total		16,160,000	–	–	–	(2,510,000)	13,650,000

* Resigned on 19 November 2019

(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 2019, 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$832,502,000 of which HK$35,581,000 has been proposed as a final dividend for the year. In addition, the amount of HK$754,151,000 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$1,156,000.

Major Customers and Suppliers

For the year ended 31 December 2019, 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 35.6% and 12.5% 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 were:

EXECUTIVE DIRECTORS:

Mr. Chung Wai Ping *(Chairman and Chief Executive Officer)*
Mr. Wong Ka Wing
Mr. Ho Yuen Wah
Mr. Chung Chun Fung *(Appointed on 19 November 2019)*
Mr. Leung Yiu Chun *(Resigned on 19 November 2019)*

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

Pursuant to article 86(3) and 87(1) of the Company's articles of association, the following Executive Director namely Mr. Chung Wai Ping and Mr. Chung Chun Fung and the following Independent Non-executive Director namely Professor Chan Chi Fai, Andrew, Mr. Mak Hing Keung, Thomas and 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 years.

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

Directors' and Senior Management's Biographies

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 13 to 15 of the annual report.

Directors' Service Contracts

Each of the Executive Directors of the Company entered into a service contract with the Company for an initial term of three years commencing from the Listing Date and may only be terminated in accordance with the provisions of the service contract after the first two years by either party giving to the other not less than three months' prior notice in writing.

Apart from the foregoing, no director proposed for re-election at the forthcoming annual general meeting 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

The directors' fees are subject to shareholders' approval at general meeting. Other emoluments are determined by the Company's board of directors with reference to directors' duties, responsibilities and performance and the results of the Group.

A summary of the directors' remuneration is set out in note 8 to the financial statements.

Directors' Interests in Transactions, Arrangements or Contracts

Saved as disclosed under the section headed "Continuing Connected Transactions" on page 30 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 2019.

Directors' Interests and Short Positions in Shares and Underlying Shares

As at 31 December 2019, 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	Percentage of the Company's share capital
Executive Directors								
Mr. Chung Wai Ping	(a) and (b)	–	12,174,222	–	410,865,689	–	423,039,911	41.61
Mr. Wong Ka Wing	(c)	5,522,679	–	103,283,124	–	–	108,805,803	10.70
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

Report of the Directors

Notes:

(a) Billion Era International Limited is wholly-owned by Tin Tao Investments Limited ("Tin Tao") which in turn is wholly-owned by BNP Paribas Corporate Services Pte. Ltd ("BPCSPL"), a company incorporated in Singapore. BPCSPL is holding the shares in Tin Tao as nominee for BNP Paribas Singapore Trust Corporation Limited ("BPSTCL") 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. The ultimate holding company for BPSTCL is BNP Paribas SA.

(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.

Saved as disclosed above, as at 31 December 2019, 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 2019, the interests and short positions of every persons, 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)	410,865,689	–	410,865,689	40.42
Tin Tao Investments Limited	(a)	–	410,865,689	410,865,689	40.42
BNP Paribas Corporate Services Pte. Ltd.	(a)	–	410,865,689	410,865,689	40.42
BNP Paribas Singapore Trust Corporation Limited	(a)	–	410,865,689	410,865,689	40.42
Joy Mount Investments Limited	(b)	103,283,124	–	103,283,124	10.16
Perfect Plan International Limited	(c)	102,053,976	–	102,053,976	10.04
Whole Gain Holdings Limited		56,795,068	–	56,795,068	5.59

Notes:

(a) Billion Era International Limited is wholly-owned by Tin Tao Investments Limited ("Tin Tao") which in turn is wholly-owned by BNP Paribas Corporate Services Pte. Ltd. ("BPCSPL"), a company incorporated in Singapore. BPCSPL is holding the shares in Tin Tao as nominee for BNP Paribas Singapore Trust Corporation Limited ("BPSTCL") 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. The ultimate holding company for BPSTCL is BNP Paribas SA.

(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 2019, 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.

Report of the Directors

Directors' Rights to Acquire Shares or Debentures

Save as disclosed above and in the share option scheme disclosed in note 31 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.

Continuing Connected Transactions

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

	Notes	**2019** **HK$'000**	2018 HK$'000
Rental expense to a related party	(i)	**36**	48
Legal fee to a related party	(ii)	**967**	665

Notes:

(i) The rental expense to a related party, Madam Chan Sai Ying, who is the spouse of Mr. Chung Wai Ping, was charged based on mutually agreed terms at a monthly fixed amount of HK$4,000 (2018: HK$4,000).

(ii) The legal fee to a related party, Howell & Co., a partnership of which Mr. Fong Siu Kwong, a Non-executive Director of the Company is a partner, 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.

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.

Auditors

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

ON BEHALF OF THE BOARD

Chung Wai Ping
Chairman

Hong Kong
24 March 2020

Independent Auditor's Report

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 36 to 118, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for opinion

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

Key audit matters

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

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

Independent Auditor's Report

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
Impairment 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 their property, plant and equipment and right-of-use assets based on value-in-use calculations. Impairment of approximately HK$28.1 million and HK$31.1 million has been recorded during the year to reduce the carrying amounts of certain property, plant and equipment and right-of-use assets of approximately HK$34.6 million and HK$74.2 million, respectively, to their estimated recoverable amounts. 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 gross margin of respective restaurants and shops and discount rate. 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 gross margin 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 2019, the Group recognised deferred tax assets of approximately HK$86.5 million. Recognition of deferred tax assets is made to the extent that it is probable that future taxable profit 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 20 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 from which the tax losses had arisen by comparing the budgeted gross margin 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.

Independent Auditor's Report

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, related safeguards.

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

The engagement partner on the audit resulting in this independent auditor's report is Leung Chi Ying.

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

24 March 2020

Consolidated Statement of Profit or Loss

Year ended 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
REVENUE	5	**3,905,708**	4,138,788
Cost of sales		**(3,409,940)**	(3,677,269)
Gross profit		**495,768**	461,519
Other income and gains, net	5	**106,748**	33,413
Selling and distribution expenses		**(105,078)**	(111,871)
Administrative expenses		**(198,253)**	(199,188)
Other expenses		**(66,486)**	(32,409)
Finance costs	6	**(42,977)**	(3,100)
Share of profits and losses of associates		**666**	648
PROFIT BEFORE TAX	7	**190,388**	149,012
Income tax expense	10	**(54,584)**	(40,261)
PROFIT FOR THE YEAR		**135,804**	108,751
Attributable to:			
Owners of the parent		**124,968**	116,390
Non-controlling interests		**10,836**	(7,639)
		135,804	108,751
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
– Basic (HK cents)	12	**12.29**	11.45
– Diluted (HK cents)	12	**12.29**	11.45

Consolidated Statement of Comprehensive Income

Year ended 31 December 2019

	2019 HK$'000	2018 HK$'000
PROFIT FOR THE YEAR	**135,804**	108,751
OTHER COMPREHENSIVE LOSS		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(13,420)**	(48,903)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**122,384**	59,848
Attributable to:		
Owners of the parent	**111,942**	69,032
Non-controlling interests	**10,442**	(9,184)
	122,384	59,848

Consolidated Statement of Financial Position

31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**897,786**	1,031,396
Prepaid land lease payments	14(A)	**–**	86,543
Right-of-use assets	14(B)	**883,295**	–
Investment properties	15	**29,400**	29,400
Goodwill	16	**38,677**	38,883
Other intangible asset	17	**–**	884
Investments in associates	18	**5,084**	11,964
Deferred tax assets	20	**86,549**	100,221
Rental deposits		**89,374**	97,495
Deposits for purchases of items of property, plant and equipment		**31,910**	82,884
Total non-current assets		**2,062,075**	1,479,670
CURRENT ASSETS			
Inventories	21	**170,867**	149,745
Biological assets	19	**–**	235
Trade receivables	22	**43,507**	42,800
Prepayments, deposits and other receivables	23	**144,259**	167,244
Tax recoverable		**1,690**	6,529
Pledged deposits	24	**13,875**	13,653
Restricted cash	24	**4,100**	–
Cash and cash equivalents	24	**620,940**	531,416
Total current assets		**999,238**	911,622
CURRENT LIABILITIES			
Trade payables	25	**119,872**	135,177
Other payables and accruals	26	**247,192**	296,443
Interest-bearing bank borrowings	27	**153,100**	149,667
Finance lease payable	28	**–**	176
Lease liabilities	14(C)	**246,641**	–
Tax payable		**20,118**	16,932
Total current liabilities		**786,923**	598,395
NET CURRENT ASSETS		**212,315**	313,227
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,274,390**	1,792,897

Consolidated Statement of Financial Position

31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
NON-CURRENT LIABILITIES			
Other payables and accruals	26	**11,741**	82,400
Finance lease payable	28	**–**	397
Lease liabilities	14(C)	**606,408**	–
Due to non-controlling shareholders of subsidiaries	29	**–**	7,581
Deferred tax liabilities	20	**18,950**	16,479
Total non-current liabilities		**637,099**	106,857
Net assets		**1,637,291**	1,686,040
EQUITY			
Equity attributable to owners of the parent			
Issued capital	30	**101,661**	101,661
Reserves	32	**1,503,338**	1,565,445
		1,604,999	1,667,106
Non-controlling interests		**32,292**	18,934
Total equity		**1,637,291**	1,686,040

Chung Wai Ping
Director

Chung Chun Fung
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2019

	Notes	Attributable to owners of the parent										
		Issued capital HK$'000	Share premium account HK$'000	Capital reserve HK$'000 (note 32)	Other reserve HK$'000 (note 32)	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 2018		101,661	326,624	110,748	11,056	6,446	509	996	1,185,904	1,743,944	(2,707)	1,741,237
Profit for the year		–	–	–	–	–	–	–	116,390	116,390	(7,639)	108,751
Other comprehensive loss for the year:												
Exchange differences on translation of foreign operations		–	–	–	–	–	–	(47,358)	–	(47,358)	(1,545)	(48,903)
Total comprehensive income for the year		–	–	–	–	–	–	(47,358)	116,390	69,032	(9,184)	59,848
Equity-settled share option arrangement	31	–	–	–	–	1,870	–	–	–	1,870	–	1,870
Transfer of share option reserve upon forfeiture of share options	31	–	–	–	–	(660)	–	–	660	–	–	–
Acquisition of a non-controlling interest		–	–	–	(30,829)	–	–	–	–	(30,829)	30,825	(4)
Final 2017 dividend		–	–	–	–	–	–	–	(60,997)	(60,997)	–	(60,997)
Interim 2018 dividend	11	–	–	–	–	–	–	–	(55,914)	(55,914)	–	(55,914)
At 31 December 2018		101,661	326,624*	110,748*	(19,773)*	7,656*	509*	(46,362)*	1,186,043*	1,667,106	18,934	1,686,040

	Notes	**Attributable to owners of the parent**										
		Issued capital HK$'000	**Share premium account HK$'000**	**Capital reserve HK$'000 (note 32)**	**Other reserve HK$'000 (note 32)**	**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 31 December 2018		**101,661**	**326,624**	**110,748**	**(19,773)**	**7,656**	**509**	**(46,362)**	**1,186,043**	**1,667,106**	**18,934**	**1,686,040**
Effect of adoption of HKFRS 16	2.2	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(52,055)**	**(52,055)**	**(514)**	**(52,569)**
At 1 January 2019 (restated)		**101,661**	**326,624**	**110,748**	**(19,773)**	**7,656**	**509**	**(46,362)**	**1,133,988**	**1,615,051**	**18,420**	**1,633,471**
Profit for the year		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**124,968**	**124,968**	**10,836**	**135,804**
Other comprehensive loss for the year:												
Exchange differences on translation of foreign operations		**–**	**–**	**–**	**–**	**–**	**–**	**(13,026)**	**–**	**(13,026)**	**(394)**	**(13,420)**
Total comprehensive income for the year		**–**	**–**	**–**	**–**	**–**	**–**	**(13,026)**	**124,968**	**111,942**	**10,442**	**122,384**
Transfer of share option reserve upon forfeiture of share options	31	**–**	**–**	**–**	**–**	**(1,193)**	**–**	**–**	**1,193**	**–**	**–**	**–**
Capital contribution from a non-controlling shareholder of a subsidiary		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**3,430**	**3,430**
Final 2018 dividend	11	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(60,997)**	**(60,997)**	**–**	**(60,997)**
Interim 2019 dividend	11	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(60,997)**	**(60,997)**	**–**	**(60,997)**
At 31 December 2019		**101,661**	**326,624***	**110,748***	**(19,773)***	**6,463***	**509***	**(59,388)***	**1,138,155***	**1,604,999**	**32,292**	**1,637,291**

* These reserve accounts comprise the consolidated reserves of HK$1,503,338,000 (2018: HK$1,565,445,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**190,388**	149,012
Adjustments for:			
Interest income	5	**(11,588)**	(8,725)
Fair value gains on investment properties	5	**–**	(2,600)
Gain on disposal of items of property, plant and equipment, net	5	**(2,447)**	(100)
Gain on disposal of associates	5	**(208)**	–
Gain on termination of a lease	5	**(479)**	–
Finance costs	6	**42,977**	3,100
Changes in fair value less costs to sell of biological assets	7	**–**	16
Impairment of right-of-use assets	7	**31,113**	–
Impairment of items of property, plant and equipment	7	**28,076**	22,911
Write-off of items of property, plant and equipment	7	**1,116**	3,246
Depreciation of property, plant and equipment	7	**194,860**	238,680
Depreciation of right-of-use assets/amortisation of prepaid land lease payments	7	**302,659**	2,277
Equity-settled share option expense	7	**–**	1,870
Amortisation of other intangible asset	7	**40**	83
Impairment of other intangible asset	7	**850**	–
Impairment of trade receivables, net	7	**1,231**	2,146
Provision for onerous contracts	7	**–**	4,090
Share of profits and losses of associates		**(666)**	(648)
		777,922	415,358
Decrease in rental deposits		**7,653**	10,507
Increase in inventories		**(22,174)**	(7,422)
Decrease in biological assets		**232**	12,663
Increase in trade receivables		**(2,485)**	(85)
Decrease/(increase) in prepayments, deposits and other receivables		**3,261**	(26,010)
Decrease in trade payables		**(14,337)**	(75,371)
Increase/(decrease) in other payables and accruals		**(36,771)**	10,835
Cash generated from operations		**713,301**	340,475
Interest paid		**(3,386)**	(3,079)
Hong Kong profits tax paid		**(3,210)**	(21,783)
Overseas taxes paid		**(17,466)**	(12,293)
Net cash flows from operating activities		**689,239**	303,320

Consolidated Statement of Cash Flows

Year ended 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(118,866)**	(102,843)
Deposits paid for purchases of items of property, plant and equipment		**(31,910)**	(24,660)
Proceeds from disposal of items of property, plant and equipment		**3,650**	139
Proceeds from disposal of associates		**5,750**	–
Investments in associates		**–**	(2,400)
Dividend from an associate		**1,500**	–
Repayment of loan from an associate		**504**	852
Increase in pledged deposits		**(409)**	(465)
Interest received		**11,588**	8,725
Increase in restricted cash		**(4,100)**	–
Decrease/(increase) in non-pledged time deposits with original maturity of more than three months when acquired		**14,644**	(70,184)
Net cash flows used in investing activities		**(117,649)**	(190,836)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans		**213,400**	237,500
Repayment of bank loans		**(209,967)**	(286,417)
Principal portion of lease payments/finance lease rental payments		**(300,031)**	(183)
Interest element of lease payments/finance lease rental payments		**(39,591)**	(21)
Dividends paid		**(121,994)**	(116,911)
Repayment of amounts due to non-controlling shareholders of subsidiaries		**(7,477)**	–
Capital contribution from a non-controlling shareholder of a subsidiary		**3,430**	–
Acquisition of a non-controlling interest		**–**	(4)
Net cash flows used in financing activities		**(462,230)**	(166,036)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**109,360**	(53,552)
Cash and cash equivalents at beginning of year		**461,232**	530,471
Effect of foreign exchange rate changes, net		**(5,192)**	(15,687)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**565,400**	461,232
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		**548,297**	394,432
Non-pledged time deposits with original maturity of less than three months when acquired		**17,103**	66,800
Cash and cash equivalents as stated in the consolidated statement of cash flows		**565,400**	461,232
Non-pledged time deposits with original maturity of more than three months when acquired		**55,540**	70,184
Cash and cash equivalents as stated in the consolidated statement of financial position		**620,940**	531,416

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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
- provision of 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 2019	2018	Principal activities
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
Sky Castle Development Limited	Hong Kong	Ordinary HK$2	**100%**	100%	Investment holding, restaurant operations and provision of food catering services

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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 2019	2018	Principal activities
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%	Investment holding, 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 food 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
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 to restaurant operations and property investment

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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 2019	2018	Principal activities
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%	Property investment
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
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

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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 2019	2018	Principal activities
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
深圳友誼稻香海鮮火鍋酒家*@	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$3,000,000	**100%**	100%	Restaurant operations and provision of food catering services
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

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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 2019	2018	Principal activities
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 Virgin 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
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
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

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31 December 2019

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 2019	2018	Principal activities
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 ("Baker") (Note (b))	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
Ringer Hut Hong Kong Co., Limited ("Ringer Hut") (Note (a))	Hong Kong	Ordinary HK$22,000,000 (2018: HK$15,000,000)	**51%**	51%	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
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
上海浦東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
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

Notes to Financial Statements

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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 2019	2018	Principal activities
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

@ The statutory financial statements of these companies are not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.
* These companies are wholly-foreign-owned enterprises established in the PRC.
** These companies are Sino-foreign co-operative joint ventures established in the PRC.

Notes:

(a) During the year ended 31 December 2019, the share capital of Ringer Hut was enlarged from HK$15,000,000 to HK$22,000,000 through capital contributions by the Group and its non-controlling shareholder.

(b) During the year ended 31 December 2018, the Group acquired the remaining 40% equity interests in Baker from a non-controlling shareholder for a cash consideration of HK$4,000. The carrying value of the 40% interest in the net liabilities of Baker as at the date of acquisition was HK$30,825,000. Accordingly, the difference of HK$30,829,000 was recognised in other reserve. Upon the completion, Baker became an indirect wholly-owned subsidiary of the Company.

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

Notes to Financial Statements

31 December 2019

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"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties and biological assets 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 2019. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

Notes to Financial Statements

31 December 2019

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.

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

Other than as explained below, the adoption of the above new and revised standards have had no significant financial effect on these financial statements.

HKFRS 16 *LEASES*

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

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

New definition of a lease

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

Notes to Financial Statements

31 December 2019

2.2 Changes in Accounting Policies and Disclosures (continued)

HKFRS 16 *LEASES* (CONTINUED)

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

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

Impacts on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019 and presented separately in the statement of financial position.

The right-of-use assets, amounting to HK$852,683,000, were recognised based on the carrying amount as if the standard had always been applied, except for the incremental borrowing rate where the Group applied the incremental borrowing rate at 1 January 2019.

All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position. This includes the lease asset recognised previously under a finance lease, leasehold land and restoration cost included in leasehold improvements of HK$557,000, HK$71,777,000 and HK$568,000, respectively that was reclassified from property, plant and equipment.

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

- Applying a single discount rate to a portfolio of leases with reasonably similar characteristics when measuring the lease liabilities at 1 January 2019

- Relying on the entity's assessment of whether leases are onerous immediately before 1 January 2019 as an alternative to performing an impairment review.

As a lessee – Leases previously classified as finance leases

The Group did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases. Accordingly, the carrying amounts of the right-of-use assets and the lease liabilities at 1 January 2019 were the carrying amounts of the recognised assets and liabilities (i.e., finance lease payables) measured under HKAS 17.

2.2 Changes in Accounting Policies and Disclosures (continued)

HKFRS 16 *LEASES* (CONTINUED)

Financial impact at 1 January 2019

The impact arising from the adoption of HKFRS 16 as at 1 January 2019 was as follows:

	Increase/ (decrease) HK$'000
Assets	
Increase in right-of-use assets	1,014,339
Decrease in property, plant and equipment	(72,902)
Decrease in prepaid land lease payments	(88,754)
Decrease in prepayments, deposits and other receivables	(16,456)
Increase in deferred tax assets	10,058
Increase in total assets	846,285
Liabilities	
Increase in lease liabilities	981,102
Decrease in other payables and accruals	(81,675)
Decrease in finance lease payable	(573)
Increase in total liabilities	898,854
Equity	
Decrease in retained earnings	(52,055)
Decrease in non-controlling interests	(514)
Decrease in total equity	(52,569)

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

	HK$'000
Operating lease commitments as at 31 December 2018	1,182,866
Weighted average incremental borrowing rate as at 1 January 2019	4.22%
Discounted operating lease commitments as at 1 January 2019	980,529
Add: Finance lease liabilities recognised as at 31 December 2018	573
Lease liabilities as at 1 January 2019	981,102

Notes to Financial Statements

31 December 2019

2.3 Issued But Not Yet Effective Hong Kong Financial Reporting Standards

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

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

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

The Group is in the process of making an assessment of the impact of the new and revised HKFRSs upon initial application but is not yet in a position to state whether these new and revised HKFRSs would have a significant impact on the Group's financial statements.

2.4 Summary of Significant 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 is in a position to exercise 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.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, 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.

Notes to Financial Statements

31 December 2019

2.4 Summary of Significant Accounting Policies (continued)

BUSINESS COMBINATIONS AND GOODWILL

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

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

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

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

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

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

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.

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2.4 Summary of Significant Accounting Policies (continued)

FAIR VALUE MEASUREMENT

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

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to 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.

2.4 Summary of Significant 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/amortisation) 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.

Notes to Financial Statements

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2.4 Summary of Significant Accounting Policies (continued)

PROPERTY, PLANT AND EQUIPMENT AND DEPRECIATION

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. 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 lease terms and 2% – 5%
Leasehold improvements	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 represents buildings, equipment and leasehold improvements under construction or installation, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of purchase, construction and installation during the period of construction or installation. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

2.4 Summary of Significant Accounting Policies (continued)

INVESTMENT PROPERTIES

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

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

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

INTANGIBLE 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 (APPLICABLE FROM 1 JANUARY 2019)

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

Group as a lessee

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

Notes to Financial Statements

31 December 2019

2.4 Summary of Significant Accounting Policies (continued)

LEASES (APPLICABLE FROM 1 JANUARY 2019) (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 asset or to restore the underlying asset 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
Leased properties	Over the lease terms
Equipment	20%

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 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.

(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.

Notes to Financial Statements

31 December 2019

2.4 Summary of Significant Accounting Policies (continued)

LEASES (APPLICABLE FROM 1 JANUARY 2019) (CONTINUED)

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 in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income.

LEASES (APPLICABLE BEFORE 1 JANUARY 2019)

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

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

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

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

When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

Notes to Financial Statements

31 December 2019

2.4 Summary of Significant Accounting Policies (continued)

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.

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.

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

Subsequent measurement 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.

2.4 Summary of Significant Accounting Policies (continued)

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.

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.

Notes to Financial Statements

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2.4 Summary of Significant Accounting Policies (continued)

IMPAIRMENT OF FINANCIAL ASSETS (CONTINUED)

General approach (continued)

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.

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:

2.4 Summary of Significant Accounting Policies (continued)

FINANCIAL LIABILITIES (CONTINUED)

Financial liabilities at amortised cost (loans and borrowings)

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in 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 recognised 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.

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.

BIOLOGICAL ASSETS

Biological assets are living animals and are measured on initial recognition and at the financial year end at their fair value less costs to sell. The fair value of biological assets is measured at the market prices in the local market. A gain or loss arising on initial recognition of a biological asset at fair value less costs to sell and from a change in fair value less costs to sell of a biological asset shall be included in the statement of profit or loss for the period in which it arises.

Notes to Financial Statements

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2.4 Summary of Significant Accounting Policies (continued)

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

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

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

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.

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/jurisdictions in which the Group operates.

2.4 Summary of Significant Accounting Policies (continued)

INCOME TAX (CONTINUED)

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

- 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, 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

- 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.

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.

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2.4 Summary of Significant Accounting Policies (continued)

GOVERNMENT GRANTS

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

(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.

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31 December 2019

2.4 Summary of Significant Accounting Policies (continued)

REVENUE RECOGNITION (CONTINUED)

Revenue from contracts with customers (continued)

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

Revenue from sale of goods and other items and poultry farm operations are 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 goods 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 assets.

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.

Government grants is recognised where there is reasonable assurance that the government 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).

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2.4 Summary of Significant Accounting Policies (continued)

SHARE-BASED PAYMENTS

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

The cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 31 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.

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

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

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

Notes to Financial Statements

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2.4 Summary of Significant Accounting Policies (continued)

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.

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.

Notes to Financial Statements

31 December 2019

2.4 Summary of Significant Accounting Policies (continued)

FOREIGN CURRENCIES (CONTINUED)

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 the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income 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:

Property lease classification – Group as lessor

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

Notes to Financial Statements

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3. Significant Accounting Judgements and Estimates (continued)

JUDGEMENTS (CONTINUED)

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately or leased out separately under a finance lease, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

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.

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.

Notes to Financial Statements

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3. Significant Accounting Judgements and Estimates (continued)

ESTIMATION UNCERTAINTY (CONTINUED)

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 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 2019 were HK$897,786,000 (2018: HK$1,031,396,000) and HK$883,295,000 (2018: Nil), respectively. Further details are given in note 13 and note 14 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.

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.

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 together with future tax planning strategies.

3. Significant Accounting Judgements and Estimates (continued)

ESTIMATION UNCERTAINTY (CONTINUED)

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 estimated by the directors or 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.

Provision for expected credit losses ("ECLs") on trade receivable

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 product) 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 a customer's actual default in the future.

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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 2019 and 2018, and certain non-current assets information as at 31 December 2019 and 2018, by geographic area.

(a) Revenue from external customers

	2019 HK$'000	2018 HK$'000
Hong Kong	**2,386,557**	2,587,803
Mainland China	**1,519,151**	1,550,985
	3,905,708	4,138,788

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

(b) Non-current assets

	2019 HK$'000	2018 HK$'000
Hong Kong	**816,246**	446,223
Mainland China	**1,069,906**	835,731
	1,886,152	1,281,954

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

5. Revenue, Other Income and Gains, Net

An analysis of revenue is as follows:

	2019 HK$'000	2018 HK$'000
Restaurant and bakery operations	**3,558,810**	3,847,980
Sale of food and other items	**218,518**	182,135
Poultry farm operations	**128,380**	108,673
	3,905,708	4,138,788

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

REVENUE FROM CONTRACTS WITH CUSTOMERS

(i) Disaggregated revenue information

	2019 HK$'000	2018 HK$'000
Geographical markets		
Hong Kong	**2,386,557**	2,587,803
Mainland China	**1,519,151**	1,550,985
Total revenue	**3,905,708**	4,138,788
Timing of revenue recognition		
At a point in time	**3,905,708**	4,138,788

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

	2019 HK$'000	2018 HK$'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Restaurant and bakery operations	**56,610**	55,653
Sale of food and other items	**7,607**	6,421
Poultry farm operations	**–**	896
	64,217	62,970

(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 the 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.

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

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

	Note	**2019** **HK$'000**	2018 HK$'000
Bank interest income		**11,588**	8,725
Government grants*		**55,138**	6,537
Gross rental income		**2,224**	3,717
Sponsorship income		**2,023**	2,297
Fair value gains on investment properties	15	**–**	2,600
Gain on disposal of items of property, plant and equipment, net		**2,447**	100
Gain on disposal of associates		**208**	–
Gain on termination of a lease		**479**	–
Foreign exchange differences, net		**–**	2,269
Compensation of loss from the former non-controlling shareholder of a subsidiary		**22,881**	–
Others		**9,760**	7,168
		106,748	33,413

* Certain government grants have been received by certain subsidiaries in connection with setting up or closure of certain facilities at poultry farms or a logistic centre. 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 contingencies relating to government grants recognised.

6. Finance Costs

An analysis of finance costs is as follows:

	2019 **HK$'000**	2018 HK$'000
Interest on bank loans	**3,386**	3,079
Interest on finance leases	**–**	21
Interest on lease liabilities	**39,591**	–
	42,977	3,100

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7. Profit Before Tax

The Group's profit before tax is arrived at after charging:

	Notes	2019 HK$'000	2018 HK$'000
Cost of inventories sold		**1,296,177**	1,365,212
Depreciation of property, plant and equipment*	13	**194,860**	238,680
Depreciation of right-of-use assets* (2018: amortisation of prepaid land lease payments*)	14	**302,659**	2,277
Amortisation of other intangible asset	17	**40**	83
Employee benefit expense* (including directors' remuneration (note 8)):			
Salaries and bonuses		**1,042,861**	1,122,021
Retirement benefit scheme contributions (defined contribution schemes)		**73,263**	80,055
Equity-settled share option expense		**–**	1,870
		1,116,124	1,203,946
Lease payments*:			
Minimum lease payments		**–**	355,527
Lease payments not included in the measurement of lease liabilities		**2,984**	–
Contingent rents		**12,729**	13,481
		15,713	369,008
Auditors' remuneration		**5,075**	5,093
Impairment of trade receivables,net#		**1,231**	2,146
Impairment of items of property, plant and equipment#		**28,076**	22,911
Impairment of right-of-use assets#		**31,113**	–
Impairment of other intangible asset#	17	**850**	–
Write-off of items of property, plant and equipment#		**1,116**	3,246
Provision for onerous contracts#		**–**	4,090
Changes in fair value less costs to sell of biological assets#	19	**–**	16

* The cost of sales for the year ended 31 December 2019 amounting to HK$3,409,940,000 included depreciation of items of property, plant and equipment of HK$183,986,000, depreciation of right-of-use assets of HK$302,396,000, employee benefit expense of HK$1,010,242,000 and lease payments of HK$15,713,000.

The cost of sales for the year ended 31 December 2018 amounting to HK$3,677,269,000 included depreciation of items of property, plant and equipment of HK$221,779,000, amortisation of prepaid land lease payments of HK$2,277,000, employee benefit expense of HK$1,099,769,000 and operating lease rentals of HK$368,707,000.

\# Included in "Other expenses" in the consolidated statement of profit or loss.

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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:

	2019 HK$'000	2018 HK$'000
Fees	**1,446**	1,511
Other emoluments:		
Salaries	**3,743**	3,587
Discretionary bonuses	**268**	642
Equity-settled share option expense	**–**	111
Retirement benefit scheme contributions	**67**	65
	4,078	4,405
	5,524	5,916

2019	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	–	219	23	12	254
Mr. Wong Ka Wing	426	303	76	18	823
Mr. Ho Yuen Wah	–	1,300	165	18	1,483
Mr. Chung Chun Fung#	–	42	4	2	48
Mr. Leung Yiu Chun*	–	1,879	–	17	1,896
	426	3,743	268	67	4,504
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
	1,446	3,743	268	67	5,524

appointed as an executive director with effect from 19 November 2019

* resigned as an executive director with effect from 19 November 2019

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8. Directors' Remuneration (continued)

2018	Fees HK$'000	Salaries HK$'000	Discretionary bonuses HK$'000	Equity-settled share option expense HK$'000	Retirement benefit scheme contributions HK$'000	Total HK$'000
Executive directors:						
Mr. Chung Wai Ping	–	213	35	–	11	259
Mr. Wong Ka Wing	491	216	118	–	18	843
Mr. Leung Yiu Chun	–	1,970	292	67	18	2,347
Mr. Ho Yuen Wah	–	1,188	197	44	18	1,447
	491	3,587	642	111	65	4,896
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
	1,511	3,587	642	111	65	5,916

Certain directors were granted share options during the year ended 31 December 2016 in respect of their services to the Group, under the share option scheme of the Company, further details of which are set out in note 31 to the financial statements. The fair value of such options, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the year ended 31 December 2018 was included in the above directors' remuneration disclosures.

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2018: 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 (2018: Nil).

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9. Five Highest Paid Employees

The five highest paid employees during the year included two (2018: two) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining three (2018: three) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2019	2018
	HK$'000	HK$'000
Salaries	**3,707**	3,503
Discretionary bonuses	**362**	384
Equity-settled share option expense	**–**	66
Retirement benefit scheme contributions	**54**	54
	4,123	4,007

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	
	2019	2018
Nil to HK$1,000,000	**1**	2
HK$1,000,001 to HK$1,500,000	**1**	–
HK$1,500,001 to HK$2,000,000	**–**	–
HK$2,000,001 to HK$2,500,000	**1**	1
	3	3

Share options were granted to non-director and non-chief executive highest paid employees during the year ended 31 December 2016 in respect of their services to the Group, further details of which are included in the disclosures in note 31 to the financial statements. The fair value of such options, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the year ended 31 December 2018 was included in the above non-director and non-chief executive highest paid employees' remuneration disclosures.

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10. Income Tax

Hong Kong profits tax has been provided at the rate of 16.5% (2018: 16.5%) on the estimated assessable profits arising in Hong Kong during the year, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime effective from the year of assessment 2018/19. The first HK$2,000,000 (2018: Nil) of assessable profits of this subsidiary is taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	2019 **HK$'000**	2018 HK$'000
Current – Hong Kong		
Charge for the year	**14,813**	23,707
Overprovision in prior years	**(445)**	(660)
Current – Mainland China	**14,457**	14,869
Deferred (note 20)	**25,759**	2,345
Total tax charge for the year	**54,584**	40,261

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.

A reconciliation of the tax expense applicable to profit before tax at the Hong Kong statutory tax rate to the tax expense at the Group's effective tax rate is as follows:

	2019		2018	
	HK$'000	%	HK$'000	%
Profit before tax	**190,388**		149,012	
Tax at the Hong Kong statutory tax rate	**31,414**	16.5	24,587	16.5
Difference in tax rates applied for specific provinces in Mainland China	**5,208**		(563)	
Effect of withholding tax on 5% or 10% on the distributable profits of the Group's PRC subsidiaries	**1,446**		(202)	
Adjustments in respect of current tax of previous years	**(445)**		(660)	
Income not subject to tax	**(15,406)**		(761)	
Expenses not deductible for tax	**12,248**		7,883	
Tax losses not recognised	**20,812**		9,910	
Profits attributable to associates	**(110)**		(107)	
Others	**(583)**		174	
Tax charge at the Group's effective rate	**54,584**	28.7	40,261	27.0

The share of tax attributable to associates amounting to approximately HK$349,000 (2018: HK$366,000) is included in "Share of profits and losses of associates" in the consolidated statement of profit or loss.

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11. Dividends

	2019 HK$'000	2018 HK$'000
Interim – HK6.00 cents (2018: HK5.50 cents) per ordinary share	**60,997**	55,914
Proposed final – HK3.50 cents (2018: HK6.00 cents) per ordinary share	**35,581**	60,997
	96,578	116,911

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 Per Share Attributable to Ordinary Equity Holders of the Parent

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 1,016,611,000 (2018: 1,016,611,000) in issue during the year.

For the years ended 31 December 2019 and 2018, no adjustment was made to the basic earnings per share amount in respect of a dilution as the share options had no dilutive effect on the basic earnings per share.

The calculations of basic and diluted earnings per share are based on:

	2019 HK$'000	2018 HK$'000
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculation	**124,968**	116,390

	Number of shares	
	2019	2018
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic and diluted earnings per share calculation	**1,016,611,000**	1,016,611,000

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13. Property, Plant and Equipment

	Leasehold land and 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 2019						
Cost:						
At 31 December 2018	604,388	1,521,874	985,386	10,016	2,737	3,124,401
Effect of adoption of HKFRS 16*	(143,613)	(11,345)	(760)	–	–	(155,718)
At 1 January 2019 (restated)	460,775	1,510,529	984,626	10,016	2,737	2,968,683
Additions	41,961	74,550	54,824	386	183	171,904
Transfers	–	2,699	–	–	(2,699)	–
Disposals	–	(21,361)	(977)	(392)	–	(22,730)
Write-off	–	(121,798)	(85,163)	(790)	–	(207,751)
Exchange realignment	(4,160)	(11,742)	(8,691)	(59)	(38)	(24,690)
At 31 December 2019	498,576	1,432,877	944,619	9,161	183	2,885,416
Accumulated depreciation and impairment:						
At 31 December 2018	185,946	1,139,256	759,116	8,687	–	2,093,005
Effect of adoption of HKFRS 16*	(71,836)	(10,777)	(203)	–	–	(82,816)
At 1 January 2019 (restated)	114,110	1,128,479	758,913	8,687	–	2,010,189
Provided during the year	11,404	112,326	70,629	501	–	194,860
Disposals	–	(20,314)	(861)	(352)	–	(21,527)
Write-off	–	(121,772)	(84,086)	(777)	–	(206,635)
Impairment	9,203	13,062	5,734	77	–	28,076
Exchange realignment	(1,007)	(9,560)	(6,711)	(55)	–	(17,333)
At 31 December 2019	133,710	1,102,221	743,618	8,081	–	1,987,630
Net book value:						
At 31 December 2019	364,866	330,656	201,001	1,080	183	897,786
31 December 2018						
Cost:						
At 1 January 2018	617,649	1,567,941	1,037,426	10,494	153	3,233,663
Additions	243	71,075	36,274	250	2,862	110,704
Transfers	125	–	146	–	(271)	–
Disposals	–	–	(479)	(547)	–	(1,026)
Write-off	–	(77,873)	(58,501)	–	–	(136,374)
Exchange realignment	(13,629)	(39,269)	(29,480)	(181)	(7)	(82,566)
At 31 December 2018	604,388	1,521,874	985,386	10,016	2,737	3,124,401
Accumulated depreciation and impairment:						
At 1 January 2018	174,087	1,081,912	753,730	8,699	–	2,018,428
Provided during the year	13,600	141,846	82,549	685	–	238,680
Disposals	–	–	(440)	(547)	–	(987)
Write-off	–	(77,075)	(56,053)	–	–	(133,128)
Impairment	1,070	21,511	313	17	–	22,911
Exchange realignment	(2,811)	(28,938)	(20,983)	(167)	–	(52,899)
At 31 December 2018	185,946	1,139,256	759,116	8,687	–	2,093,005
Net book value:						
At 31 December 2018	418,442	382,618	226,270	1,329	2,737	1,031,396

* Net carrying amount of leasehold land and buildings, leasehold improvements and furniture, fixtures and equipment of HK$71,777,000, HK$568,000 and HK$557,000, respectively, are reclassified to right-of-use assets upon the adoption of HKFRS 16 on 1 January 2019.

Notes to Financial Statements

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13. Property, Plant and Equipment (continued)

At 31 December 2018, the net carrying amount of the Group's property, plant and equipment held under a finance lease included in furniture, fixtures and equipment was HK$557,000.

As at 31 December 2019, buildings and leasehold land included in right-of-use assets (note 14(B)) with a net carrying amount of approximately HK$15,934,000 and HK$33,471,000, respectively, (2018: leasehold land and buildings with net carrying amount of approximately HK$50,270,000) situated in Hong Kong were pledged to secure the banking facilities granted to the Group (note 27).

IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

As at 31 December 2019, the Group's management identified certain restaurants and shops which continued to underperform and the estimated corresponding recoverable amounts of their property, plant and equipment and right-of-use assets. Based on these estimates, impairment loss of HK$28,076,000 (2018: HK$22,911,000) and HK$31,113,000 (2018: Nil) were recognised to write down the carrying amount of these items of property, plant and equipment and right-of-use assets to their recoverable amount of HK$6,509,000 (2018: HK$6,040,000) and HK$43,132,000 (2018: Nil), respectively, as at 31 December 2019. The estimates of the recoverable amount were based on the value-in-use of these property, plant and equipment and right-of-use assets, determined using discount rates in the range of 11.9% to 17.1% (2018: 13.0% to 15.0%).

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.

(A) Prepaid land lease payments (before 1 January 2019)

	HK$'000
Carrying amount at 1 January 2018	**95,051**
Recognised in profit or loss during the year	**(2,277)**
Exchange realignment	**(4,020)**
Carrying amount at 31 December 2018	**88,754**
Current portion included in prepayments, deposits and other receivables (note 23)	**(2,211)**
Non-current portion	**86,543**

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14. Leases (continued)

THE GROUP AS A LESSEE (CONTINUED)

(B) Right-of-use assets

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

	Prepaid land lease payments/ Leasehold land HK$'000	Leased properties HK$'000	Equipment HK$'000	Total HK$'000
As at 1 January 2019	160,531	853,251	557	1,014,339
Additions	28,862	185,720	–	214,582
Remeasurement	–	(3,031)	–	(3,031)
Termination of a lease	–	(2,926)	–	(2,926)
Impairment	–	(31,113)	–	(31,113)
Depreciation charge	(4,618)	(297,890)	(151)	(302,659)
Exchange realignment	(1,181)	(4,710)	(6)	(5,897)
As at 31 December 2019	183,594	699,301	400	883,295

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

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14. Leases (continued)

THE GROUP AS A LESSEE (CONTINUED)

(C) Lease liabilities

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

	2019 Leases liabilities HK$'000	2018 Finance lease payable HK$'000
Carrying amount at 1 January	**981,102**	790
New leases	**185,720**	–
Remeasurement	**(3,031)**	–
Termination of a lease	**(3,405)**	–
Accretion of interest recognised during the year	**39,591**	21
Payments	**(339,622)**	(204)
Exchange realignment	**(7,306)**	(34)
Carrying amount at 31 December	**853,049**	573

Analysed into:		
Current portion	**246,641**	176
Non-current portion	**606,408**	397

The maturity analysis of lease liabilities (2018: finance lease payable) is disclosed in note 39 to the financial statements.

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

	2019 HK$'000
Interest on lease liabilities	**39,591**
Depreciation of right-of-use assets	**302,659**
Expenses relating to short-term leases (included in cost of sales)	**2,984**
Variable lease payments not included in the measurement of lease liabilities (included in cost of sales)	**12,729**
Total amount recognised in profit or loss	**357,963**

(E) The total cash outflow for leases is disclosed in note 33(C) to the financial statements.

14. Leases (continued)

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$2,224,000 (2018: HK$3,717,000), details of which are included in note 5 to the financial statements.

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

	2019 HK$'000	2018 HK$'000
Within one year	**50**	56

15. Investment Properties

	2019 HK$'000	2018 HK$'000
Carrying amount at 1 January	**29,400**	26,800
Net gain from a fair value adjustment	**–**	2,600
Carrying amount at 31 December	**29,400**	29,400

The Group's investment properties consist of eleven car parking spaces and one residential property in Hong Kong. The directors of the Company have determined that the investment properties consist of two classes of asset, i.e., car parking spaces and residential property, based on the nature, characteristics and risks of each property. The Group's investment properties were revalued on 31 December 2019 based on valuations performed by Colliers International (Hong Kong) Limited, an independent professionally qualified valuer, at HK$29,400,000. 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 2019, the Group's investment properties with a total carrying amount of HK$20,500,000 (2018: HK$20,500,000) were pledged to secure the banking facilities granted to the Group (note 27).

Notes to Financial Statements

31 December 2019

15. Investment Properties (continued)

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 (2018: Nil).

Details of 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$'000	**Residential property** HK$'000	**Total** HK$'000
Carrying amount at 1 January 2018	22,900	3,900	26,800
Net gain from a fair value adjustment recognised in profit or loss	2,200	400	2,600
Carrying amount at 31 December 2018, 1 January 2019 and 31 December 2019	**25,100**	**4,300**	**29,400**

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**	
			2019	2018
Car parking spaces	Income capitalisation approach	Estimated rental value (per car parking space per month)	**HK$5,000**	HK$5,500
		Capitalisation rate	**2.60%**	2.88%
Residential property	Income capitalisation approach	Estimated rental value (per sq. ft. per month)	**HK$22.0**	HK$25.5
		Capitalisation rate	**2.80%**	3.25%

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

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16. Goodwill

	2019 HK$'000	2018 HK$'000
Cost at 1 January	**38,883**	39,556
Exchange realignment	**(206)**	(673)
Cost and net carrying amount at 31 December	**38,677**	38,883

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:

	2019 HK$'000	2018 HK$'000
Restaurant operations	**16,766**	16,766
Bakery operations	**7,072**	7,072
Property investment	**61**	61
Poultry farm operations	**14,778**	14,984
	38,677	38,883

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 15.6% to 18.5% (2018: 13.0% to 15.0%), and the cash flows beyond the five-year period are extrapolated using an average growth rate of 2.0% (2018: 2.0%).

Assumptions were used in the value-in-use calculation of the cash-generating units for the years ended 31 December 2019 and 31 December 2018. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Budgeted gross margins – The basis used to determine the value assigned to the budgeted gross margins is the gross margins 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.

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17. Other Intangible Asset

	Trademark	
	2019	2018
	HK$'000	HK$'000
Cost at 1 January, net of accumulated amortisation	**884**	1,008
Amortisation provided during the year	**(40)**	(83)
Impairment during the year	**(850)**	–
Exchange realignment	**6**	(41)
At 31 December	**–**	884
At 31 December:		
Cost	**1,347**	1,334
Accumulated amortisation and impairment	**(1,347)**	(450)
Net carrying amount	**–**	884

At 31 December 2019, the Group's management estimated the recoverable amount of the trademark. An impairment loss of HK$850,000 (2018: Nil) was recognised to fully write down the carrying amount of the trademark. The estimate of the recoverable amount was based on its value-in-use, determined using discount rate of 15.6% (2018: 15.0%).

18. Investments in Associates

	2019	2018
	HK$'000	HK$'000
Share of net assets	**4,244**	10,620
Goodwill on acquisition	**122**	122
Provision for impairment	**(152)**	(152)
	4,214	10,590
Loan to an associate	**870**	1,374
	5,084	11,964

The loan to an associate is unsecured, interest-free and repayable on demand. In the opinion of the directors, the loan is unlikely to be repaid in the foreseeable future and is considered as part of the Group's net investments in the associate. There was no recent history of default and past due amounts for loan to an associate. As at 31 December 2019 and 2018, the loss allowance was assessed to be minimal.

The Group's other receivables and payables with associates are disclosed in notes 23 and 26 to the financial statements, respectively.

During the year, the Group disposed of its entire equity interests in Du Hsiao Yueh (Hong Kong) ("Du Hsiao Yueh"), Forever Drinks Limited ("Forever Drinks") and Sky Grand International Development Limited ("Sky Grand") to an independent third party for an aggregate consideration of HK$5,750,000 and a gain of HK$208,000 was recognised in "Other income and gains" in the consolidated statement of profit or loss.

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18. Investments in Associates (continued)

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 2019	2018	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
Du Hsiao Yueh	Ordinary shares	Hong Kong	**–**	30%	Restaurant operations and provision of food catering services
Forever Drinks	Ordinary shares	Hong Kong	**–**	40%	Provision of food and beverage products
Sky Grand	Ordinary shares	Hong Kong	**–**	40%	Restaurant operations and provision of food catering services

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:

	2019 HK$'000	2018 HK$'000
Share of the associates' profits and losses for the year	**666**	648
Share of the associates' total comprehensive income	**666**	648
Aggregate carrying amount of the Group's investments in the associates	**5,084**	11,964

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19. Biological Assets

Movements of the biological assets are summarised as follows:

	Broilers HK$'000	Pig breeders HK$'000	Pig commodities HK$'000	Total HK$'000
At 1 January 2018	4,996	4,077	4,454	13,527
Increase due to purchases	77,456	–	33	77,489
Additional costs incurred	26,368	1,451	4,312	32,131
Decrease due to retirement and death	(713)	–	–	(713)
Decrease due to sales and consumptions	(106,248)	(5,952)	(7,965)	(120,165)
Transfers	–	599	(599)	–
Transfer to inventories	(1,405)	–	–	(1,405)
Change in fair value less costs to sell	(16)	–	–	(16)
Exchange realignment	(203)	(175)	(235)	(613)
At 31 December 2018 and 1 January 2019	**235**	**–**	**–**	**235**
Additional costs incurred	**91**	**–**	**–**	**91**
Decrease due to retirement and death	**(4)**	**–**	**–**	**(4)**
Decrease due to sales and consumptions	**(262)**	**–**	**–**	**(262)**
Transfer to inventories	**(57)**	**–**	**–**	**(57)**
Exchange realignment	**(3)**	**–**	**–**	**(3)**
At 31 December 2019	**–**	**–**	**–**	**–**

The number of biological assets at the end of the reporting period are summarised as follows:

	2018
Broilers	5,003

Analysed for reporting purposes as:

	2018 HK$'000
Current assets	235

In accordance with the valuation report issued by Stern Appraisal Limited, an independent professionally qualified valuer, the fair value of biological assets as at 31 December 2018 was determined with reference to the market-determined prices, species, growing conditions and cost incurred. During the year ended 31 December 2018, the Group appointed an external valuer to be responsible for the external valuations of the Group's biological assets. Selection criteria included market knowledge, reputation, independence and whether professional standards were maintained. The Group had discussions with the valuer on the valuation assumptions and valuation results once a year when the valuation is performed for annual financial reporting.

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19. Biological Assets (continued)

FAIR VALUE HIERARCHY

The biological assets were classified under Level 3 in the fair value hierarchy. During the year ended 31 December 2018, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

Below was a summary of the valuation technique used and the key input to the valuation of biological assets:

	Valuation technique	Significant unobservable input	Range 2018
Biological assets	Market approach	Estimated selling price (per kg/unit)	RMB21 to RMB24

A significant increase/decrease in the estimated selling price would result in a significant increase/decrease in the fair value of the biological assets.

20. 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 2018	–	37,875	65,587	103,462
Deferred tax credited/(charged) to the statement of profit or loss during the year (note 10)	–	892	(3,601)	(2,709)
Exchange realignment	–	(264)	(113)	(377)
Gross deferred tax assets at 31 December 2018	–	38,503	61,873	100,376
Effect of adoption of HKFRS 16 (note 2.2)	25,362	–	(15,304)	10,058
At 1 January 2019 (restated)	**25,362**	**38,503**	**46,569**	**110,434**
Deferred tax charged to the statement of profit or loss during the year (note 10)	**(4,127)**	**(14,354)**	**(4,821)**	**(23,302)**
Exchange realignment	**(300)**	**(13)**	**(129)**	**(442)**
Gross deferred tax assets at 31 December 2019	**20,935**	**24,136**	**41,619**	**86,690**

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20. Deferred Tax (continued)

DEFERRED TAX LIABILITIES

	Depreciation allowance in excess of related depreciation HK$'000	Withholding taxes HK$'000	Total HK$'000
At 1 January 2018	7,584	9,414	16,998
Deferred tax credited to the statement of profit or loss during the year (note 10)	(162)	(202)	(364)
Gross deferred tax liabilities at 31 December 2018 and 1 January 2019	**7,422**	**9,212**	**16,634**
Deferred tax charged to the statement of profit or loss during the year (note 10)	**1,913**	**544**	**2,457**
Gross deferred tax liabilities at 31 December 2019	**9,335**	**9,756**	**19,091**

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

	2019 HK$'000	2018 HK$'000
Net deferred tax assets recognised in the consolidated statement of financial position	**86,549**	100,221
Net deferred tax liabilities recognised in the consolidated statement of financial position	**(18,950)**	(16,479)
	67,599	83,742

Deferred tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefits through the future taxable profits is probable. The Group also has tax losses arising in Hong Kong of HK$149,553,000 (2018: HK$101,370,000), 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$123,631,000 (2018: HK$89,862,000) 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.

20. Deferred Tax (continued)

DEFERRED TAX LIABILITIES (CONTINUED)

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5% or 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008. 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$22,760,000 (2018: HK$21,491,000) as at 31 December 2019.

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

21. Inventories

	2019 HK$'000	2018 HK$'000
Food and beverages and other operating items	**162,535**	141,183
Frozen poultry farm products	**4,604**	5,784
Raw materials for the production of animal feed	**3,728**	2,778
	170,867	149,745

22. Trade Receivables

	2019 HK$'000	2018 HK$'000
Trade receivables	**46,884**	44,946
Impairment	**(3,377)**	(2,146)
	43,507	42,800

The Group's trading terms with its customers are mainly on cash and credit card settlement. The Group also grants a credit period between 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.

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22. Trade Receivables (continued)

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:

	2019 **HK$'000**	2018 HK$'000
Within 1 month	**31,403**	30,472
1 to 3 months	**11,658**	6,180
Over 3 months	**446**	6,148
	43,507	42,800

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

	2019 **HK$'000**	2018 HK$'000
At beginning of year	**2,146**	–
Impairment losses, net (note 7)	**1,231**	2,146
At end of year	**3,377**	2,146

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.

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

22. Trade Receivables (continued)

31 DECEMBER 2019

	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	**100.00%**	**0.18%**	**0.43%**	**2.53%**	**90.81%**	**7.20%**
Gross carrying amount (HK$'000)	**1,092**	**31,460**	**9,503**	**2,489**	**2,340**	**46,884**
Expected credit losses (HK$'000)	**1,092**	**56**	**41**	**63**	**2,125**	**3,377**

31 DECEMBER 2018

	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	100.00%	0.69%	1.31%	3.70%	11.49%	4.77%
Gross carrying amount (HK$'000)	1,192	31,496	4,282	3,023	4,953	44,946
Expected credit losses (HK$'000)	1,192	217	56	112	569	2,146

23. Prepayments, Deposits and Other Receivables

	2019 HK$'000	2018 HK$'000
Prepayments	**27,759**	39,173
Prepaid land lease payments (note 14(A))	**–**	2,211
Deposits and other receivables	**116,500**	125,860
	144,259	167,244

The financial assets included in the above balances relate to deposits and other receivables for which there was no recent history of default and past due amounts. As at 31 December 2019 and 2018, the loss allowance was assessed to be minimal.

As at 31 December 2018, included in the Group's other receivables were amounts due from the Group's associates of HK$2,475,000, which were unsecured, interest-free and repayable on demand.

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24. Cash and Cash Equivalents, Pledged Time Deposits and Restricted Cash

	2019 HK$'000	2018 HK$'000
Cash and bank balances	**548,297**	394,432
Time deposits	**86,518**	150,637
	634,815	545,069
Less: Pledged deposits for short term bank borrowings	**(13,875)**	(13,653)
Cash and cash equivalents	**620,940**	531,416

At the end of the reporting period, the cash and bank balances of the Group denominated in RMB amounted to HK$458,680,000 (2018: HK$336,704,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, 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 one year (2018: one day and one year) 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.

Restricted Cash

The Group had bank balance of approximately HK$4,100,000 (2018: Nil) which was restricted as to use as a result of a freezing injunction operated by a court in the PRC, following a legal action taken by an independent third party. The Group had fully provided for the claims made by the independent third party and related legal costs as at 31 December 2019.

25. 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:

	2019 HK$'000	2018 HK$'000
Within 1 month	**106,037**	124,546
1 to 2 months	**6,362**	5,964
2 to 3 months	**704**	1,137
Over 3 months	**6,769**	3,530
	119,872	135,177

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

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26. Other Payables and Accruals

	Note	2019 HK$'000	2018 HK$'000
Deferred rental		–	77,585
Contract liabilities	(a)	**64,943**	64,217
Accrued payroll		**103,723**	118,678
Other payable and accruals		**83,403**	109,542
Deferred income in respect of government grants and sponsorship income		**6,864**	8,821
		258,933	378,843
Less: Portion classified as non-current liabilities		**(11,741)**	(82,400)
Portion classified as current liabilities		**247,192**	296,443

Note:

(a) Details of contract liabilities are as follows:

	2019 HK$'000	2018 HK$'000
Short-term advances received from customers		
Restaurant and bakery operations	**55,346**	56,610
Sale of food and other items	**8,727**	7,607
Poultry farm operations	**870**	–
	64,943	64,217

Contract liabilities include short-term advances received to deliver goods and catering services.

Other payables are non-interest-bearing.

Included in the Group's other payables and accruals as at 31 December 2018 was an amount due to an associate HK$14,035,000, which was unsecured, interest-free and repayable on demand.

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27. Interest-Bearing Bank Borrowings

	2019			2018		
	Effective interest rate (%)	**Maturity**	**HK$'000**	Effective interest rate (%)	Maturity	HK$'000
Current						
– Bank loans, secured	**3.1–3.7**	**2020**	**153,100**	2.3–3.7	2019	139,667
– Long term bank loans repayable on demand, secured (note (i))	**–**	**–**	**–**	3.5–3.6	2020	10,000
			153,100			149,667

Notes:

(i) As at 31 December 2018, certain term loans of the Group with a carrying amount of HK$46,667,000 contained repayment on demand clauses. Accordingly, a portion of those loans due for repayment after one year with a carrying amount of HK$10,000,000 was classified as current liabilities in accordance with HK 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:

	2019 HK$'000	2018 HK$'000
Bank loans repayable:		
Within one year	**153,100**	139,667
In the second year	**–**	10,000
	153,100	149,667

(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 carrying value at the end of the reporting period of HK$49,405,000 (2018: HK$50,270,000);

(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 (2018: HK$20,500,000); and

(c) the pledge of certain of the Group's time deposits amounting to HK$13,875,000 (2018: HK$13,653,000).

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28. Finance Lease Payable

The Group leases an equipment for its operations. The lease was classified as a finance lease prior to HKFRS 16 becoming effective on 1 January 2019 and had a remaining lease term of four years.

At 31 December 2018, the Group's total future minimum lease payments under the finance lease and its present value was as follows:

	Minimum lease payments HK$'000	**Present value of minimum lease payments HK$'000**
Amounts payable:		
Within one year	191	176
In the second year	186	176
In the third to fifth years, inclusive	226	221
Total minimum finance lease payments	603	573
Future finance charges	(30)	
Total net finance lease payable	573	
Portion classified as current liabilities	(176)	
Non-current portion	397	

The above finance lease was denominated in Renminbi and bore interest at a rate of 3.0% per annum.

29. Due to Non-Controlling Shareholders of Subsidiaries

At 31 December 2018, the amounts due to non-controlling shareholders of subsidiaries were unsecured, interest-free and not repayable within one year.

30. Issued Capital

	Company	
	2019 HK$'000	2018 HK$'000
Authorised:		
23,400,000,000 ordinary shares of HK$0.10 each	**2,340,000**	2,340,000
Issued and fully paid:		
1,016,611,000 ordinary shares of HK$0.10 each	**101,661**	101,661

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31. 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 effective on 25 May 2017, 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.

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31. 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.

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:

	2019		2018	
	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**	**16,160**	2.08	17,700
Forfeited during the year	**2.08**	**(2,510)**	2.08	(1,540)
At 31 December	**2.08**	**13,650**	2.08	16,160

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
2019	13,650	2.08	2 December 2017 to 1 December 2026
2018	16,160	2.08	2 December 2017 to 1 December 2026

The Group recognised a share option expense of approximately HK$1,870,000 during the year ended 31 December 2018. The forfeited share options with an aggregate carrying amount of approximately HK$1,193,000 (2018: approximately HK$660,000) was transferred from the share option reserve to retained profits during the year.

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31. Share Option Schemes (continued)

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 13,650,000 (2018: 16,160,000) additional ordinary shares of the Company and additional share capital of HK$1,365,000 (2018: HK$1,616,000) and share premium of HK$27,027,000 (2018: HK$31,997,000) (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 13,390,000 share options outstanding under the Share Option Scheme, which represented approximately 1.32%, of the Company's shares in issue as at that date.

32. 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 40 of the financial statements.

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.

33. Notes to the Consolidated Statement of Cash Flows

(A) MAJOR NON-CASH TRANSACTIONS

During the year ended 31 December 2019, the Group had non-cash additions to right-of-use assets and lease liabilities of HK$185,720,000 and HK$185,720,000, respectively, in respect of lease arrangements for leased properties.

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33. 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	Due to non-controlling shareholders of subsidiaries HK$'000
2019			
At 31 December 2018	**149,667**	**–**	**7,581**
Effect of adoption of HKFRS 16	**–**	**981,102**	**–**
At 1 January 2019 (restated)	**149,667**	**981,102**	**7,581**
Changes from financing cash flows	**3,433**	**(339,622)**	**(7,477)**
Remeasurement	**–**	**(3,031)**	**–**
Termination of a lease	**–**	**(3,405)**	**–**
New leases	**–**	**185,720**	**–**
Interest expense	**–**	**39,591**	**–**
Foreign exchange movement	**–**	**(7,306)**	**(104)**
At 31 December 2019	**153,100**	**853,049**	**–**

	Interest-bearing bank borrowings HK$'000	Finance lease payable HK$'000	Due to non-controlling shareholders of subsidiaries HK$'000
2018			
At 1 January 2018	198,584	790	19,928
Changes from financing cash flows	(48,917)	(183)	–
Transfer to other payables and accruals	–	–	(12,006)
Foreign exchange movement	–	(34)	(341)
At 31 December 2018	149,667	573	7,581

(C) TOTAL CASH OUTFLOW FOR LEASES

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

	2019 HK$'000
Within operating activities	**15,713**
Within financing activities	**339,622**
	355,335

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34. Contingent Liabilities

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

	2019 HK$'000	2018 HK$'000
Bank guarantees given in lieu of utility and property rental deposits	**26,921**	18,670

35. Commitments

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

	2019 HK$'000	2018 HK$'000
Contracted, but not provided for:		
Leasehold improvements, furniture, fixtures and equipment	**30,010**	17,811

(B) Operating lease commitments as at 31 December 2018

The Group leased certain of its office premises and restaurants and bakery properties under operating lease arrangements, with lease terms ranging from one to fifty years. Certain of the leases contain renewal options.

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

	2018 HK$'000
Within one year	319,092
In the second to fifth years, inclusive	647,009
Beyond five years	216,765
	1,182,866

The operating leases of certain restaurants and bakery properties also call for additional rentals, which will be based on certain percentage of revenue of the operations being undertaken therein pursuant to the terms and conditions as stipulated in the respective rental agreements. As the future revenue of these operations could not be accurately determined as at the end of the reporting period, the contingent rental of these relevant properties have not been included.

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36. Related Party Transactions

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

	Notes	2019 HK$'000	2018 HK$'000
Rental expense to a related party	(i)	**36**	48
Management fee from associates	(ii)	**660**	1,305
Sales of food and other operating items to associates	(iii)	**4,620**	4,727

Notes:

(i) The rental expense to a related party, Madam Chan Sai Ying, who is the spouse of Mr. Chung Wai Ping, was charged based on mutually agreed terms at a monthly fixed amount of HK$4,000 (2018: HK$4,000).

(ii) The management fee was charged to associates based on 1% to 2% (2018: 3%) of gross receipt.

(iii) Sales of food and other operating items to associates were charged based on mutually agreed terms and conditions.

(B) Compensation of key management personnel of the Group

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 transaction mentioned in note A(i) above constitutes a continuing connected transaction as defined in Chapter 14A of the Listing Rules.

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37. 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

	2019 HK$'000	2018 HK$'000
Financial assets at amortised cost:		
Rental deposits	**89,374**	97,495
Loan to an associate	**870**	1,374
Trade receivables	**43,507**	42,800
Financial assets included in prepayments, deposits and other receivables	**116,500**	125,860
Pledged deposits	**13,875**	13,653
Restricted cash	**4,100**	–
Cash and cash equivalents	**620,940**	531,416
	889,166	812,598

FINANCIAL LIABILITIES

	2019 HK$'000	2018 HK$'000
Financial liabilities at amortised cost:		
Trade payables	**119,872**	135,177
Financial liabilities included in other payables and accruals	**177,774**	290,476
Interest-bearing bank borrowings	**153,100**	149,667
Lease liabilities/Finance lease payable	**853,049**	573
Due to non-controlling shareholders of subsidiaries	**–**	7,581
	1,303,795	583,474

Notes to Financial Statements

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38. 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, restricted cash, cash and cash equivalents, trade payables, the current portion of financial liabilities included in other payables and accruals, interest-bearing bank borrowings and a finance lease payable 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 rental deposits, the non-current portion of financial liabilities included in other payables and accruals, interest-bearing bank borrowings, a finance lease payable and amounts due to non-controlling shareholders of subsidiaries 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 2019 were assessed to be insignificant. In the opinion of the directors, their carrying amounts are not significantly different from their respective fair values.

39. 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 31 December 2019 and 2018 would have decreased/increased the Group's profit before tax by HK$766,000 and HK$748,000, respectively.

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.

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39. Financial Risk Management Objectives and Policies (continued)

CREDIT RISK (CONTINUED)

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 2019

	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*	–	–	–	46,884	46,884
Rental deposits**	89,374	–	–	–	89,374
Financial assets included in prepayments, deposits and other receivables**	116,500	–	–	–	116,500
Loan to an associate	870	–	–	–	870
Pledged deposits					
– Not yet past due	13,875	–	–	–	13,875
Restricted cash					
– Not yet past due	4,100	–	–	–	4,100
Cash and cash equivalents					
– Not yet past due	620,940	–	–	–	620,940
	845,659	–	–	46,884	892,543

As at 31 December 2018

	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*	–	–	–	44,946	44,946
Rental deposits**	97,495	–	–	–	97,495
Financial assets included in prepayments, deposits and other receivables**	125,860	–	–	–	125,860
Loan to an associate	1,374	–	–	–	1,374
Pledged deposits					
– Not yet past due	13,653	–	–	–	13,653
Cash and cash equivalents					
– Not yet past due	531,416	–	–	–	531,416
	769,798	–	–	44,946	814,744

* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 22 to the financial statements.

** The credit quality of the financial assets included in prepayments, deposits and other receivables and rental deposits are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition.

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39. 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.

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 and a finance lease. 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:

			2019		
	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	–	119,872	–	–	119,872
Financial liabilities included in other payables and accruals	–	172,385	5,389	–	177,774
Interest-bearing bank borrowings (note)	153,100	–	–	–	153,100
Lease liabilities	–	277,518	520,992	161,754	960,264
	153,100	569,775	526,381	161,754	1,411,010

Notes to Financial Statements

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39. Financial Risk Management Objectives and Policies (continued)

LIQUIDITY RISK (CONTINUED)

	2018			
	Repayable on demand HK$'000	Less than 1 year HK$'000	1 to 5 years HK$'000	Total HK$'000
Trade payables	–	135,177	–	135,177
Financial liabilities included in other payables and accruals	14,035	211,599	68,931	294,565
Interest-bearing bank borrowings (note)	149,667	–	–	149,667
Finance lease payable	–	191	412	603
Due to non-controlling shareholders of subsidiaries	–	–	7,581	7,581
	163,702	346,967	76,924	587,593

Note:

Included in the above interest-bearing bank borrowings are term loans with a carrying amount of HK$10,000,000 (2018: HK$46,667,000), 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 2019	**153,386**	**–**	**153,386**
As at 31 December 2018	140,713	10,137	150,850

Notes to Financial Statements

31 December 2019

39. Financial Risk Management Objectives and Policies (continued)

CAPITAL MANAGEMENT

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern 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 2019 and 31 December 2018.

The Group 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:

	31 December 2019 HK$'000	**1 January 2019 HK$'000 (note)**	31 December 2018 HK$'000
Total borrowings	**153,100**	**150,240**	150,240
Total equity attributable to owners of the parent	**1,604,999**	**1,615,051**	1,667,106
Gearing ratio	**9.5%**	**9.3%**	9.0%

Note: The Group has adopted HKFRS 16 using the modified retrospective approach and the effect of the initial adoption is adjusted against the opening balances as at 1 January 2019 with no adjustments to the comparative amounts as at 31 December 2018. This resulted in a decrease in equity attributable to owners of the parent and hence the Group's gearing ratio increased from 9.0% to 9.3% on 1 January 2019 when compared with the position as at 31 December 2018.

Notes to Financial Statements

31 December 2019

40. Event After the Reporting Period

The global outbreak of the novel coronavirus in recent months has had a significant impact on the economic activities in Hong Kong and Mainland China. The Group's restaurant operations in Hong Kong and Mainland China were also affected with temporary closure of certain restaurants or adjustments to operating hours. Given the dynamic nature of the circumstances, the overall financial effect of the above cannot be reliably estimated for future reporting periods of 2020. Management will continue to closely monitor the development and evaluate the impact on the Group's financial position and performance.

41. Comparative Amounts

As further explained in note 2.2 to the financial statements, the Group adopted HKFRS 16 on 1 January 2019 using the modified retrospective approach. Under this approach, the comparative amounts in the financial statements were not restated and continued to be reported under the requirements of the previous standard, HKAS 17, and related interpretations.

Notes to Financial Statements

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42. Statement of Financial Position of the Company

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

	2019 HK$'000	2018 HK$'000
NON-CURRENT ASSETS		
Investments in subsidiaries	**445,546**	446,450
CURRENT ASSETS		
Prepayments	**278**	172
Due from a subsidiary	**493,996**	483,966
Cash and cash equivalents	**2,222**	2,197
Total current assets	**496,496**	486,335
CURRENT LIABILITIES		
Other payables and accruals	**1,416**	1,631
NET CURRENT ASSETS	**495,080**	484,704
Net assets	**940,626**	931,154
EQUITY		
Issued capital	**101,661**	101,661
Reserves (note)	**838,965**	829,493
Total equity	**940,626**	931,154

Notes to Financial Statements

31 December 2019

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

Note:

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

	Share premium account 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 2018	326,624	6,446	509	427,527	66,647	827,753
Profit and total comprehensive income for the year	–	–	–	–	117,441	117,441
Equity-settled share option arrangement	–	1,870	–	–	–	1,870
Transfer of share option reserve upon forfeiture of share options	–	(660)	–	–	–	(660)
Final 2017 dividend	–	–	–	–	(60,997)	(60,997)
Interim 2018 dividend	–	–	–	–	(55,914)	(55,914)
At 31 December 2018 and 1 January 2019	**326,624**	**7,656**	**509**	**427,527**	**67,177**	**829,493**
Profit and total comprehensive income for the year	**–**	**–**	**–**	**–**	**132,369**	**132,369**
Transfer of share option reserve upon forfeiture of share options	**–**	**(1,193)**	**–**	**–**	**290**	**(903)**
Final 2018 dividend	**–**	**–**	**–**	**–**	**(60,997)**	**(60,997)**
Interim 2019 dividend	**–**	**–**	**–**	**–**	**(60,997)**	**(60,997)**
At 31 December 2019	**326,624**	**6,463**	**509**	**427,527**	**77,842**	**838,965**

* 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.

43. Approval of the Financial Statements

The financial statements were approved and authorised for issue by the board of directors on 24 March 2020.

Investment Properties

Principal Properties Held for Investment Purposes

Location	Existing use	Term of lease	Attributable interest of the Group
Flat A on 11th Floor and the balcony appertaining thereto, Wealth House, 108 Castle Peak Road, Cheung Sha Wan, Kowloon	Residential	Medium	100%
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				
	2019	2018	2017	2016	2015
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
RESULTS					
REVENUE	**3,905,708**	4,138,788	4,025,280	4,287,166	4,546,478
Cost of sales	**(3,409,940)**	(3,677,269)	(3,635,384)	(3,766,225)	(4,049,234)
Gross profit	**495,768**	461,519	389,896	520,941	497,244
Other income and gains, net	**106,748**	33,413	31,361	19,502	26,462
Selling and distribution expenses	**(105,078)**	(111,871)	(116,186)	(114,605)	(105,497)
Administrative expenses	**(198,253)**	(199,188)	(184,525)	(191,966)	(195,100)
Other expenses	**(66,486)**	(32,409)	(12,064)	(12,743)	(19,682)
Finance costs	**(42,977)**	(3,100)	(3,902)	(5,185)	(4,618)
Share of profits and losses of associates	**666**	648	3,054	512	(2)
PROFIT BEFORE TAX	**190,388**	149,012	107,634	216,456	198,807
Income tax expense	**(54,584)**	(40,261)	(20,898)	(44,530)	(37,445)
PROFIT FOR THE YEAR	**135,804**	108,751	86,736	171,926	161,362
Attributable to:					
Owners of the parent	**124,968**	116,390	89,082	177,845	171,323
Non-controlling interests	**10,836**	(7,639)	(2,346)	(5,919)	(9,961)
	135,804	108,751	86,736	171,926	161,362

Assets, Liabilities and Non-Controlling Interests

	As at 31 December				
	2019	2018	2017	2016	2015
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
TOTAL ASSETS	**3,061,313**	2,391,292	2,569,412	2,559,213	2,671,712
TOTAL LIABILITIES	**(1,424,022)**	(705,252)	(828,175)	(807,725)	(883,703)
NON-CONTROLLING INTERESTS	**(32,292)**	(18,934)	2,707	402	(6,163)
	1,604,999	1,667,106	1,743,944	1,751,890	1,781,846

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