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# LH GROUP

叙福樓集團

LH GROUP LIMITED

叙福樓集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1978)

## INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2024

	Six months ended 30 June	
	2024	2023
	HK\$ million	HK\$ million
Revenue	522.6	660.5
(Loss)/profit attributable to the shareholders of the Company	(26.5)	47.6
(Loss)/earnings per share Basic and diluted (HK cents)	(3.32)	5.94

### RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of LH Group Limited (the “**Company**”) announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2024 (the “**Period**”), together with the comparative figures of the corresponding period in the previous year as follows:

# UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2024

	Notes	Six months ended 30 June	
		2024 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)
Revenue	4	522,610	660,509
Other income and gains	5	2,196	2,512
Cost of food and beverages		(162,277)	(201,247)
Staff costs		(194,463)	(203,220)
Depreciation and amortisation		(15,805)	(20,538)
Depreciation of right-of-use assets, rental and related expenses	6	(90,132)	(98,386)
Fuel and utility expenses		(15,030)	(15,317)
Advertising and marketing expenses		(3,792)	(3,699)
Other operating expenses		(54,169)	(65,396)
Provision for impairment of property, plant and equipment		(8,744)	(653)
Provision for impairment of right-of-use assets		(10,066)	(412)
Provision for impairment of intangible assets		(390)	—
Finance income	7	3,845	6,662
Finance costs	7	(5,852)	(4,608)
(Loss)/profit before taxation	9	(32,069)	56,207
Income tax credit/(expense)	8	5,534	(8,657)
(Loss)/profit and total comprehensive (loss)/income for the period attributable to the shareholders of the Company		<u>(26,535)</u>	<u>47,550</u>
(Loss)/earnings per share			
Basic and diluted	10	<u>HK(3.32) cents</u>	<u>HK5.94 cents</u>

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2024

		As at <b>30 June</b> <b>2024</b> <i>HK\$'000</i> <b>(Unaudited)</b>	As at 31 December 2023 <i>HK\$'000</i> <b>(Audited)</b>
	<i>Note</i>		
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>101,235</b>	96,753
Right-of-use assets		<b>212,566</b>	239,197
Investment properties		<b>11,956</b>	12,215
Intangible assets		<b>1,944</b>	2,570
Rental and utilities deposits	12	<b>53,110</b>	50,242
Prepayments for purchase of property, plant and equipment	12	<b>7,149</b>	471
Deferred income tax assets		<b>39,308</b>	32,998
		<b>427,268</b>	434,446
<b>CURRENT ASSETS</b>			
Inventories		<b>19,724</b>	19,981
Trade receivables	12	<b>6,344</b>	10,174
Prepayments, deposits and other receivables	12	<b>43,839</b>	41,988
Tax recoverable		<b>182</b>	340
Short term bank deposits		<b>56,395</b>	105,065
Cash and cash equivalents		<b>137,878</b>	147,657
		<b>264,362</b>	325,205
<b>Total assets</b>		<b>691,630</b>	759,651
<b>EQUITY</b>			
Equity and reserves attributable to the shareholders of the Company			
Share capital		<b>80,000</b>	80,000
Share premium		<b>122,781</b>	122,781
Reserves		<b>35,611</b>	94,626
<b>Total equity</b>		<b>238,392</b>	297,407

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 30 June 2024

	<i>Note</i>	As at <b>30 June 2024</b> <i>HK\$'000</i> <b>(Unaudited)</b>	As at 31 December 2023 <i>HK\$'000</i> <b>(Audited)</b>
<b>LIABILITIES</b>			
<b>NON-CURRENT LIABILITIES</b>			
Provision for reinstatement costs	13	<b>17,606</b>	17,067
Lease liabilities		<b>110,374</b>	146,115
Deferred income tax liabilities		<b>5,257</b>	5,334
		<u><b>133,237</b></u>	<u>168,516</u>
<b>CURRENT LIABILITIES</b>			
Trade payables	13	<b>55,653</b>	45,479
Other payables and accruals	13	<b>88,827</b>	90,044
Contract liabilities	13	<b>39,390</b>	36,541
Lease liabilities		<b>127,407</b>	109,068
Tax payable		<b>8,724</b>	12,596
		<u><b>320,001</b></u>	<u>293,728</u>
<b>Total liabilities</b>		<u><b>453,238</b></u>	<u>462,244</u>
<b>Total equity and liabilities</b>		<u><b>691,630</b></u>	<u>759,651</u>

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Unaudited)	Attributable to shareholders of the Company				Total HK\$'000
	Share Capital HK\$'000	Share Premium HK\$'000	Retained Earnings HK\$'000	Other Reserves HK\$'000	
	<b>Balance as at 1 January 2024</b>	<b>80,000</b>	<b>122,781</b>	<b>67,007</b>	
Loss and total comprehensive loss for the period	—	—	(26,535)	—	(26,535)
Dividends ( <i>Note 11</i> )	—	—	(32,480)	—	(32,480)
<b>Balance as at 30 June 2024</b>	<b>80,000</b>	<b>122,781</b>	<b>7,992</b>	<b>27,619</b>	<b>238,392</b>

  

(Unaudited)	Attributable to shareholders of the Company				Total HK\$'000
	Share Capital HK\$'000	Share Premium HK\$'000	Retained Earnings HK\$'000	Other Reserves HK\$'000	
	<b>Balance as at 1 January 2023</b>	<b>80,000</b>	<b>122,781</b>	<b>179,102</b>	
Profit and total comprehensive income for the period	—	—	47,550	—	47,550
Dividends ( <i>Note 11</i> )	—	—	(62,160)	—	(62,160)
<b>Balance as at 30 June 2023</b>	<b>80,000</b>	<b>122,781</b>	<b>164,492</b>	<b>27,619</b>	<b>394,892</b>

## NOTES

### 1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 9 June 2017 as an exempted company with limited liability under the Companies Act of the Cayman Islands and its shares have been listed (the “**Listing**”) on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) since 30 May 2018 (the “**Listing Date**”). The address of the Company’s registered office is Walkers Corporate Limited, 190 Elgin Avenue, George Town, Grand Cayman KY1-9008, Cayman Islands.

The Company is an investment holding company and its subsidiaries are principally engaged as full-service restaurants operator serving Asian (in particular Japanese) and Cantonese cuisine in Hong Kong.

The unaudited condensed consolidated interim financial information is presented in Hong Kong dollars (“**HK\$**”), unless otherwise stated, and has been approved for issue by the Board on 27 August 2024.

### 2. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial information have been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and the applicable disclosure requirements of Appendix D2 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”). The Group’s unaudited condensed consolidated interim financial information should be read in conjunction with the Company’s annual report for the year ended 31 December 2023 (the “**2023 Annual Report**”).

The Group’s current liabilities exceeded its current assets by HK\$55,639,000 as at 30 June 2024 and the Group incurred a loss for the period ended 30 June 2024 of HK\$26,535,000. As at 30 June 2024, the Group had cash and cash equivalents and short term bank deposits of HK\$194,273,000. The directors of the Company have reviewed the Group’s cash flow projections, which cover a period of not less than twelve months from 30 June 2024. The directors are of the opinion that, taking into account the anticipated cash flows generated from the Group’s operations as well as the possible changes in its operating performance, the Group will have sufficient working capital to fulfil its financial obligations as and when they fall due in the coming twelve months from 30 June 2024. Accordingly, these condensed consolidated interim financial information have been prepared on a going concern basis.

The preparation of the unaudited condensed consolidated interim financial information in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses on a year-to-date basis. Actual results may differ from these estimates. In preparing this unaudited consolidated interim financial information, the significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the 2023 Annual Report, except as stated below.

Income tax expense is recognised based on management’s estimate of the weighted average effective annual income tax rate expected for the full financial year.

### 3. ACCOUNTING POLICIES

The accounting policies and methods of computation used in preparing the unaudited condensed consolidated interim financial information are consistent with those followed in preparing the 2023 Annual Report, except for the adoption of the following amended Hong Kong Financial Reporting Standards (“**HKFRSs**”) and HKASs (collectively “**new HKFRSs**”) as set out below.

New and amended standards adopted by the Group

The following amendments to standards are mandatory for the first time for the financial year beginning 1 January 2024 and have been adopted in the preparation of the condensed consolidated interim financial information:

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants
Amendment to HKFRS 16	Lease Liability in Sale and Leaseback
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements
Hong Kong Interpretation 5	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

The adoption of these amendments to standards does not have any significant impact to the results and financial position of the Group.

The Group has not adopted any new or amended standards or interpretations that are not yet effective during the six months ended 30 June 2024.

### 4. REVENUE AND SEGMENT INFORMATION

#### (a) Revenue

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

	Six months ended 30 June	
	2024	2023
	HK\$’000	HK\$’000
	(Unaudited)	(Unaudited)
Recognised at a point in time:		
Restaurant operations	520,666	657,367
Sale of food ingredients and others	1,944	3,142
	<u>522,610</u>	<u>660,509</u>

**(b) Segment information**

The Directors, who are the chief operating decision makers of the Group, review the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on reports reviewed by the Directors that are used to make strategic decisions.

The Group is principally engaged in the operation of restaurant chains and sales of food ingredients in Hong Kong. Management reviews the operating results of the business of major cuisine and sale of food ingredients and others which the Group operates to make decisions about resources to be allocated.

The Group has the following reporting segments:

- |   |  |
|---|--|
| (a) Self-owned brands                   | Operation of restaurants under the self-owned brands including “ <i>Mou Mou Club</i> ”, “ <i>Peace Cuisine</i> ”, “ <i>Wing Wah Allday</i> ”, “ <i>Pot Master</i> ” and “ <i>#HAP Taiwanese Hotpot</i> ” |
| (b) Franchised brands                   | Operation of restaurants under the franchised “ <i>Gyu-Kaku</i> ”, “ <i>On-Yasai</i> ”, “ <i>Gyu-Kaku Jinan-Bou</i> ”, “ <i>The Matcha Tokyo</i> ” and “ <i>Hikiniku To Come</i> ” brands                |
| (c) Sale of food ingredients and others | Sale of food ingredients to related parties and external third parties and other business  |

Segment revenue and segment profit/(loss) are the measures reported to the Directors for the purpose of resources allocation and performance assessment. Segment profit/(loss), which is a measure of adjusted profit/(loss) before tax, is measured consistently with the Group's profit/(loss) before tax except that unallocated finance income and unallocated cost are excluded from this measurement.

Segment assets consist primarily of property, plant and equipment, right-of-use assets, intangible assets, inventories, trade receivables, prepayments, deposits and other receivables. They exclude property, plant and equipment and prepayments, deposits and other receivables and cash and cash equivalents for general use, investment property, deferred income tax assets and tax recoverable.

Segment liabilities consist primarily of trade payables, contract liabilities, lease liabilities and other payables and accruals. They exclude other payables and accruals for general use, tax payables and deferred income tax liabilities.

All operating entities of the Group are domiciled in Hong Kong. All of the Group's revenue are derived in Hong Kong. As at 30 June 2024 and 31 December 2023, all of non-current assets of the Group are located in Hong Kong.



An analysis of the Group's revenue, (loss)/profit before taxation and depreciation and amortisation for the six months ended 30 June 2024 and 2023 and segment assets and liabilities as at 30 June 2024 and 31 December 2023 is as follows:

<b>(Unaudited)</b>	<b>For the six months ended 30 June 2024</b>			<b>Total HK\$'000</b>
	<b>Self-owned brands HK\$'000</b>	<b>Franchised brands HK\$'000</b>	<b>Sale of food ingredients and others HK\$'000</b>	
<b>Segment revenue</b>				
Revenue	136,013	384,653	48,662	569,328
Inter-segment revenue	<u>—</u>	<u>—</u>	<u>(46,718)</u>	<u>(46,718)</u>
External revenue	<u><b>136,013</b></u>	<u><b>384,653</b></u>	<u><b>1,944</b></u>	<u><b>522,610</b></u>
<b>Segment (loss)/profit</b>	<u><b>(14,221)</b></u>	<u><b>15,238</b></u>	<u><b>(1,354)</b></u>	<u><b>(337)</b></u>
Segment (loss)/profit includes				
Depreciation and amortisation	<u>(2,650)</u>	<u>(11,474)</u>	<u>(697)</u>	<u>(14,821)</u>
Depreciation of right-of-use assets	<u>(13,757)</u>	<u>(43,339)</u>	<u>—</u>	<u>(57,096)</u>
Provision for impairment	<u>(8,506)</u>	<u>(10,694)</u>	<u>—</u>	<u>(19,200)</u>
<b>Segment loss</b>				<b>(337)</b>
Unallocated depreciation and amortisation				(984)
Unallocated depreciation of right- of-use assets				(2,115)
Unallocated costs				(31,894)
Unallocated finance income				3,416
Unallocated finance costs				<u>(155)</u>
<b>Loss before taxation</b>				<u><b>(32,069)</b></u>
			<b>As at 30 June 2024</b>	
<b>Segment assets</b>	<u><b>90,864</b></u>	<u><b>298,767</b></u>	<u><b>77,351</b></u>	<u><b>466,982</b></u>
<b>Segments liabilities</b>	<u><b>(84,162)</b></u>	<u><b>(292,108)</b></u>	<u><b>(15,481)</b></u>	<u><b>(391,751)</b></u>

For the six months ended 30 June 2023

(Unaudited)	Self-owned brands <i>HK\$'000</i>	Franchised brands <i>HK\$'000</i>	Sale of food	
			ingredients and others <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Segment revenue</b>				
Revenue	173,993	483,374	61,368	718,735
Inter-segment revenue	—	—	(58,226)	(58,226)
External revenue	<u>173,993</u>	<u>483,374</u>	<u>3,142</u>	<u>660,509</u>
<b>Segment profit/(loss)</b>	<u>14,897</u>	<u>73,227</u>	<u>(1,749)</u>	<u>86,375</u>
Segment profit/(loss) includes				
Depreciation and amortisation	<u>(4,264)</u>	<u>(14,862)</u>	<u>(702)</u>	<u>(19,828)</u>
Depreciation of right-of-use assets	<u>(18,052)</u>	<u>(38,767)</u>	<u>—</u>	<u>(56,819)</u>
<b>Segment profit</b>				86,375
Unallocated depreciation and amortisation				(710)
Unallocated depreciation of right-of- use assets				(2,016)
Unallocated costs				(33,362)
Unallocated finance income				6,131
Unallocated finance costs				<u>(211)</u>
<b>Profit before taxation</b>				<u>56,207</u>

As at 31 December 2023

<b>Segment assets</b>	<u>110,108</u>	<u>295,324</u>	<u>64,590</u>	<u>470,022</u>
<b>Segments liabilities</b>	<u>(95,119)</u>	<u>(270,258)</u>	<u>(10,178)</u>	<u>(375,555)</u>

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

	<b>As at 30 June 2024 HK\$'000 (Unaudited)</b>	As at 31 December 2023 HK\$'000 (Audited)
Segment assets	466,982	470,022
Unallocated assets	<u>224,648</u>	<u>289,629</u>
	<b><u>691,630</u></b>	<b><u>759,651</u></b>

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

	<b>As at 30 June 2024 HK\$'000 (Unaudited)</b>	As at 31 December 2023 HK\$'000 (Audited)
Segment liabilities	391,751	375,555
Unallocated liabilities	<u>61,487</u>	<u>86,689</u>
	<b><u>453,238</u></b>	<b><u>462,244</u></b>

## 5. OTHER INCOME AND GAINS

	<b>Six months ended 30 June</b>	
	<b>2024 HK\$'000 (Unaudited)</b>	2023 HK\$'000 (Unaudited)
Government grants	—	249
Promotion income from a credit card company	1,650	1,650
Sundry income	<u>546</u>	<u>613</u>
	<b><u>2,196</u></b>	<b><u>2,512</u></b>

## 6. DEPRECIATION OF RIGHT-OF-USE ASSETS, RENTAL AND RELATED EXPENSES

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Depreciation of right-of-use assets	59,211	58,835
Property rentals and related expenses	30,921	39,551
	<u>90,132</u>	<u>98,386</u>

## 7. FINANCE INCOME AND COSTS

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest income from bank deposits	3,591	6,662
Finance income on financial assets	254	—
Finance income	<u>3,845</u>	<u>6,662</u>
Finance costs on lease liabilities	(5,852)	(4,399)
Finance costs on financial assets	—	(209)
Finance costs	<u>(5,852)</u>	<u>(4,608)</u>

## 8. TAXATION

Hong Kong profits tax has been provided on the estimated assessable profits at a rate of 16.5% for the period ended 30 June 2024 (2023: 16.5%), except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime. The first HK\$2,000,000 (2023: HK\$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (2023: 8.25%) and the remaining assessable profits are taxed at 16.5% (2023: 16.5%).

The major components of the income tax (credit)/expense are as follows:

	<b>Six months ended 30 June</b>	
	<b>2024</b>	<b>2023</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Hong Kong profits tax		
Current income tax	2,557	10,760
Deferred income tax	<u>(8,091)</u>	<u>(2,103)</u>
Income tax (credit)/expense	<u><u>(5,534)</u></u>	<u><u>8,657</u></u>

## 9. (LOSS)/PROFIT BEFORE TAXATION

(Loss)/profit before taxation is arrived at after charging/(crediting) the following:

	<b>Six months ended 30 June</b>	
	<b>2024</b>	<b>2023</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Depreciation of property, plant and equipment	15,310	19,920
Depreciation of right-of-use assets	59,211	58,835
Depreciation of investment properties	259	260
Amortisation of intangible assets	236	358
Lease payments under operating leases in respect of land and buildings:		
— Short term lease payments	2,367	3,405
— Contingent rental	<u>2,304</u>	<u>11,933</u>
	<u>4,671</u>	<u>15,338</u>
Employee benefit expenses		
Wages and salaries	172,627	177,081
Discretionary bonuses	11,136	13,614
Retirement benefit scheme contributions	7,729	8,068
Staff welfare	3,086	3,008
Reversal of provision for untaken annual leave	(51)	(113)
(Reversal of provision for)/provision for long service payment	<u>(64)</u>	<u>1,562</u>
	<u>194,463</u>	<u>203,220</u>
Auditors' remuneration		
— Audit services	1,103	1,225
— Non-audit services	<u>415</u>	<u>340</u>

## 10. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO THE SHAREHOLDERS OF THE COMPANY

### (a) Basic

Basic (loss)/earnings per share is calculated by dividing the (loss)/profit attributable to shareholders of the Company (“Shareholders”) by the weighted average number of ordinary shares in issue during the year.

	Six months ended 30 June	
	2024 (Unaudited)	2023 (Unaudited)
(Loss)/profit attributable to the Shareholders ( <i>HK\$'000</i> )	(26,535)	47,550
Weighted average number of ordinary shares in issue ( <i>'000</i> )	<u>800,000</u>	<u>800,000</u>
(Loss)/earnings per share ( <i>HK cents</i> )	<u><u>(3.32)</u></u>	<u><u>5.94</u></u>

### (b) Diluted

Diluted (loss)/earnings per share for the six months ended 30 June 2024 and 2023 are the same as the basic (loss)/earnings per share as there were no potentially dilutive ordinary shares issued.

## 11. DIVIDENDS

A final dividend for the year ended 31 December 2023 of HK4.06 cents per ordinary share, totalling HK\$32,480,000, was declared by the Board on 26 March 2024 and approved by the Shareholders at the annual general meeting of the Company held on 6 June 2024, which was paid on 27 June 2024.

The Board did not propose an interim dividend for the six months ended 30 June 2024.

## 12. TRADE AND OTHER RECEIVABLES

Trade receivables mainly represent receivables from financial institutions in relation to the payment settled by credit cards by customers of which the settlement period is normally within 3 days from transaction date. Generally, there is no credit period granted to customers, except for certain corporate customers in relation to sales of food ingredients, to which a credit period of 30 days is granted by the Group.

	<b>As at 30 June 2024 HK\$'000 (Unaudited)</b>	<b>As at 31 December 2023 HK\$'000 (Audited)</b>
External customers	<b><u>6,344</u></b>	<b><u>10,174</u></b>

An ageing analysis of the trade receivables as at 30 June 2024 and 31 December 2023, based on the invoice date, is as follows:

	<b>As at 30 June 2024 HK\$'000 (Unaudited)</b>	<b>As at 31 December 2023 HK\$'000 (Audited)</b>
Within 30 days	<b>5,709</b>	9,162
31–60 days	<b>289</b>	543
61–180 days	<b>346</b>	469
	<b><u>6,344</u></b>	<b><u>10,174</u></b>

There was no recent history of default in respect of the Group's debtors. Based on past experience, management believes that no impairment allowance is necessary in respect of the past due balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group did not hold any collateral over these balances. No impairment loss was recognised by the Group as at 30 June 2024 and 31 December 2023.

	<b>As at 30 June 2024 HK\$'000 (Unaudited)</b>	As at 31 December 2023 HK\$'000 (Audited)
Prepayments	<b>23,465</b>	15,150
Rental and utilities deposits	<b>78,118</b>	74,865
Other receivables	<b>2,515</b>	2,686
	<b>104,098</b>	92,701
Less: non-current portion		
— Rental and utilities deposits	<b>(53,110)</b>	(50,242)
— Prepayments for property, plant and equipment	<b>(7,149)</b>	(471)
Current portion	<b>43,839</b>	41,988

As at 30 June 2024 and 31 December 2023, the balances of deposits and other receivables were neither past due nor impaired. Financial assets included in the above balances relate to receivables for which there was no recent history of default.

The maximum exposure to credit risk as at 30 June 2024 and 31 December 2023 was the carrying value of each class of receivable mentioned above. The Group did not hold any collateral as security. The carrying amounts of deposits and other receivables approximate to their fair values and are denominated in HK\$.



### 13. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

#### Trade payables

	As at 30 June 2024 <i>HK\$'000</i> (Unaudited)	As at 31 December 2023 <i>HK\$'000</i> (Audited)
External suppliers	<u>55,653</u>	<u>45,479</u>

An ageing analysis of the trade payables as at 30 June 2024 and 31 December 2023, based on the invoice date, is as follows:

	As at 30 June 2024 <i>HK\$'000</i> (Unaudited)	As at 31 December 2023 <i>HK\$'000</i> (Audited)
Within 30 days	28,860	34,622
31–60 days	26,357	10,517
61–180 days	72	39
Over 180 days	<u>364</u>	<u>301</u>
	<u>55,653</u>	<u>45,479</u>

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

Contract liabilities, other payables and accruals

	As at <b>30 June</b> <b>2024</b> <i>HK\$'000</i> <b>(Unaudited)</b>	As at 31 December 2023 <i>HK\$'000</i> <b>(Audited)</b>
Rent payable	1,375	2,617
Accrued employee benefit expenses	30,819	33,254
Provision for long service payment	1,959	1,903
Provision for untaken annual leave	10,991	11,042
Provision for reinstatement costs	23,801	23,804
Contract liabilities	39,390	36,541
Other accrued expenses	31,624	30,059
Payables for purchase of property, plant and equipment	5,232	3,800
Other payables	632	632
	<hr/>	<hr/>
	145,823	143,652
Less: non-current portion		
— Provision for reinstatement costs	(17,606)	(17,067)
	<hr/>	<hr/>
Current portion	<u><u>128,217</u></u>	<u><u>126,585</u></u>

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

The Group is a top full service multi-brand restaurant group in Hong Kong specialising in Asian (in particular Japanese) and Cantonese cuisine.

As at 30 June 2024, the Group operated a total of 58 restaurants, out of which 14 restaurants are under five self-owned brands, namely “*Mou Mou Club (牛涮鍋)*”, “*Peace Cuisine (和平飯店)*”, “*Wing Wah Allday (永華日常)*”, “*Pot Master (煲仔王)*” and “*#HAP Taiwanese Hotpot (好呷台灣火鍋)*”, and 44 restaurants are under five franchised brands, namely “*Gyu-Kaku (牛角)*”, “*Gyu-Kaku Jinan-Bou (牛角次男坊)*”, “*On-Yasai (溫野菜)*”, “*The Matcha Tokyo*” and “*Hikiniku To Come (挽肉と米)*”, which serve quality, value-for-money delicacies to diversified customer segments seeking a wide array of culinary experiences. The Group prides itself in the extensive market coverage of the Group’s brand portfolio, which allows the Group to tap into customer segments spanning across mid-to-high end market to mass market with different culinary preferences.

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

	As at 30 June	
	2024	2023
Self-owned brands	14	16
Franchised brands	44	39
<b>Total:</b>	<b>58</b>	<b>55</b>

## FINANCIAL REVIEW

### Revenue

The global economy remained unstable in the first half of 2024, which was shadowed by volatile financial markets, regional military conflicts and a continued high-interest rate environment, which may take time to stabilise. Additionally, the Hong Kong dollar, which is linked to the US dollar, is relatively strong against other currencies such as the Renminbi and the Japanese Yen, thus the consumer prices in the surrounding areas become relatively more appealing than those of Hong Kong, which is coupled with weak local consumption power, leading to a revenue decreased by approximately 20.9%, or approximately HK\$137.9 million, from approximately HK\$660.5 million for the six months ended 30 June 2023 (the “**Last Corresponding Period**”) to approximately HK\$522.6 million for the Period.

The number of restaurants under franchised brands increased from 39 as at 30 June 2023 to 44 as at 30 June 2024 but the revenue from franchised brands decreased by approximately HK\$98.7 million or approximately 20.4%, from approximately HK\$483.4 million for the Last Corresponding Period to approximately HK\$384.7 million for the Period. Franchised brands remained as the main pillar of revenue, constituting approximately 73.6% of the total revenue of the Group for the Period (Last Corresponding Period: 73.2%).

The revenue from self-owned brands decreased by approximately HK\$38.0 million or approximately 21.8%, from approximately HK\$174.0 million for the Last Corresponding Period to approximately HK\$136.0 million for the Period.

Revenue by business segments is set out below:

	For the six months ended 30 June			
	2024		2023	
	Revenue <i>HK\$'000</i>	% of total Revenue (%)	Revenue <i>HK\$'000</i>	% of total Revenue (%)
Self-owned brands	<b>136,013</b>	<b>26.0</b>	173,993	26.3
Franchised brands	<b>384,653</b>	<b>73.6</b>	483,374	73.2
Sub-total of restaurant operations	<b>520,666</b>	<b>99.6</b>	657,367	99.5
Sale of food ingredients and others	<b>1,944</b>	<b>0.4</b>	3,142	0.5
<b>Total</b>	<b><u>522,610</u></b>	<b><u>100.0</u></b>	<b><u>660,509</u></b>	<b><u>100.0</u></b>

### Other income and gains

The Group's other income and gains decreased by approximately 12.6%, or approximately HK\$0.3 million, from approximately HK\$2.5 million for the Last Corresponding Period to approximately HK\$2.2 million for the Period. Other income and gains mainly included promotion income from a credit card company of approximately HK\$1.7 million for the Period (Last Corresponding Period: approximately HK\$1.7 million).

### Cost of food and beverages

The Group's cost of food and beverages decreased by approximately 19.4%, or approximately HK\$39.0 million, from approximately HK\$201.2 million for the Last Corresponding Period to approximately HK\$162.3 million for the Period. The decrease was in line with the decrease in revenue during the Period. The cost of food and beverages as a percentage of revenue increased slightly from approximately 30.5% for the Last Corresponding Period to approximately 31.1% for the Period.

## **Staff costs**

The Group's staff cost decreased by approximately 4.3%, or approximately HK\$8.8 million, from approximately HK\$203.2 million for the Last Corresponding Period to approximately HK\$194.5 million for the Period. The cost reduction was due to the adoption of a more prudent management and control over employee-related expenses. Staff cost as a percentage of revenue increased from approximately 30.8% for the Last Corresponding Period to approximately 37.2% for the Period, mainly due to decrease in revenue.

## **Depreciation of right-of-use assets, rental and related expenses**

The Group's depreciation of right-of-use assets, rental and related expenses decreased by approximately 8.4%, or approximately HK\$8.3 million, from approximately HK\$98.4 million for the Last Corresponding Period to approximately HK\$90.1 million for the Period. The reduction in expenses was mainly attributed to a decline in revenue, which had resulted in decrease in rental payment calculated based on revenue.

## **Loss for the Period**

As a result of the foregoing, loss for the Period was HK\$26.5 million, while the Group recorded a profit attributable to the Shareholders of approximately HK\$47.6 million for the Last Corresponding Period. The turnaround from profit to loss was mainly due to the decrease in revenue by 20.9% compared to that for the Last Corresponding Period and the increase of provision for impairment of property, plant and equipment and right-of-use assets for the Period.

## **LIQUIDITY AND FINANCIAL RESOURCES**

The Group financed its business with internally generated cash flows. As at 30 June 2024, the Group had short term bank deposits of approximately HK\$56.4 million (as at 31 December 2023: approximately HK\$105.1 million) and cash and cash equivalents of approximately HK\$137.9 million (as at 31 December 2023: approximately HK\$147.7 million). Most bank deposits and cash were denominated in HK\$. The Group will continue to use the internal generated cash flows as a source of funding for future developments.

As at 30 June 2024, the Group's total current assets and current liabilities were approximately HK\$264.4 million (as at 31 December 2023: approximately HK\$325.2 million) and approximately HK\$320.0 million (as at 31 December 2023: approximately HK\$293.7 million) respectively, while the current ratio was about 0.8 times (as at 31 December 2023: about 1.1 times).

As at 30 June 2024, the gearing ratio of the Group was Nil (as at 31 December 2023: Nil) as it had no outstanding interest-bearing bank borrowings. The gearing ratio is calculated by total interest-bearing bank borrowings divided by total equity and multiplied by 100%.

The Group operates a conservative set of treasury policies to ensure that no unnecessary risks are taken with the Group's assets. During the Period, there was no investment in financial products or instruments other than cash or bank deposits were used.

## **SIGNIFICANT INVESTMENTS**

As at 30 June 2024, the Group did not have any significant investments.

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

The Group had no material acquisition or disposal of subsidiaries, associates or joint ventures during the Period. The Group has no plan for material investments or additions of capital assets as at the date of this announcement.

## **CHARGES ON GROUP ASSETS**

As at 30 June 2024, the Group did not have any charges on assets.

## **CAPITAL STRUCTURE**

There was no change in the capital structure of the Group during the Period. The capital of the Group only comprises ordinary shares. During the Period, the Company did not hold or did not sell any treasury shares.

## **EVENTS AFTER THE REPORTING PERIOD**

No significant events occurred since the end of the Period and up to the date of this announcement which requires disclosure.

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 30 June 2024, the Group had 1,742 employees (as at 31 December 2023: 1,667 employees). The remuneration of the employees is determined by reference to prevailing market terms and in accordance with the performance, qualification and experience of each individual employee. The remuneration of individual employee is reviewed regularly with reference to the employee's performance and qualifications.

The emoluments of the Directors are recommended by the remuneration committee of the Company, with reference to their respective contribution of time, effort and expertise on the Company's matters. The Company has adopted a share option scheme (the "**Share Option Scheme**") on 4 May 2018 to reward the participants defined thereunder for their contribution to the Group's success and to provide them with incentives to further contribute to the Group. The Share Option Scheme has become effective on 30 May 2018. In addition, employees are entitled to performance and discretionary Chinese New Year bonuses. The Group would provide induction trainings for new employees and continuous trainings to existing employees regularly.

## **SHARE OPTION SCHEME**

No share option was granted during the Period. Since the date of adoption of the Share Option Scheme on 4 May 2018 and up to 30 June 2024, there was no share option granted, exercised, outstanding, expired, cancelled or lapsed under the Share Option Scheme.

## **FOREIGN EXCHANGE EXPOSURE**

Most of the transactions of the Group are denominated in HK\$ and the Group is not exposed to any significant foreign exchange exposure. As at 30 June 2024, the Group did not have any foreign exchange investment and did not engage in any currency hedging transactions or enter into any hedging instruments.

## **CONTINGENT LIABILITIES**

As at 30 June 2024, the Group did not have any material contingent liabilities.

## **PROSPECTS**

The management is fully aware of the significant transformation underway in local consumption market in Hong Kong, and has taken proactive and positive steps embrace this transitional period. The Group aims to take the opportunity to harness this local consumption transformation as a springboard for the next phase of profit growth. Given that the Group has no bank borrowings, its financial strength is even more pronounced amidst the high-interest environment, providing ample fuel for the transformation process.



The Group is actively developing new brands and expanding its restaurant network. In the first half of 2024, the Group further accelerated the strategic positioning of new stores for its various brands. In May 2024, the Group opened Hong Kong's first franchise restaurant of the brand "Hikiniku To Come" which is known for its charcoal-grilled Japanese beef burgers and fresh rice. On the opening day, over 300 customers lined up before the opening hour of the restaurant. The restaurant has remained popular since its launch, and online reservations are frequently fully booked immediately after becoming available at 10 a.m. each day, indicating the brand's sustained market value. The successful development of this brand is a prime example of the Group's proactive transformation. The Group will continue to introduce competitive brands from around the world, offering customers a more diverse range of dining options.

Regarding the existing brands, the Group is gradually revamping some of its self-operated and franchised brands in 2024 to offer customers a new dining experience. In late June and early July 2024, we opened new and renovated "Gyu-kaku" brand restaurants at MOKO and Ocean Terminal of Harbour City respectively, incorporating the "Gyu-kaku New Experience" with stylish decor and new Wagyu Yakiniku creations, enriching the menu options and redefining the Yakiniku dining concept. These new branches have received enthusiastic responses. Additionally, in early July and mid-August 2024, "Mou Mou Club" entered the Yau Tong Domain Mall and Temple Mall North respectively with a new image and menu, attracting many customers with its enhanced buffet area and dining mode, leading which led to the restaurant becoming full. The Group continuously improves restaurant dishes, adjust brand menus according to market conditions, and introduce high-quality ingredients to provide customers with a value for money dining experience.

To enhance the Group's responsiveness to market dynamics, the Group launched a new customer relationship management system and a new membership app in 2024. Through data analysis, the Group better understands its customers' needs, thereby providing more considerate and user-friendly services to them, which helps shorten the distance with the customers and build stronger customer relationships, which is crucial for cultivating loyal customers and enhancing brand image.

Moreover, the Group has adopted several strategic measures to boost revenue and reduce expenditure. These initiatives involve negotiating lower rents with landlords, securing more favourable terms with suppliers, and implementing various promotional activities. At the same time, the Group is effectively managing operating funds to ensure that the Group maintains sufficient liquidity. The Group has also assessed the performance of its stores and closed the stores which did not meet expectations to ensure stable growth in the future.

Factors affecting local consumption are likely to improve rapidly after interest rate cuts in the United States. These include the potential impact on the Hong Kong dollar, the expected improvement in purchasing power for consumers, and a reduction in market financing costs, all of which are expected to have a positive impact on the level of local consumption.

## **DIVIDENDS**

The Board resolved not to declare an interim dividend for the Period.

## **SUFFICIENCY OF PUBLIC FLOAT**

Based on the information that is publicly available to the Company and to the best knowledge of the Directors, the Company has maintained a sufficient public float of at least 25% of the issued shares of the Company for the Period and up to the date of this announcement under the Listing Rules.

## **CORPORATE GOVERNANCE PRACTICES**

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders and to enhance corporate value and accountability. The Company has adopted the Corporate Governance Code (the “**CG Code**”) as set out in Appendix C1 to the Listing Rules as its own code of corporate governance.

For the Period, save for the deviation from code provision C.2.1 of the CG Code, which is explained in the paragraph below, the Board considers that the Company has in all material respects complied with all the code provisions of the CG Code and adopted most of the best practices set out therein.

Pursuant to code provision C.2.1 of the CG Code, the roles of the chairperson and the chief executive officer should be separate and should not be performed by the same individual. Mr. Wong Kit Lung Simon (“**Mr. Wong**”) currently holds both positions. Mr. Wong has been the key leadership figure of the Group who has been primarily involved in the formulation of business strategies and determination of the overall direction of the Group. He has also been chiefly responsible for the Group’s operations as he directly supervises the senior management of the Group. Taking into account the continuation of the implementation of the business plans, the Directors (including the independent non-executive Directors) considered Mr. Wong as the best candidate for both positions and such arrangement is beneficial to and in the interests of the Group and the Shareholders as a whole. The balance of power and authority is ensured by the operation of the senior management and the Board, which comprises experienced and high-calibre individuals. The Board currently comprises two executive Directors (including Mr. Wong) and three independent non-executive Directors and therefore has a strong independence element in its composition. The Board would continue to periodically review the effectiveness of this arrangement to ensure its alignment with the needs of the Group.

## **MODEL CODE FOR SECURITIES TRANSACTIONS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuer (the “**Model Code**”) as set out in Appendix C3 to the Listing Rules as its own code of conduct regarding securities transactions of the Directors. Having made specific enquiry with the Directors, all Directors confirmed that they have complied with the required standards as set out in the Model Code for the Period.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

Neither the Company nor its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities or sale of treasury shares (as defined under the Listing Rules) for the Period.

As at 30 June 2024, the Company did not hold any treasure shares (as defined under the Listing Rules).

## **AUDIT COMMITTEE**

The Board has established an audit committee (the “**Audit Committee**”) which comprises three independent non-executive Directors, namely Mr. Mak Kam Chiu (Chairperson), Mr. Hung Wai Man and Mr. Sin Yat Kin. The primary duties of the Audit Committee are to assist the Board by providing an independent view of the effectiveness of the financial reporting process, internal control and risk management system of the Group, to oversee the audit process, to develop and review the policies and to perform other duties and responsibilities as assigned by the Board. The Audit Committee has held meetings to discuss the financial reporting process, internal control and risk management system of the Group, including the review of this unaudited interim results announcement and the unaudited interim condensed consolidated financial information of the Group for the Period.

The unaudited condensed consolidated interim results of the Group for the Period have not been audited or reviewed by the Company’s auditor but have been reviewed by the Audit Committee and the management of the Company.

## **PUBLICATION OF THE INTERIM RESULTS AND 2024 INTERIM REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY**

This interim results announcement is published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.lhgroup.com.hk](http://www.lhgroup.com.hk)), and the 2024 interim report containing the information required by Appendix D2 to the Listing Rules will be published on the respective websites of the Stock Exchange and the Company according to the requirements under the Listing Rules.

### **APPRECIATION**

The Board would like to express its sincere gratitude to the management team and all the staff of the Group for their continuous support and contribution. The Board also takes this opportunity to thank the Shareholders, customers, business partners and professional parties for their unreserved support in the prospects of the Group.

By order of the Board  
**LH GROUP LIMITED**  
**Wong Kit Lung Simon Prof, BBS, JP**  
*Chairman*

Hong Kong, 27 August 2024

*As at the date of this announcement, the Board comprises Mr. Wong Kit Lung Simon Prof, BBS, JP and Ms. Ko Sau Chee Grace as executive Directors; and Mr. Sin Yat Kin SBS, CSDSM, JP, Mr. Hung Wai Man Prof, JP and Mr. Mak Kam Chiu as independent non-executive Directors.*