

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

FINANCIAL HIGHLIGHTS

	Year ended 31 December	
	2021	2020
	HK\$ million	HK\$ million
Revenue	997.9	802.9
Profit attributable to the shareholders of the Company	90.1	140.3
Earnings per share		
Basic and diluted (HK cents)	11.26	17.54

Final dividend in respect of the year ended 31 December 2021 of HK6.05 cents per share was proposed by the Board, together with the interim dividend of HK2.4 cents per share paid during the year ended 31 December 2021, the total dividend payout ratio was approximately 75%, amounted to a total of HK8.45 cents per share.

RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of LH Group Limited (the “**Company**”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2021, together with the comparative figures for the year ended 31 December 2020 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

	<i>Note</i>	2021 <i>HK\$’000</i>	2020 <i>HK\$’000</i>
Revenue	4	997,919	802,852
Other income and gains	5	28,829	95,006
Cost of food and beverages		(314,154)	(252,111)
Staff costs		(292,471)	(213,823)
Depreciation and amortisation		(33,706)	(32,822)
Depreciation of right-of-use assets		(97,014)	(91,044)
Property rentals and related expenses		(50,880)	(33,732)
Fuel and utility expenses		(20,401)	(18,207)
Advertising and marketing expenses		(6,048)	(5,731)
Other operating expenses		(101,541)	(88,876)
Provision for impairment of property, plant and equipment, net		(1,838)	(5,740)
Provision for impairment of right-of-use assets, net		(1,979)	(10,714)
Finance income	6	1,185	3,775
Finance costs	6	(4,758)	(5,086)
Profit before taxation	7	103,143	143,747
Income tax expense	8	(13,067)	(3,419)
Profit and total comprehensive income for the year attributable to the shareholders of the Company		<u>90,076</u>	<u>140,328</u>
Earnings per share			
Basic and diluted	9	<u>HK11.26 cents</u>	<u>HK17.54 cents</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	Note	2021 HK\$'000	2020 HK\$'000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment		121,694	106,952
Right-of-use assets		171,531	169,332
Investment property		645	670
Intangible assets		5,226	5,419
Rental and utilities deposits	11	40,585	39,463
Prepayments for purchase of property, plant and equipment	11	1,133	1,805
Deferred income tax assets		27,326	26,040
		<u>368,140</u>	<u>349,681</u>
CURRENT ASSETS			
Inventories		49,719	32,414
Trade receivables	11	6,358	4,962
Prepayments, deposits and other receivables	11	34,238	20,983
Tax recoverable		43	686
Short term bank deposits		83,414	159,623
Cash and cash equivalents		241,947	179,148
		<u>415,719</u>	<u>397,816</u>
Total assets		<u>783,859</u>	<u>747,497</u>
EQUITY AND LIABILITIES			
Equity attributable to shareholders of the Company			
Share capital	13	80,000	80,000
Share premium		122,781	122,781
Reserves		177,416	211,820
Total equity		<u>380,197</u>	<u>414,601</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 31 December 2021

		2021	2020
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
NON-CURRENT LIABILITIES			
Provision for reinstatement costs	12	12,991	14,932
Lease liabilities		93,493	95,752
Deferred income tax liabilities		6,888	5,155
		<u>113,372</u>	<u>115,839</u>
CURRENT LIABILITIES			
Trade payables	12	76,859	37,657
Other payables and accruals	12	83,172	59,886
Contract liabilities		34,785	21,819
Lease liabilities		85,801	93,401
Tax payable		9,673	4,294
		<u>290,290</u>	<u>217,057</u>
Total liabilities		<u>403,662</u>	<u>332,896</u>
Total equity and liabilities		<u>783,859</u>	<u>747,497</u>

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 Law (Cap.22, Law 3 of 1961 as consolidated and revised) 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 cuisine including Japanese, Korean, Cantonese and Shanghainese cuisine in Hong Kong.

2. BASIS OF PREPARATION

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

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies.

3. ACCOUNTING POLICIES

(a) New and amended standards adopted by the Group

The Group has applied the following amendment for the first time for their annual reporting period commencing 1 January 2021:

HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 (Amendments)	Interest Rate Benchmark Reform — Phase 2
--	--

The Group also elected to adopt the following amendments early:

HKFRS 16 (Amendments)	Covid-19-Related Rent Concessions beyond 30 June 2021
-----------------------	---

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(b) New standards and amendments to HKFRS in issue but not yet effective

		Effective for annual periods beginning on or after
Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combinations	1 January 2022
HKAS 16 (Amendments)	Property, Plant and Equipment Proceeds before Intended Use	1 January 2022
HKAS 37 (Amendments)	Onerous Contracts — Cost of Fulfilling a Contract	1 January 2022
Annual Improvements Project (Amendments)	Annual Improvements 2018–2020 Cycle	1 January 2022
HKFRS 3 (Amendments)	Reference to the Conceptual Framework	1 January 2022
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current	1 January 2023
HKFRS 17	Insurance Contracts	1 January 2023
Hong Kong Interpretation 5 (2020)	Presentation of Financial Statements — Classification by Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2023
HKAS 8 (Amendments)	Definition of Accounting Estimates	1 January 2023

		Effective for annual periods beginning on or after
HKAS 1 and HKFRS Practice Statement 2 (Amendments)	Disclosure of Accounting Policies	1 January 2023
HKAS 12 (Amendments)	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an investor and its Associate or Joint Venture	To be determined

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for 31 December 2021 reporting periods and have not been early adopted by the Group. These standards, amendments or interpretations are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

4. REVENUE AND SEGMENT INFORMATION

(a) Revenue

Revenue 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:

	Year ended 31 December	
	2021	2020
	HK\$'000	HK\$'000
Recognised at a point in time:		
Restaurant operations	993,569	799,185
Sale of food ingredients and others	4,350	3,667
	<u>997,919</u>	<u>802,852</u>

(b) Segment information

The Directors, who are the chief operating decision-maker of the Group, have reviewed 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 by major cuisine and sale of food ingredients which the Group operates to make decisions about resources to be allocated.

The Group has the following reporting segments:

- | | |
|---|---|
| (a) Cantonese cuisine — self-owned brands | Operation of a Cantonese restaurant under the self-established “ <i>Pot Master</i> ” brand, offering Cantonese cuisine |
| (b) Asian cuisine — franchised brands | Operation of Asian cuisine restaurants under the franchised “ <i>Gyu-Kaku</i> ”, “ <i>On-Yasai</i> ”, “ <i>Gyu-Kaku Jinan-Bou</i> ” and “ <i>Yoogane</i> ” brands |
| (c) Asian cuisine — self-owned brands | Operation of Asian cuisine restaurants under self-owned brands, including “ <i>Mou Mou Club</i> ”, “ <i>Peace Cuisine</i> ” and “ <i>Wing Wah Allday</i> ” |
| (d) 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) were 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, was measured consistently with the Group’s profit/(loss) before tax except that unallocated finance costs and income and unallocated costs were 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, 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 revenue of the Group are derived in Hong Kong. As at 31 December 2021 and 2020, all non-current assets of the Group are located in Hong Kong.

An analysis of the Group's revenue, profit before taxation, depreciation and amortisation and provision for impairment for the years ended 31 December 2021 and 2020 and segment assets and liabilities as at 31 December 2021 and 2020 are as follows:

	For the year ended 31 December 2021				
	Cantonese cuisine — self-owned brands <i>HK\$'000</i>	Asian cuisine — franchised brands <i>HK\$'000</i>	Asian cuisine — self-owned brands <i>HK\$'000</i>	Sale of food ingredients and others <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue					
Revenue	40,136	724,259	229,174	102,411	1,095,980
Inter-segment revenue	—	—	—	(98,061)	(98,061)
External revenue	<u>40,136</u>	<u>724,259</u>	<u>229,174</u>	<u>4,350</u>	<u>997,919</u>
Segment profit/(loss)	<u>6,557</u>	<u>125,428</u>	<u>28,591</u>	<u>(1,575)</u>	<u>159,001</u>
Depreciation and amortisation	<u>(290)</u>	<u>(20,946)</u>	<u>(7,621)</u>	<u>(1,381)</u>	<u>(30,238)</u>
Depreciation of right-of-use assets	<u>(28)</u>	<u>(64,074)</u>	<u>(28,630)</u>	<u>—</u>	<u>(92,732)</u>
Provision for impairment, net	<u>—</u>	<u>(2,040)</u>	<u>(1,777)</u>	<u>—</u>	<u>(3,817)</u>
Segment profit					159,001
Unallocated depreciation and amortisation					(3,468)
Unallocated depreciation of right-of-use assets					(4,282)
Unallocated costs					(49,129)
Unallocated finance income					1,063
Unallocated finance costs					(42)
Profit before taxation					<u>103,143</u>
Segment assets	<u>15,388</u>	<u>241,890</u>	<u>93,277</u>	<u>114,072</u>	<u>464,627</u>
Segment liabilities	<u>(8,250)</u>	<u>(226,380)</u>	<u>(86,322)</u>	<u>(34,371)</u>	<u>(355,323)</u>

	For the year ended 31 December 2020				Total HK\$'000
	Cantonese cuisine — self-owned brands HK\$'000	Asian cuisine — franchised brands HK\$'000	Asian cuisine — self-owned brands HK\$'000	Sale of food ingredients and others HK\$'000	
Segment revenue					
Revenue	65,999	536,674	196,512	91,534	890,719
Inter-segment revenue	—	—	—	(87,867)	(87,867)
External revenue	<u>65,999</u>	<u>536,674</u>	<u>196,512</u>	<u>3,667</u>	<u>802,852</u>
Segment profit	<u>36,580</u>	<u>96,503</u>	<u>16,086</u>	<u>282</u>	<u>149,451</u>
Depreciation and amortisation	<u>(2,495)</u>	<u>(16,274)</u>	<u>(10,398)</u>	<u>(1,355)</u>	<u>(30,522)</u>
Depreciation of right-of-use assets	<u>(1,126)</u>	<u>(56,935)</u>	<u>(28,694)</u>	<u>—</u>	<u>(86,755)</u>
Provision for impairment, net	<u>—</u>	<u>(3,796)</u>	<u>(12,658)</u>	<u>—</u>	<u>(16,454)</u>
Segment profit					149,451
Unallocated depreciation and amortisation					(2,300)
Unallocated depreciation of right-of-use assets					(4,289)
Unallocated costs					(2,750)
Unallocated finance income					3,775
Unallocated finance costs					(140)
Profit before taxation					<u>143,747</u>
Segment assets	<u>11,942</u>	<u>200,949</u>	<u>90,422</u>	<u>82,532</u>	<u>385,845</u>
Segment liabilities	<u>(6,473)</u>	<u>(182,898)</u>	<u>(87,368)</u>	<u>(10,899)</u>	<u>(287,638)</u>

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

	As at 31 December 2021 <i>HK\$'000</i>	As at 31 December 2020 <i>HK\$'000</i>
Segment assets	464,627	385,845
Unallocated assets	319,232	361,652
	<u>783,859</u>	<u>747,497</u>

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

	As at 31 December 2021 <i>HK\$'000</i>	As at 31 December 2020 <i>HK\$'000</i>
Segment liabilities	355,323	287,638
Unallocated liabilities	48,339	45,258
	<u>403,662</u>	<u>332,896</u>

(c) **Contract liabilities**

The Group recognised the following revenue-related contract liabilities:

	As at 31 December 2021 HK\$'000	As at 31 December 2020 HK\$'000
Advances from customers	238	21
Deferred revenue	34,547	21,798
Total contract liabilities	<u>34,785</u>	<u>21,819</u>

Advances from customers represent the payments received from customers for reservations and coupons. Deferred revenue represents the fair value of outstanding loyalty points, coupons and discount and expected renewal of membership in respect of customer loyalty programme as at 31 December 2021.

The following table shows the revenue recognised in relation to carried forward contract liabilities:

	2021 HK\$'000	2020 HK\$'000
Restaurant operations	<u>21,819</u>	<u>22,952</u>

Due to the short-term nature of the related revenue, all contract liabilities balance at the year end would be recognised into revenue in the next financial year. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

5. OTHER INCOME AND GAINS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Other income:		
Government grants (<i>Note (a)</i>)	9,856	43,797
Promotion income from a credit card company	3,200	3,100
Rental income	89	9
Sponsorship income	2,363	—
Over-provision for litigation cost relating to claim against the vacant possession and early termination on lease in prior year	1,468	—
Compensation income from an insurance company	1,234	—
Sundry income	871	987
	<u>19,081</u>	<u>47,893</u>
Other gains:		
Net gains from lease modification (<i>Note (b)</i>)	9,004	45,983
Gains on disposal of property, plant and equipment	6	228
Gain on reversal of provision for reinstatement cost (<i>Note 12(a)</i>)	738	902
	<u>9,748</u>	<u>47,113</u>
Total other income and gains	<u><u>28,829</u></u>	<u><u>95,006</u></u>

Note:

- (a) Government subsidies of approximately HK\$9,620,000 (2020: HK\$43,797,000) were granted from the one-off Food Licence Holders Subsidy Scheme under Anti-Epidemic Fund launched by the Government of the Hong Kong Special Administrative Region (“**HKSAR Government**”). The Group has complied with all attached conditions before 31 December 2021 and they are recognised in profit or loss in “other income and gains”.
- (b) There were early termination of three leases and lease modification of one lease during the year ended 31 December 2021 (2020: early termination of two leases), in which right-of-use assets for one and two of the leases were fully written-off during the year ended 31 December 2021 and 2020, respectively, and right-of-use assets for the remaining lease was fully impaired during the year ended 31 December 2021.

6. FINANCE INCOME AND COSTS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Interest income from bank deposits	1,039	3,056
Finance income on financial assets	<u>146</u>	<u>719</u>
Finance income	<u><u>1,185</u></u>	<u><u>3,775</u></u>
Finance costs on lease liabilities	<u><u>(4,758)</u></u>	<u><u>(5,086)</u></u>

7. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting) the followings:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Depreciation of property, plant and equipment	32,993	32,201
Depreciation of investment property	25	25
Amortisation of intangible assets	688	596
COVID-19-related rent concessions	(4,169)	(14,337)
Lease payments under operating leases in respect of land and buildings:		
— Short term lease payments	<u>1,938</u>	<u>4,194</u>
— Contingent rental	<u>18,764</u>	<u>11,332</u>
	<u>20,702</u>	<u>15,526</u>
Auditors' remuneration		
— Audit services	2,200	2,100
— Non-audit services	<u>1,173</u>	<u>932</u>

8. INCOME TAX EXPENSE

Hong Kong profits tax has been provided on the estimated assessable profits at a rate of 16.5% for the year ended 31 December 2021 (2020: 16.5%).

The major components of the income tax expense are as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Hong Kong profits tax		
Current income tax	13,319	8,744
Over provision in prior year	(699)	(2,476)
Deferred income tax	447	(2,849)
	<u>13,067</u>	<u>3,419</u>

9. EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to shareholders of the Company by the weighted average number of ordinary shares in issue during the year.

	2021	2020
Profit attributable to shareholders of the Company (<i>HK\$'000</i>)	90,076	140,328
Weighted average number of shares in issue ('000)	800,000	800,000
Basic earnings per share (<i>HK cents</i>)	<u>11.26</u>	<u>17.54</u>

(b) Diluted

Diluted earnings per share are the same as the basic earnings per share as there were no potentially dilutive ordinary shares issued.

10. DIVIDENDS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
2020 final dividend, HK13.16 cents per ordinary share (2019 final dividend: nil)	105,280	—
2021 interim dividend, HK2.4 cents per ordinary share (2020 interim dividend: nil)	19,200	—
	<u>124,480</u>	<u>—</u>

A final dividend in respect of the year ended 31 December 2021 of HK6.05 cents per ordinary share, totalling HK\$48,400,000, was proposed by the Board on 28 March 2022 which is subject to the approval of shareholders at the forthcoming annual general meeting. The proposed dividend is not reflected as dividend payable in the consolidated statement of financial position.

11. TRADE AND OTHER RECEIVABLES

Trade receivables

The Group's trade receivables are denominated in HK\$. The carrying value of trade receivables approximate their fair values due to their short-term maturities.

An ageing analysis of the trade receivables as at 31 December 2021, based on the invoice date, is as follows:

	As at 31 December 2021 <i>HK\$'000</i>	As at 31 December 2020 <i>HK\$'000</i>
Within 30 days	5,742	3,237
31–60 days	192	105
61–180 days	424	1,620
	<u>6,358</u>	<u>4,962</u>

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, and therefore are all classified as current.

The maximum exposure to credit risk as at 31 December 2021 and 2020 is the carrying value of trade receivables mentioned above. The Group does not hold any collateral as security.

Prepayments, deposits and other receivables

	As at 31 December 2021 <i>HK\$'000</i>	As at 31 December 2020 <i>HK\$'000</i>
Prepayments	10,781	7,881
Rental and utilities deposits	63,456	51,013
Other receivables	1,719	3,357
	<u>75,956</u>	<u>62,251</u>
Less: non-current portion		
— Rental and utilities deposits	(40,585)	(39,463)
— Prepayments for purchase of property, plant and equipment	(1,133)	(1,805)
	<u>(41,718)</u>	<u>(41,268)</u>
Current portion	<u><u>34,238</u></u>	<u><u>20,983</u></u>

At 31 December 2021 and 2020, the balances of deposits and other receivables were not past due. Financial assets included in the above balances relate to receivables for which there was no recent history of default. No provision for impairment was made to the rental and utilities deposits during the year ended 31 December 2021 and 2020.

The maximum exposure to credit risk as at 31 December 2021 and 2020 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\$.

12. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

Trade payables

	As at 31 December 2021 <i>HK\$'000</i>	As at 31 December 2020 <i>HK\$'000</i>
External suppliers	<u>76,859</u>	<u>37,657</u>

An ageing analysis of the trade payables as at 31 December 2021 and 2020, based on the invoice date, is as follows:

	As at 31 December 2021 <i>HK\$'000</i>	As at 31 December 2020 <i>HK\$'000</i>
Within 30 days	46,165	19,436
31–60 days	30,304	18,012
61–180 days	210	94
Over 180 days	<u>180</u>	<u>115</u>
	<u>76,859</u>	<u>37,657</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\$.

Other payables and accruals

	As at 31 December 2021 HK\$'000	As at 31 December 2020 HK\$'000
Rent payable	3,948	1,545
Accrued employee benefit expenses	27,557	18,280
Provision for long service payment	2,025	994
Provision for untaken annual leave	10,803	8,235
Provision for reinstatement costs (<i>Note (a)</i>)	20,745	18,105
Other accrued expenses	24,962	23,555
Payables for purchase of property, plant and equipment	5,491	3,472
Others payables	632	632
	<u>96,163</u>	<u>74,818</u>
Less: non-current portion		
— Provision for reinstatement costs	<u>(12,991)</u>	<u>(14,932)</u>
Current portion	<u><u>83,172</u></u>	<u><u>59,886</u></u>

The carrying amounts of other payables and accruals are approximate to their fair values as the impact of discounting is insignificant, and are mainly denominated in HK\$.

(a) Provision for reinstatement costs

Movements in the Group's provision for reinstatement costs are as follows:

	As at 31 December 2021 HK\$'000	As at 31 December 2020 HK\$'000
At the beginning of the year	18,105	18,407
Additional provision during the year	4,001	1,067
Reversal of provision made in prior years (<i>Note 5</i>)	(738)	(902)
Settlement	(623)	(467)
	<u>20,745</u>	<u>18,105</u>

13. SHARE CAPITAL

(a) Authorised:

	2021		2020	
	Number of shares	Nominal value <i>HK\$'000</i>	Number of shares	Nominal value <i>HK\$'000</i>
At the beginning and the end of the year	<u>4,000,000,000</u>	<u>400,000</u>	<u>4,000,000,000</u>	<u>400,000</u>

(b) Issued and fully paid:

	2021		2020	
	Number of shares	Nominal value <i>HK\$'000</i>	Number of shares	Nominal value <i>HK\$'000</i>
At the beginning and the end of the year	<u>800,000,000</u>	<u>80,000</u>	<u>800,000,000</u>	<u>80,000</u>

14. EVENT AFTER THE REPORTING PERIOD

Following the outbreak of Coronavirus Disease Omicron (“**the Omicron Outbreak**”) in Hong Kong in January 2022, a series of precautionary and control measures have been and continued to be implemented in Hong Kong, including suspension of school, work from home practice, encouraged social distancing, restrictions and controls over the inbound and outbound travelling and heightening of hygiene and epidemic prevention requirements in restaurants. In early January 2022, the HKSAR Government has been imposing stricter social distancing and anti-pandemic measures, which among other things, prohibited selling food or drink for consumption on the premises of the business after six o’clock every evening, reduced the maximum number of persons per table for catering premises under Types B, C and D Modes of Operation to two, four and six, respectively. These new directions were effective from 7 January 2022 to 20 April 2022 and are subject to adjustments by the government from time to time in view of the latest development of the disease.

The Group’s business was continuously adversely affected by the Omicron Outbreak. From 28 February 2022, the Group has suspended the operation of all the restaurants of the Group. Certain restaurants of the Group reopened and resumed limited business operation in mid of March 2022.

Subsequent to 31 December 2021 and up to the date of this announcement, the Group noted a decrease in revenue on an overall basis as compared to the same period in 2021. The Group has been proactively negotiating with landlords on rent concession and reduction, and adjusted the operating hours of the restaurant outlets and roster of staff members in order to optimise staff and other operating costs.

Up to the date on which this set of consolidated financial statements were authorised for issue, the Group is still in the process of assessing the impacts of the Omicron Outbreak on the Group's performance in 2022 and is currently unable to estimate the quantitative impacts to the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

Owing to the outbreak of the COVID-19 pandemic since early 2020 and the stringent and mandatory social distancing measures implemented in early 2021, the revenue of the Group was severely affected in January and early February 2021, resulting in an operating loss in those months. However, as the industry continues to adjust to new market norm, and with the continuous support from our customers, the Group showcased strong resilience and agility during the months following mid-February 2021, when social distancing measures started to gradually relax. Revenue rebounded rapidly and returned to pre-COVID-19 levels in the second half of the year. This not only offset the losses from the beginning of the year, but also helped the Group navigate the industry challenges during the year ended 31 December 2021 and deliver outstanding business performance.

Apart from our customers' support, we would also like to thank all of our employees for their concerted effort. Meanwhile, through the fourth round of Anti-Epidemic Fund relief measures, the Hong Kong Government offered timely assistance to affected local industries during the most trying moments in the business environment, which helped the industry and the Group deal with the impact of the COVID-19 pandemic.

In light of the relatively stable situation of the local COVID-19 pandemic since April 2021 and benefitting from the steady rise in the vaccination rate among Hong Kong citizens, in combination with the "consumption voucher" scheme that was introduced for the first time in the year, economic activities and local consumption in Hong Kong were gradually revived, which boosted customer traffic in our restaurants and thus our revenue. During the year ended 31 December 2021, the Group's revenue increased significantly to approximately HK\$997.9 million, representing a year-to-year increase of approximately 24.3% compared to the year ended 31 December 2020. The surge in revenue was attributable to more restaurants in operation and the significant growth in the revenue of comparable restaurants. During the year ended 31 December 2021, profit attributable to the shareholders of the Company was approximately HK\$90.1 million (2020: approximately HK\$140.3 million). Excluding significant incidental items i.e. government grants and subsidies, net gains from lease modification and provisions for impairment of property, plant and equipment and right-of-use assets, the core profit before tax from our operation for the year ended 31 December 2021 was approximately HK\$88.1 million, representing a significant increase of approximately 222.8%, or approximately HK\$60.8 million, from approximately HK\$27.3 million for the corresponding period last year.

BUSINESS REVIEW

The Group is a full service multi-brand restaurant group in Hong Kong specialising in Asian (in particular Japanese) and Cantonese cuisine, with value-for-money, quality service and quality food as our major competitiveness.

As at 31 December 2021, the Group operated one Cantonese restaurant under the self-owned brand “*Pot Master (煲仔王)*” in Hong Kong; and 44 Asian restaurants under three self-owned brands, namely, “*Mou Mou Club (牛涮鍋)*”, “*Peace Cuisine (和平飯店)*” and “*Wing Wah Allday (永華日常)*”, and four franchised brands, namely “*Gyu-Kaku (牛角)*”, “*Gyu-Kaku Jinan-Bou (牛角次男坊)*”, “*On-Yasai (溫野菜)*” and “*Yoogane (柳氏家)*”, which served 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 its brand portfolio, which allows it 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 the Group operated as at the dates indicated.

	As at 31 December	
	2021	2020
Cantonese cuisine restaurants		
— Self-owned brands	1	1
Asian cuisine restaurants		
— Self-owned brands	14	13
— Franchised brands	30	24
<i>Sub-total of Asian restaurants:</i>	<u>44</u>	<u>37</u>
Total:	<u><u>45</u></u>	<u><u>38</u></u>

FINANCIAL REVIEW

Revenue

When the anti-pandemic and social distancing measures began to relax since mid-February 2021, consumption sentiment was gradually restored, the Group showed strong resilience and agility, which had rapidly recouped the revenue to the Group for 2021.

The Group's revenue increased significantly by approximately 24.3%, or approximately HK\$195.1 million, from approximately HK\$802.9 million for the year ended 31 December 2020 to approximately HK\$997.9 million for the year ended 31 December 2021.

The revenue from Asian cuisine restaurants — franchised brands increased significantly by approximately HK\$187.6 million or approximately 35.0%, from approximately HK\$536.7 million for the year ended 31 December 2020 to approximately HK\$724.3 million for the year ended 31 December 2021. The surge in revenue was attributable to more restaurants in operation and the significant growth in the revenue of comparable restaurants. Asian cuisine restaurants — franchised brands remained as the main pillar of revenue, constituting approximately 72.6% of the total revenue of the Group for the year ended 31 December 2021 (2020: 66.8%).

The revenue from Asian cuisine restaurants — self-owned brands increased by approximately HK\$32.7 million or approximately 16.6%, from approximately HK\$196.5 million for the year ended 31 December 2020 to approximately HK\$229.2 million for the year ended 31 December 2021.

The decrease in revenue from Cantonese cuisine restaurants is due to the closure of one Cantonese cuisine restaurant in September 2020.

	For the year ended 31 December			
	2021		2020	
	Revenue	% of total	Revenue	% of total
	HK\$'000	(%)	HK\$'000	(%)
Cantonese cuisine restaurants				
— Self-owned brands	40,136	4.0	65,999	8.2
Asian cuisine restaurants				
— Self-owned brands	229,174	23.0	196,512	24.5
— Franchised brands	724,259	72.6	536,674	66.8
Sub-total of restaurant operations	993,569	99.6	799,185	99.5
Sale of food ingredients and others	4,350	0.4	3,667	0.5
Total	997,919	100.0	802,852	100.0

Other income and gains

The Group's other income and gains decreased significantly by approximately 69.7%, or approximately HK\$66.2 million, from approximately HK\$95.0 million for the year ended 31 December 2020 to approximately HK\$28.8 million for the year ended 31 December 2021. The decrease was due to a decrease in government subsidies of approximately HK\$33.9 million from approximately HK\$43.8 million for the year ended 31 December 2020 to approximately HK\$9.9 million for the year ended 31 December 2021 and a decrease in net gains from lease modification of approximately HK\$37.0 million for the year ended 31 December 2021.

Cost of food and beverages

The Group's cost of food and beverages increased by approximately 24.6%, or approximately HK\$62.0 million, from approximately HK\$252.1 million for the year ended 31 December 2020 to approximately HK\$314.2 million for the year ended 31 December 2021. The increase was in line with the increase in revenue during the year ended 31 December 2021.

Despite the overall increase in the prices for food in the global supply chain, the Group managed to control the food costs through bulk purchases and closely monitor the prices and change to similar or higher quality alternatives. As a result, the cost of food and beverages as a percentage of revenue steadily maintained at approximately 31.5% for the year ended 31 December 2021 (2020: 31.4%).

Staff costs

The Group's staff costs increased by approximately 36.8%, or approximately HK\$78.6 million, from approximately HK\$213.8 million for the year ended 31 December 2020 to approximately HK\$292.5 million for the year ended 31 December 2021. Such increase was mainly due to the absence of wage subsidies from the Employment Support Scheme under the Anti-Epidemic Fund launched by the Hong Kong Government for the year ended 31 December 2021 (2020: approximately HK\$43.1 million). The staff costs as a percentage of revenue increased to approximately 29.3% for the year ended 31 December 2021 (2020: 26.6%).

Property rentals and related expenses

The Group's property rentals and related expenses increased by approximately 50.8%, or approximately HK\$17.1 million, from approximately HK\$33.7 million for the year ended 31 December 2020 to approximately HK\$50.9 million for the year ended 31 December 2021. The increase was mainly due to the decrease in rental concessions granted by the landlords by approximately HK\$10.2 million, from approximately HK\$14.3 million for the year ended 31 December 2020 to approximately HK\$4.2 million for the year ended 31 December 2021 and the increase in contingent rental payment of approximately HK\$7.4 million for the year ended 31 December 2021.

Profit for the year

As a result of the foregoing, profit for the year ended 31 December 2021 decreased by approximately 35.8%, or approximately HK\$50.2 million, from approximately HK\$140.3 million for the year ended 31 December 2020 to approximately HK\$90.1 million for the year ended 31 December 2021. Such decrease was mainly due to the effect of decrease in other income and gains and other factors discussed above.

Excluding significant incidental items i.e. government grants and subsidies, net gains from lease modification and provision for impairment of property, plant and equipment and right-of-use assets, the core profit before tax from the Group's operation for the year ended 31 December 2021 was approximately HK\$88.1 million, representing a significant increase by approximately 222.8%, or approximately HK\$60.8 million, from approximately HK\$27.3 million for the year ended 31 December 2020.

LIQUIDITY AND FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group financed its business with internally generated cash flows and capital contributions from shareholders of the Company. As at 31 December 2021, the Group had short term bank deposits of approximately HK\$83.4 million (2020: approximately HK\$159.6 million) and cash and cash equivalents of approximately HK\$241.9 million (2020: approximately HK\$179.1 million). Most bank deposits and cash were denominated in Hong Kong dollar. The Group will continue to use the internal generated cash flows and capital contributions from shareholders of the Company as a source of funding for future developments.

As at 31 December 2021, the Group's total current assets and current liabilities were approximately HK\$415.7 million (2020: approximately HK\$397.8 million) and approximately HK\$290.3 million (2020: approximately HK\$217.1 million) respectively, while the current ratio was about 1.4 times (2020: about 1.8 times).

As at 31 December 2021, the gearing ratio of the Group was nil (2020: nil) as it had no outstanding interest-bearing bank borrowings. The gearing ratio equals total interest-bearing bank borrowings divided by total equity and multiplied by 100%.

There has been no change in the capital structure of the Company during the year ended 31 December 2021.

SIGNIFICANT INVESTMENTS

As at 31 December 2021, the Group did not hold any significant investments.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

The Group has no material acquisition or disposal of subsidiaries, associates or joint ventures during the year ended 31 December 2021.

PLEDGE OF ASSETS

As at 31 December 2021, the Group did not pledge any its assets.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2021, the Group had 1,499 employees (2020: 1,344 employees). The Group has developed its human resources policy that 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 new year bonuses. The Group would provide induction trainings for new employees and continuous trainings to existing employees regularly.

No share option was granted during the year ended 31 December 2021. Since the date of adoption of the Share Option Scheme and up to 31 December 2021, the Company had not granted any share option under the Share Option Scheme and had no outstanding share option under the Share Option Scheme.

FOREIGN EXCHANGE EXPOSURE

Most of the transactions of the Group are denominated in Hong Kong dollars and the Group is not exposed to any significant foreign exchange exposure. As at 31 December 2021, the Group did not have any foreign exchange investment and did not engage in any hedging transactions or enter into any hedging instruments.

CONTINGENT LIABILITIES

As at 31 December 2021, the Group did not have any material contingent liabilities.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENT

As at the date of this announcement, the Group had not entered into any off-balance sheet transactions and had no capital commitments or any specific plans for material investments or capital assets as at 31 December 2021.

PROSPECTS

In 2021, dine-in restrictions and social distancing measures against COVID-19 were relaxed, the industry welcomed a long-anticipated respite in the second half of 2021 that has just passed. However, as uncertainties about the coronavirus pandemic have become the new normal, being an operator in the industry, we need to brace ourselves for the possible waves of outbreak in the future, and also the disruptions they may bring. In fact, at the time of writing, the fifth wave of the pandemic outbreak since the beginning of 2022 has already severely affected the operations of numerous industries in Hong Kong.

As large-scale vaccination programs were implemented globally, various countries are planning to reopen their borders that were long closed due to the pandemic. Global economy is expected to be on the road to recovery. We anticipate a resumption to the normal way of life and optimistic consumer sentiments for the second half of the year. The local catering industry is expecting a better future. In terms of local factors, the growing vaccination rate in Hong Kong and the distribution of next round of consumption voucher scheme later this year may be the catalyst for a quick recovery in the local consumption market, which can provide considerable growth opportunities for the Group's business.

After over two years of pandemic along with various difficulties and challenges, the Group became stronger through hardship, making breakthrough in all aspects such as cost control, management quality and crisis management, with its overall capacity reaching the highest point since its listing and continues to improve. The management is confident that the Group is better positioned than ever before to overcome the difficulties that may arise in the future.

Crisis creates opportunities. Faced with uncertainties due to the pandemic, the Group is actively paving the way to grow its future revenue. In 2021, the Group opened eight new restaurants in total, including two new restaurants under the self-owned brand “Wing Wah Allday” in the second half of the year. In January 2022, we introduced a restaurant under the new franchised brand “The Matcha Tokyo” in Causeway Bay, to provide a more diverse dining experience to customers, and further expand the Group’s business presence to traditional local cuisines restaurants and fine casual cafés. With a robust financial position and brand layout of the Group and the above-mentioned external factors, provided that the pandemic situation in Hong Kong does not deteriorate in 2022, the management remains optimistic about the financial performance of the Group in the second half of 2022 and believes that the Group will achieve further growth.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained a sufficient public float of at least 25% of the issued shares during the year ended 31 December 2021 and up to the date of this announcement.

ANNUAL GENERAL MEETING

The annual general meeting (the “AGM”) of the Company will be held on Friday, 10 June 2022. The notice of AGM, which constitutes part of the circular to the shareholders of the Company (the “Shareholders”), will be sent together with the 2021 annual report according to the applicable law, the Listing Rules and articles of association of the Company.

FINAL DIVIDEND

After considering the economic outlook and financial position of the Group, the Group hopes to share the results with all the Shareholders. The Directors recommended the payment of a final dividend of HK6.05 cents per share for the year ended 31 December 2021 (2020: HK13.16 cents per share), subject to the Shareholders’ approval at the AGM. If the resolution for the proposed final dividend is passed at the AGM, the proposed final dividend will be payable on or around Thursday, 30 June 2022.

Together with the interim dividend of HK2.4 cents per share paid during the year ended 31 December 2021, the total dividend payout ratio was approximately 75%, amounted to a total of HK8.45 cents per share.

CLOSURE OF REGISTER OF MEMBERS

To ascertain the identity of the Shareholders who will be entitled to attend and vote at the AGM, the Register of Members will be closed from Tuesday, 7 June 2022 to Friday, 10 June 2022, both dates inclusive, the period during which no transfer of shares will be effected. In order to be eligible to attend and vote at the AGM, all completed share transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at its office at Shops 1712–1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Monday, 6 June 2022.

Subject to the approval of the Shareholders at the AGM approving the payment of the final dividend, to ascertain the entitlement of the final dividend of the Shareholders, the Register of Members will be closed from Thursday, 16 June 2022 to Monday, 20 June 2022, the period during which no transfer of shares will be effected. In order to qualify for receiving the final dividend, all completed share transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at its office at Shops 1712–1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 15 June 2022.

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 and the Corporate Governance Report (the “**CG Code**”) contained in Appendix 14 to the Rules Governing the Listing of Securities (the “**Listing Rules**”) on the Stock Exchange as its own code of corporate governance.

During the year ended 31 December 2021, save for the deviation from code provision C.2.1 of the CG Code, the Company had 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 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. Taking into account the continuation of the implementation of the business plans, the Directors (including the independent non-executive Directors) consider Mr. Wong as the best candidate for both positions and the present arrangements are beneficial 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 fairly strong independence element in its composition.

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 10 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 standard as set out in the Model Code for the year ended 31 December 2021.

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 for the year ended 31 December 2021.

AUDIT COMMITTEE

The Board has established an audit committee of the Company (the “**Audit Committee**”) which comprises three independent non-executive Directors, namely Ms. Hung Lo Shan Lusan (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 Group’s policies and to perform other duties and responsibilities as assigned by the Board.

The Audit Committee, together with the management of the Group, have reviewed the consolidated annual results of the Group for the year ended 31 December 2021.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the preliminary announcement of the Group’s results for the year ended 31 December 2021 have been agreed by the Group’s auditor, PricewaterhouseCoopers, to the amounts set out in the Group’s draft consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

PUBLICATION OF THE ANNUAL RESULTS AND 2021 ANNUAL REPORT

This annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.lhgroup.com.hk), and the 2021 annual report containing the information required by Appendix 16 to the Listing Rules will be despatched to the Shareholders and 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 of the Group 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, 28 March 2022

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, Ms. Hung Lo Shan Lusan and Mr. Hung Wai Man Prof, JP as independent non-executive Directors.