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Yung Kee: A roast goose chase

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How a Hong Kong culinary landmark emerged stronger following a bitter family feud over succession disputes

When Yung Kee Restaurant reopened in October 2021 after a US$6.4m renovation, foodies on the island rejoiced. The roast goose establishment at Wellington Street in the heart of downtown Hong Kong was the crown jewel of Yung Kee Holdings, which had been ordered by the courts in 2015 to wind up in the wake of succession wrangles following the 2004 death of its founder Kam Shui-fai.

Third-generation owner **Yvonne Kam**, current Chief Financial Officer (CFO) and granddaughter of the founder, joined the family business at the behest of her father Ronald in 2005. Ronald and his older brother, Kinsen, had been tussling over control of the company for eight years before the court order. The business had been going downhill for years, and Yvonne, now the public face of Yung Kee, wondered:

“How could things have been done differently? What are the alternative ownership arrangements? What would be most suitable for us? What about succession planning? What could have been done better in terms of corporate governance?”

FAMILY FEUD

Kam Shui-fai passed on in 2004, leaving behind four wives and 18 children. Only three children from his third wife, Mak Siu-chun, worked in Yung Kee Holdings Limited, which owned the Wellington Street building where the restaurant was located, and provided food for first and business class flights on Cathay Pacific. Yung Kee Holdings was incorporated in the British Virgin Islands, and was worth an estimated HK$2 billion (approximately US$256 million) at its peak in 2015.

When Kam Senior died, the following were bequeathed the following proportion of shares of Yung Kee Holdings:

- Mak Siu-chun (widow): 10 percent;
- Kinsen (eldest son): 35 percent;
- Ronald (second son): 35 percent;
- Kwan-ki (third son): 10 percent;
- Kelly (daughter): 10 percent

The trouble started when Kwan-ki died of lung cancer in 2007, and his bequeathed his shares to Ronald. Mak, Kam Senior’s widow, transferred her share to Kinsen two years later to keep the balance of shareholding between the brothers. But Kelly subsequently gave up her 10 percent to Ronald, thus giving the second son 55 percent of the shares, with Kinsen holding the rest.

In 2010, Kinsen filed a petition in Hong Kong's court in an effort to retain his position as general manager. The petition was an appeal to shutter Yung Kee Holdings, unless his brother Ronald bought his 45 percent stake, or sold him his share. However, the petition was dismissed by the court on a technicality—Yung Kee Holdings, being an offshore company, was not subject to Hong Kong's jurisdiction.

Kinsen did not live to see this ruling, having died suddenly in October 2012, a month before the court made its decision. Kinsen's widow, Leung Sui-kwan, filed two appeals after the dismissal. The second appeal succeeded, and in November 2015, Hong Kong's Court of Final Appeal granted an order to wind up Yung Kee Holdings, with the possibility of either side buying over the other's shares.

Since Kinsen's estate and Ronald could not come to an agreement, the winding-up order for Yung Kee Holdings came into effect in December 2015. Fortunately, Yung Kee Restaurant was safe, as it was held by a subsidiary. Moreover, the ultimate winding-up was expected to take years to complete.

GOVERNANCE…OR THE LACK THEREOF

After their father's death in December 2004, Kinsen and Ronald were the only two board directors of the company. They did not appoint any independent director. The standing practice had been that business matters were discussed and settled only between the two brothers. In fact, there had been no formal board meetings in over 30 years.

To make matters worse, Kam Senior did not leave behind or articulate a succession plan before he passed on. The division of responsibilities between the board and management was often blurred, and the contest over the quality and character of leadership between Kinsen and Ronald rapidly worsened, and the conflict deepened.

Upon gaining sister Kelly's portion of the shares, and becoming the majority shareholder, Ronald appointed his son Carrel as the third director despite the latter having never worked a day at the restaurant. With his son's support, Ronald passed a resolution to do away with the quorum for decisions at company meetings, effectively sidelining Kinsen. As a result, a simple majority shareholding presence would be sufficient to push through a decision.

Yvonne, a chartered accountant, was roped in shortly after following the departure of Yung Kee's chief accountant. She initially committed only one day a week to oversee the finances, but over time she became more familiar with the inner workings of the family business and was increasingly involved in the decision-making process. She reflected, "In such a traditional business model, those who control the money have great power. My father [Ronald Kam] was reluctant to let anyone outside the family take this role and he knew the juniors were not able to run the business."

Kinsen, despite being one of the directors and a family member, was denied access to financial information. His demand to declare dividends was also dismissed at a board meeting by his younger brother. At the 2012 court proceedings, Kinsen's lawyer reiterated Ronald's reason "we don't want to".

THE FALL…AND RISE OF YUNG KEE

From 2011, Yung Kee's business started to go downhill. The restaurant lost its Michelin star for 2012. Its position on Miele Guide's Asia's Top 20 Restaurants slipped from being among the top eight in the 2008/2009 season to 17, three years later. Skilled kitchen staff left in the turmoil.

Kinsen's sons, Hardy and Kevin, who had both worked their way up at the restaurant, received a monthly HK$17,500 (US$2,252) salary while cousins Carrel and Yvonne made HK$45,000 (US$5,791). Both men left to start their own roast goose restaurants, with Kevin's *Kam's Restaurant* snaring its first Michelin star just four months after opening in 2014. It would repeat the feat in subsequent years.

From this point to its reopening, how did Yvonne break free of Yung Kee's troubled recent history? How could she address the many governance issues?

This is an adapted version of the SMU Case, "Yung Kee: Resolving Corporate Governance Troubles in a Hong Kong-based Family Business". To see the full case, please click on the following link: https://cmp.smu.edu.sg/case/4986.