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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)

## **ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2023**

### **FINANCIAL HIGHLIGHTS**

|  | <b>Year ended 31 December</b> |                     |
|--|-------------------------------|---------------------|
|  | <b>2023</b>                   | <b>2022</b>         |
|  | <i>HK\$ million</i>           | <i>HK\$ million</i> |
| Revenue  | <b>1,276.8</b>                | 1,063.2             |
| Profit attributable to the shareholders of the Company | <b>88.1</b>                   | 77.7                |
| Earnings per share                                     |                               |                     |
| Basic and diluted ( <i>HK cents</i> )                  | <b>11.01</b>                  | 9.71                |

Final dividend in respect of the year ended 31 December 2023 of HK4.06 cents per share was proposed by the Board, together with the interim dividend of HK4.75 cents per share and a special dividend of HK12.50 cents per share paid during the year ended 31 December 2023, the total dividend payout ratio was approximately 194%, which amounted to a total of HK21.31 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**” or “**we**”, “**our**” or “**us**”) for the year ended 31 December 2023, together with the comparative figures for the year ended 31 December 2022 as follows:

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the year ended 31 December 2023*

|  |              | 2023                        | 2022                       |
|--|--------------|-----------------------------|----------------------------|
|  | <i>Notes</i> | <i>HK\$'000</i>             | <i>HK\$'000</i>            |
| Revenue  | 4            | <b>1,276,771</b>            | 1,063,159                  |
| Other income and gain  | 5            | <b>4,650</b>                | 23,200                     |
| Cost of food and beverages   |              | <b>(391,325)</b>            | (334,819)                  |
| Staff costs  |              | <b>(380,290)</b>            | (296,786)                  |
| Depreciation and amortisation  |              | <b>(37,538)</b>             | (40,504)                   |
| Depreciation of right-of-use assets, rental and related expenses                                   | 6            | <b>(192,936)</b>            | (171,074)                  |
| Fuel and utility expenses  |              | <b>(30,451)</b>             | (24,817)                   |
| Advertising and marketing expenses   |              | <b>(7,645)</b>              | (7,549)                    |
| Other operating expenses   |              | <b>(124,730)</b>            | (109,618)                  |
| Provision for impairment of property, plant and equipment  |              | <b>(5,011)</b>              | (4,121)                    |
| Provision for impairment of right-of-use assets  |              | <b>(6,281)</b>              | (6,570)                    |
| Provision for impairment of intangible assets  |              | <b>(734)</b>                | (609)                      |
| Finance income   | 7            | <b>10,708</b>               | 2,824                      |
| Finance costs  | 7            | <b>(10,746)</b>             | (8,276)                    |
| Profit before taxation   | 8            | <b>104,442</b>              | 84,440                     |
| Income tax expense   | 9            | <b>(16,377)</b>             | (6,735)                    |
| Profit and total comprehensive income for the year attributable to the shareholders of the Company |              | <b><u>88,065</u></b>        | <b><u>77,705</u></b>       |
| Earnings per share   |              |                             |                            |
| Basic and diluted  | 10           | <b><u>HK11.01 cents</u></b> | <b><u>HK9.71 cents</u></b> |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

|   | <i>Notes</i> | <b>2023</b><br><i>HK\$'000</i> | 2022<br><i>HK\$'000</i> |
|---|--------------|--------------------------------|-------------------------|
| <b>ASSETS</b>   |              |                                |                         |
| <b>NON-CURRENT ASSETS</b>                                 |              |                                |                         |
| Property, plant and equipment                             |              | <b>96,753</b>                  | 109,461                 |
| Right-of-use assets                                       |              | <b>239,197</b>                 | 211,118                 |
| Investment properties                                     |              | <b>12,215</b>                  | 12,733                  |
| Intangible assets   |              | <b>2,570</b>                   | 3,921                   |
| Rental and utilities deposits                             | 12           | <b>50,242</b>                  | 46,578                  |
| Prepayments for purchase of property, plant and equipment | 12           | <b>471</b>                     | 4,400                   |
| Deferred income tax assets                                |              | <b>32,998</b>                  | 30,192                  |
|   |              | <b>434,446</b>                 | 418,403                 |
| <b>CURRENT ASSETS</b>                                     |              |                                |                         |
| Inventories   |              | <b>19,981</b>                  | 37,508                  |
| Trade receivables   | 12           | <b>10,174</b>                  | 8,538                   |
| Prepayments, deposits and other receivables               | 12           | <b>41,988</b>                  | 38,502                  |
| Tax recoverable   |              | <b>340</b>                     | 1,728                   |
| Short term bank deposits                                  |              | <b>105,065</b>                 | 145,451                 |
| Cash and cash equivalents                                 |              | <b>147,657</b>                 | 196,462                 |
|   |              | <b>325,205</b>                 | 428,189                 |
| <b>Total assets</b>                                       |              | <b>759,651</b>                 | 846,592                 |
| <b>EQUITY AND LIABILITIES</b>                             |              |                                |                         |
| <b>Equity attributable to shareholders of the Company</b> |              |                                |                         |
| Share capital   | 14           | <b>80,000</b>                  | 80,000                  |
| Share premium   |              | <b>122,781</b>                 | 122,781                 |
| Reserves  |              | <b>94,626</b>                  | 206,721                 |
| <b>Total equity</b>                                       |              | <b>297,407</b>                 | 409,502                 |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 31 December 2023

|                                     |              | 2023                  | 2022                  |
|-------------------------------------|--------------|-----------------------|-----------------------|
|                                     | <i>Notes</i> | <i>HK\$'000</i>       | <i>HK\$'000</i>       |
| <b>NON-CURRENT LIABILITIES</b>      |              |                       |                       |
| Provision for reinstatement costs   | 13           | <b>17,067</b>         | 15,654                |
| Lease liabilities                   |              | <b>146,115</b>        | 127,250               |
| Deferred income tax liabilities     |              | <b>5,334</b>          | 6,121                 |
|                                     |              | <u><b>168,516</b></u> | <u>149,025</u>        |
| <b>CURRENT LIABILITIES</b>          |              |                       |                       |
| Trade payables                      | 13           | <b>45,479</b>         | 58,310                |
| Other payables and accruals         | 13           | <b>90,044</b>         | 85,861                |
| Contract liabilities                | 13           | <b>36,541</b>         | 43,755                |
| Lease liabilities                   |              | <b>109,068</b>        | 96,409                |
| Tax payable                         |              | <b>12,596</b>         | 3,730                 |
|                                     |              | <u><b>293,728</b></u> | <u>288,065</u>        |
| <b>Total liabilities</b>            |              | <u><b>462,244</b></u> | <u>437,090</u>        |
| <b>Total equity and liabilities</b> |              | <u><b>759,651</b></u> | <u><b>846,592</b></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 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.

### 2. BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with the Hong Kong Financial Reporting Standards (“**HKFRSs**”) and disclosure requirements of the Hong Kong Companies Ordinance Cap. 622. These consolidated financial statements have been prepared under the historical cost convention.

The preparation of these consolidated 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. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to these consolidated financial statements.

### 3. ACCOUNTING POLICIES

#### (a) New and amended standards adopted by the Group

The Group has applied the following new and amended standards for its annual reporting period commencing 1 January 2023:

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

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) Amendments to standards and interpretations not yet adopted

|                                      |   | Effective for annual periods beginning on or after |
|--------------------------------------|---|--|
| HKAS 1 (Amendments)                  | Classification of Liabilities as Current or Non-current   | 1 January 2024                                     |
| HKAS 1 (Amendments)                  | Non-current Liabilities with Covenants  | 1 January 2024                                     |
| HKFRS 16 (Amendments)                | Lease Liability in a Sale and Leaseback   | 1 January 2024                                     |
| HKAS 7 and HKFRS 7 (Amendments)      | Supplier Finance Arrangements   | 1 January 2024                                     |
| Hong Kong Interpretation 5 (Revised) | Presentation of Financial Statements — Classification by Borrower of a Term Loan that Contains a Repayment on Demand Clause | 1 January 2024                                     |
| HKAS 21 (Amendments)                 | Lack of Exchangeability   | 1 January 2025                                     |
| HKFRS 10 and HKAS 28 (Amendments)    | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture                                       | To be determined                                   |

Certain amendments to accounting standards and interpretations have been published that are not mandatory for 31 December 2023 reporting periods and have not been early adopted by the Group. These amendments and 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:

|                                       | <b>Year ended 31 December</b> |                  |
|---------------------------------------|-------------------------------|------------------|
|                                       | <b>2023</b>                   | <b>2022</b>      |
|                                       | <i>HK\$'000</i>               | <i>HK\$'000</i>  |
| <b>Recognised at a point in time:</b> |                               |                  |
| Restaurant operations                 | <b>1,269,483</b>              | 1,057,848        |
| Sale of food ingredients and others   | <b>7,288</b>                  | 5,311            |
|                                       | <u><b>1,276,771</b></u>       | <u>1,063,159</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) 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>Yoogane</i> ” and “ <i>The Matcha Tokyo</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) 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 properties, 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 2023 and 2022, 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, depreciation of right-of-use assets and provision for impairment for the years ended 31 December 2023 and 2022 and segment assets and liabilities as at 31 December 2023 and 2022 are as follows:

|   | For the year ended 31 December 2023     |   |  |                          |
|---|---|---|--|--------------------------|
|   | Self-owned<br>brands<br><i>HK\$'000</i> | Franchised<br>brands<br><i>HK\$'000</i> | Sale of food<br>ingredients<br>and others<br><i>HK\$'000</i> | Total<br><i>HK\$'000</i> |
| <b>Segment revenue</b>                              |   |   |  |                          |
| Revenue   | 341,423                                 | 928,060                                 | 113,436  | 1,382,919                |
| Inter-segment revenue                               | —                                       | —                                       | (106,148)  | (106,148)                |
| External revenue                                    | <u>341,423</u>                          | <u>928,060</u>                          | <u>7,288</u>   | <u>1,276,771</u>         |
| <b>Segment profit/(loss)</b>                        | <u>30,625</u>                           | <u>131,846</u>                          | <u>(1,399)</u>   | <u>161,072</u>           |
| Depreciation and amortisation                       | <u>(7,541)</u>                          | <u>(27,530)</u>                         | <u>(1,280)</u>   | <u>(36,351)</u>          |
| Depreciation of right-of-use<br>assets              | <u>(31,909)</u>                         | <u>(81,104)</u>                         | <u>—</u>   | <u>(113,013)</u>         |
| Provision for impairment                            | <u>(2,523)</u>                          | <u>(9,503)</u>                          | <u>—</u>   | <u>(12,026)</u>          |
| <b>Segment profit</b>                               |   |   |  | 161,072                  |
| Unallocated depreciation and<br>amortisation        |   |   |  | (1,187)                  |
| Unallocated depreciation of right-<br>of-use assets |   |   |  | (4,040)                  |
| Unallocated costs                                   |   |   |  | (61,395)                 |
| Unallocated finance income                          |   |   |  | 10,381                   |
| Unallocated finance costs                           |   |   |  | (389)                    |
| <b>Profit before taxation</b>                       |   |   |  | <u>104,442</u>           |
| <b>Segment assets</b>                               | <u>110,108</u>                          | <u>295,324</u>                          | <u>64,590</u>  | <u>470,022</u>           |
| <b>Segment liabilities</b>                          | <u>(95,119)</u>                         | <u>(270,258)</u>                        | <u>(10,178)</u>  | <u>(375,555)</u>         |

For the year ended 31 December 2022

|   | Self-owned<br>brands<br><i>HK\$'000</i> | Franchised<br>brands<br><i>HK\$'000</i> | Sale of food<br>ingredients<br>and others<br><i>HK\$'000</i> | Total<br><i>HK\$'000</i> |
|---|---|---|--|--------------------------|
| <b>Segment revenue</b>                              |   |   |  |                          |
| Revenue   | 272,950                                 | 784,898                                 | 110,283  | 1,168,131                |
| Inter-segment revenue                               | —                                       | —                                       | (104,972)  | (104,972)                |
| External revenue                                    | <u>272,950</u>                          | <u>784,898</u>                          | <u>5,311</u>   | <u>1,063,159</u>         |
| <b>Segment profit/(loss)</b>                        | <u>8,136</u>                            | <u>104,219</u>                          | <u>(1,163)</u>   | <u>111,192</u>           |
| Depreciation and amortisation                       | <u>(7,655)</u>                          | <u>(30,197)</u>                         | <u>(1,381)</u>   | <u>(39,233)</u>          |
| Depreciation of right-of-use<br>assets              | <u>(31,889)</u>                         | <u>(70,702)</u>                         | <u>—</u>   | <u>(102,591)</u>         |
| Provision for impairment                            | <u>(11,300)</u>                         | <u>—</u>                                | <u>—</u>   | <u>(11,300)</u>          |
| <b>Segment profit</b>                               |   |   |  | 111,192                  |
| Unallocated depreciation and<br>amortisation        |   |   |  | (1,271)                  |
| Unallocated depreciation of right-<br>of-use assets |   |   |  | (4,031)                  |
| Unallocated costs                                   |   |   |  | (23,483)                 |
| Unallocated finance income                          |   |   |  | 2,559                    |
| Unallocated finance costs                           |   |   |  | (526)                    |
| <b>Profit before taxation</b>                       |   |   |  | <u>84,440</u>            |
| <b>Segment assets</b>                               | <u>124,304</u>                          | <u>275,509</u>                          | <u>95,829</u>  | <u>495,642</u>           |
| <b>Segment liabilities</b>                          | <u>(105,776)</u>                        | <u>(251,423)</u>                        | <u>(15,482)</u>  | <u>(372,681)</u>         |

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

|                    | <b>2023</b><br><i>HK\$'000</i> | 2022<br><i>HK\$'000</i> |
|--------------------|--------------------------------|-------------------------|
| Segment assets     | <b>470,022</b>                 | 495,642                 |
| Unallocated assets | <b>289,629</b>                 | 350,950                 |
|                    | <b><u>759,651</u></b>          | <b><u>846,592</u></b>   |

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

|                         | <b>2023</b><br><i>HK\$'000</i> | 2022<br><i>HK\$'000</i> |
|-------------------------|--------------------------------|-------------------------|
| Segment liabilities     | <b>375,555</b>                 | 372,681                 |
| Unallocated liabilities | <b>86,689</b>                  | 64,409                  |
|                         | <b><u>462,244</u></b>          | <b><u>437,090</u></b>   |

(c) **Contract liabilities**

The Group recognised the following revenue-related contract liabilities:

|                            | <b>2023</b><br><i>HK\$'000</i> | 2022<br><i>HK\$'000</i> |
|----------------------------|--------------------------------|-------------------------|
| Advances from customers    | <b>613</b>                     | 292                     |
| Contract liabilities       | <b>35,928</b>                  | 43,463                  |
| Total contract liabilities | <b><u>36,541</u></b>           | <b><u>43,755</u></b>    |

Advances from customers represent the payments received from customers for reservations and coupons. Contract liabilities represents the fair value of outstanding loyalty points, coupons and discount and expected renewal of membership in respect of customer loyalty programmes as at year ended.

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

|                       | <b>2023</b><br><i>HK\$'000</i> | 2022<br><i>HK\$'000</i> |
|-----------------------|--------------------------------|-------------------------|
| Restaurant operations | <b><u>43,755</u></b>           | <b><u>34,785</u></b>    |

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 GAIN

|  | 2023<br><i>HK\$'000</i> | 2022<br><i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Other income:                                      |                         |                         |
| Government grants ( <i>Note (a)</i> )              | 249                     | 17,966                  |
| Promotion income from a credit card company        | 3,300                   | 3,300                   |
| Rental income                                      | 359                     | 141                     |
| Sponsorship income                                 | —                       | 707                     |
| Sundry income                                      | 565                     | 1,086                   |
|  | <u>4,473</u>            | <u>23,200</u>           |
| Other gain:  |                         |                         |
| Gains on disposal of property, plant and equipment | 177                     | —                       |
|  | <u>177</u>              | <u>—</u>                |
| Total other income and gain                        | <u><u>4,650</u></u>     | <u><u>23,200</u></u>    |

*Note:*

- (a) During the year ended 31 December 2022, Government subsidies of approximately HK\$17,400,000 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 fulfilled with all attached conditions and they are recognised in profit or loss in “other income and gain”.

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

|                                       | 2023<br><i>HK\$'000</i> | 2022<br><i>HK\$'000</i> |
|---------------------------------------|-------------------------|-------------------------|
| Depreciation of right-of-use assets   | 117,053                 | 106,622                 |
| Property rentals and related expenses | <u>75,883</u>           | <u>64,452</u>           |
|                                       | <u><b>192,936</b></u>   | <u><b>171,074</b></u>   |

## 7. FINANCE INCOME AND COSTS

|                                    | 2023<br><i>HK\$'000</i> | 2022<br><i>HK\$'000</i> |
|------------------------------------|-------------------------|-------------------------|
| Interest income from bank deposits | <u>10,708</u>           | <u>2,824</u>            |
| Finance income                     | <u><b>10,708</b></u>    | <u><b>2,824</b></u>     |
| Finance costs on lease liabilities | (9,923)                 | (7,229)                 |
| Finance costs on financial assets  | <u>(823)</u>            | <u>(1,047)</u>          |
| Finance costs                      | <u><b>(10,746)</b></u>  | <u><b>(8,276)</b></u>   |

## 8. PROFIT BEFORE TAXATION

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

|  | 2023<br><i>HK\$'000</i> | 2022<br><i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Depreciation of property, plant and equipment                              | 36,403                  | 39,454                  |
| Depreciation of right-of-use assets  | 117,053                 | 106,622                 |
| Depreciation of investment property  | 518                     | 354                     |
| Amortisation of intangible assets  | 617                     | 696                     |
| COVID-19-related rent concessions  | —                       | (6,817)                 |
| Lease payments under operating leases in respect of<br>land and buildings: |                         |                         |
| — Short term lease payments  | 6,892                   | 6,295                   |
| — Contingent rental  | 18,292                  | 20,082                  |
|  | <u>25,184</u>           | <u>26,377</u>           |
| Auditors' remuneration:  |                         |                         |
| — Audit services   | 2,205                   | 2,450                   |
| — Non-audit services   | 1,133                   | 1,260                   |
|  | <u>1,133</u>            | <u>1,260</u>            |

## 9. 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 2023 (2022: 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 (2022: HK\$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (2022: 8.25%) and the remaining assessable profits are taxed at 16.5% (2022: 16.5%).

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

|                               | 2023<br><i>HK\$'000</i> | 2022<br><i>HK\$'000</i> |
|-------------------------------|-------------------------|-------------------------|
| Hong Kong profits tax         |                         |                         |
| Current income tax            | 19,903                  | 10,191                  |
| Under provision in prior year | 67                      | 177                     |
| Deferred income tax           | (3,593)                 | (3,633)                 |
|                               | <u>16,377</u>           | <u>6,735</u>            |

## 10. 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 (“Shareholders”) by the weighted average number of ordinary shares in issue during the year.

|   | 2023    | 2022    |
|---|---------|---------|
| Profit attributable to the Shareholders ( <i>HK\$’000</i> )   | 88,065  | 77,705  |
| Weighted average number of shares in issue<br>( <i>’000</i> ) | 800,000 | 800,000 |
| Basic earnings per share ( <i>HK cents</i> )                  | 11.01   | 9.71    |

### (b) Diluted

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

## 11. DIVIDENDS

|   | 2023<br><i>HK\$’000</i> | 2022<br><i>HK\$’000</i> |
|---|-------------------------|-------------------------|
| 2022 final dividend, HK7.77 cents per ordinary share<br>(2021 final dividend: HK6.05 cents) | 62,160                  | 48,400                  |
| 2023 interim dividend, HK4.75 cents per ordinary<br>share (2022 interim dividend: nil)      | 38,000                  | —                       |
| 2023 special dividend, HK12.50 cents per ordinary<br>share (2022 special dividend: nil)     | 100,000                 | —                       |
|   | 200,160                 | 48,400                  |

A final dividend in respect of the year ended 31 December 2023 of HK4.06 cents per ordinary share, totalling HK\$32,480,000, was proposed by the Board on 26 March 2024 which is subject to the approval of the Shareholders at the forthcoming annual general meeting of the Company (“AGM”). The proposed dividend is not reflected as dividend payable in the consolidated statement of financial position.

## 12. 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 2023, based on the invoice date, is as follows:

|                | <b>2023</b>          | 2022                |
|----------------|----------------------|---------------------|
|                | <i>HK\$'000</i>      | <i>HK\$'000</i>     |
| Within 30 days | <b>9,162</b>         | 7,747               |
| 31–60 days     | <b>543</b>           | 223                 |
| 61–180 days    | <b>469</b>           | 568                 |
|                | <b><u>10,174</u></b> | <b><u>8,538</u></b> |

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 2023 and 2022 is the carrying value of trade receivables mentioned above. The Group does not hold any collateral as security.

## Prepayments, deposits and other receivables

|   | 2023<br><i>HK\$'000</i> | 2022<br><i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Prepayments   | 15,150                  | 15,974                  |
| Rental and utilities deposits                               | 74,865                  | 70,284                  |
| Other receivables   | <u>2,686</u>            | <u>3,222</u>            |
|   | 92,701                  | 89,480                  |
| Less: non-current portion                                   |                         |                         |
| — Rental and utilities deposits                             | (50,242)                | (46,578)                |
| — Prepayments for purchase of property, plant and equipment | <u>(471)</u>            | <u>(4,400)</u>          |
| Current portion   | <u><u>41,988</u></u>    | <u><u>38,502</u></u>    |

The maximum exposure to credit risk as at 31 December 2023 and 2022 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

|                    | 2023<br><i>HK\$'000</i> | 2022<br><i>HK\$'000</i> |
|--------------------|-------------------------|-------------------------|
| External suppliers | <u><u>45,479</u></u>    | <u><u>58,310</u></u>    |

An ageing analysis of the trade payables as at 31 December 2023 and 2022, based on the invoice date, is as follows:

|                | <b>2023</b><br><i>HK\$'000</i> | 2022<br><i>HK\$'000</i> |
|----------------|--------------------------------|-------------------------|
| Within 30 days | <b>34,622</b>                  | 37,727                  |
| 31–60 days     | <b>10,517</b>                  | 20,208                  |
| 61–180 days    | <b>39</b>                      | 55                      |
| Over 180 days  | <b>301</b>                     | 320                     |
|                | <b><u>45,479</u></b>           | <b><u>58,310</u></b>    |

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**

|  | <b>2023</b><br><i>HK\$'000</i> | 2022<br><i>HK\$'000</i> |
|--|--------------------------------|-------------------------|
| Rent payable   | <b>2,617</b>                   | 4,515                   |
| Accrued employee benefit expenses                      | <b>33,254</b>                  | 29,469                  |
| Provision for long service payment                     | <b>1,903</b>                   | 2,143                   |
| Provision for untaken annual leave                     | <b>11,042</b>                  | 10,498                  |
| Provision for reinstatement costs ( <i>Note (a)</i> )  | <b>23,804</b>                  | 23,123                  |
| Contract liabilities                                   | <b>36,541</b>                  | 43,755                  |
| Other accrued expenses                                 | <b>30,059</b>                  | 27,353                  |
| Payables for purchase of property, plant and equipment | <b>3,800</b>                   | 3,782                   |
| Others payables  | <b>632</b>                     | 632                     |
|  | <b><u>143,652</u></b>          | <b><u>145,270</u></b>   |
| Less: non-current portion                              |                                |                         |
| — Provision for reinstatement costs                    | <b><u>(17,067)</u></b>         | <b><u>(15,654)</u></b>  |
| Current portion  | <b><u>126,585</u></b>          | <b><u>129,616</u></b>   |

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:

|                                      | <b>2023</b><br><i>HK\$'000</i> | 2022<br><i>HK\$'000</i> |
|--------------------------------------|--------------------------------|-------------------------|
| At the beginning of the year         | <b>23,123</b>                  | 20,745                  |
| Additional provision during the year | <b>1,005</b>                   | 2,721                   |
| Settlement                           | <b>(324)</b>                   | (343)                   |
|                                      | <hr/>                          | <hr/>                   |
| At the end of the year               | <b><u>23,804</u></b>           | <b><u>23,123</u></b>    |

**14. SHARE CAPITAL**

**(a) Authorised:**

|   | <b>2023</b>                 |                                     | 2022                        |                                     |
|---|-----------------------------|-------------------------------------|-----------------------------|-------------------------------------|
|   | Number of<br>shares         | Nominal<br>value<br><i>HK\$'000</i> | Number of<br>shares         | Nominal<br>value<br><i>HK\$'000</i> |
| At the beginning and the end of<br>the year | <b><u>4,000,000,000</u></b> | <b><u>400,000</u></b>               | <b><u>4,000,000,000</u></b> | <b><u>400,000</u></b>               |

**(b) Issued and fully paid:**

|   | <b>2023</b>               |                                     | 2022                      |                                     |
|---|---------------------------|-------------------------------------|---------------------------|-------------------------------------|
|   | Number of<br>shares       | Nominal<br>value<br><i>HK\$'000</i> | Number of<br>shares       | Nominal<br>value<br><i>HK\$'000</i> |
| At the beginning and the end of<br>the year | <b><u>800,000,000</u></b> | <b><u>80,000</u></b>                | <b><u>800,000,000</u></b> | <b><u>80,000</u></b>                |

## MANAGEMENT DISCUSSION AND ANALYSIS

During the post-pandemic economic recovery period in 2023, we were facing unprecedented challenges. Although Hong Kong's tourism industry has gradually recovered due to the lifting of entry restrictions in February 2023, and the Hong Kong Government launched a new rounds of consumption voucher scheme in April 2023 and July 2023 to stimulate the economy, Hong Kong's business environment has undergone rapid changes, and customers' spending power has generally declined. Coupled with the impact on Hong Kong's catering industry as a result of the northbound spending fever in the second half of 2023, there was pressure put on our business. Despite these challenges, the Group has demonstrated strong adaptability and responded promptly to market changes and achieved outstanding performance.

The Group's revenue recorded an increase by approximately 20.1% or approximately HK\$213.6 million to approximately HK\$1,276.8 million for the year ended 31 December 2023 as compared to the year ended 31 December 2022. Excluding significant incidental items i.e. government grants and subsidies, net gains from lease modification and provision for impairment of property, plant and equipment, right-of-use assets and intangible assets, the core profit before tax from operations for the year ended 31 December 2023 was approximately HK\$116.2 million, representing an increase by approximately 141.2% from approximately HK\$48.2 million for the year ended 31 December 2022, demonstrating a significant improvement in the profitability of the Group.

## BUSINESS REVIEW

As at 31 December 2023, the Group operated 16 restaurants under self-owned brands “*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 41 restaurants under franchised brands, “*Gyu-Kaku* (牛角)”, “*Gyu-Kaku Jinan-Bou* (牛角次男坊)”, “*On-Yasai* (溫野菜)” and “*The Matcha Tokyo*”, which serve quality, value-for-money delicacies to diversified customer segments seeking a wide array of culinary experiences. We pride ourselves in the extensive market coverage of our brand portfolio, which allows us to tap into customer segments spanning across mid-to-high end markets 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 31 December |           |
|-------------------|-------------------|-----------|
|                   | 2023              | 2022      |
| Self-owned brands | 16                | 16        |
| Franchised brands | 41                | 37        |
| <b>Total</b>      | <b>57</b>         | <b>53</b> |

## FINANCIAL REVIEW

### Revenue

As social distancing measures began to relax in late April 2022 with the lifting of entry restrictions taken place in February 2023, Hong Kong's tourism industry experienced a gradual recovery. Additionally, the Hong Kong Government launched new rounds of consumption voucher schemes in April 2023 and July 2023, which contributed to a general boost in the economy and drove a revenue growth of the Group during the post-epidemic period.

Compared to the results for the year ended 31 December 2022, which were significantly hit by the outbreak of the fifth wave of COVID-19 (the “**Pandemic**”) in Hong Kong, the Group's revenue increased by approximately 20.1%, or approximately HK\$213.6 million, from approximately HK\$1,063.2 million for the year ended 31 December 2022 to approximately HK\$1,276.8 million for the year ended 31 December 2023. The increase in revenue was mainly due to (i) the strict social distancing measures from early January to late April 2022, which significantly affected the performance of the Group for the year ended 31 December 2022; and (ii) the increase in number of restaurants operated by the Group from 53 as at 31 December 2022 to 57 as at 31 December 2023.

The revenue from franchised brands increased by approximately HK\$143.2 million or approximately 18.2%, from approximately HK\$784.9 million for the year ended 31 December 2022 to approximately HK\$928.1 million for the year ended 31 December 2023. The increase in revenue was attributable to the increase in the number of restaurants under franchised brands from 37 as at 31 December 2022 to 41 as at 31 December 2023. The business of franchised brands remained as the main pillar of revenue, constituting approximately 72.7% of the total revenue of the Group for the year ended 31 December 2023 (2022: approximately 73.8%).

The revenue from self-owned brands increased by approximately HK\$68.5 million or approximately 25.1%, from approximately HK\$273.0 million for the year ended 31 December 2022 to approximately HK\$341.4 million for the year ended 31 December 2023.

Revenue by business segments is set out below:

|                                     | <b>For the year ended 31 December</b> |                     |                         |                     |
|-------------------------------------|---------------------------------------|---------------------|-------------------------|---------------------|
|                                     | <b>2023</b>                           |                     | <b>2022</b>             |                     |
|                                     | <b>Revenue</b>                        | <b>% of total</b>   | <b>Revenue</b>          | <b>% of total</b>   |
|                                     | <b>HK\$'000</b>                       | <b>(%)</b>          | <b>HK\$'000</b>         | <b>(%)</b>          |
| Self-owned brands                   | <b>341,423</b>                        | <b>26.7</b>         | 272,950                 | 25.7                |
| Franchised brands                   | <b>928,060</b>                        | <b>72.7</b>         | 784,898                 | 73.8                |
| Sub-total of restaurant operations  | <b>1,269,483</b>                      | <b>99.4</b>         | 1,057,848               | 99.5                |
| Sale of food ingredients and others | <b>7,288</b>                          | <b>0.6</b>          | 5,311                   | 0.5                 |
| <b>Total</b>                        | <b><u>1,276,771</u></b>               | <b><u>100.0</u></b> | <b><u>1,063,159</u></b> | <b><u>100.0</u></b> |

### **Other income and gains**

The Group's other income and gains decreased by approximately 80.0%, or approximately HK\$18.6 million, from approximately HK\$23.2 million for the year ended 31 December 2022 to approximately HK\$4.7 million for the year ended 31 December 2023.

The decrease was mainly due to a decrease in government subsidies of approximately HK\$17.8 million, from HK\$18.0 million for the year ended 31 December 2022 to approximately HK\$0.2 million for the year ended 31 December 2023. Other income and gains mainly consist of promotion income from a credit card company of approximately HK\$3.3 million for the year ended 31 December 2023 (2022: approximately HK\$3.3 million).

### **Cost of food and beverages**

The Group's cost of food and beverages increased by approximately 16.9%, or approximately HK\$56.5 million, from approximately HK\$334.8 million for the year ended 31 December 2022 to approximately HK\$391.3 million for the year ended 31 December 2023. The increase was in line with the increase in revenue during the year ended 31 December 2023.

Despite the overall increase in the prices for food in the global supply chain, the Group managed to control the food costs through making bulk purchases, closely monitoring the prices and switching to similar or higher quality alternatives. As a result, the cost of food and beverages as a percentage of revenue decreased to approximately 30.6% for the year ended 31 December 2023 (2022: approximately 31.5%).

## **Staff costs**

The Group's staff costs increased by approximately 28.1%, or approximately HK\$83.5 million, from approximately HK\$296.8 million for the year ended 31 December 2022 to approximately HK\$380.3 million for the year ended 31 December 2023. Apart from the increase in the demand of labours due to the expansion of restaurant network, the increase in staff cost was due to the absence of wage subsidy being received under the Employment Support Scheme of the Anti-Epidemic Fund set up by the Hong Kong Government for the year ended 31 December 2023, while the amount of relevant subsidies for the year ended 31 December 2022 was approximately HK\$29.7 million. If the wage subsidies for the year ended 31 December 2022 were excluded, wages and salaries increased by approximately HK\$53.8 million for the year ended 31 December 2023. Staff cost as a percentage of revenue increased by 1.9 percentage points from approximately 27.9 % for the year ended 31 December 2022 to approximately 29.8% for the year ended 31 December 2023. If the wage subsidies received during the year ended 31 December 2022 were excluded, staff cost as a percentage of revenue decreased by 0.9 percentage points from approximately 30.7% for the year ended 31 December 2022 to approximately 29.8% for the year ended 31 December 2023.

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

The Group's depreciation of right-of-use assets, rental and related expenses increased by approximately 12.8%, or approximately HK\$21.9 million, from approximately HK\$171.1 million for the year ended 31 December 2022 to approximately HK\$192.9 million for the year ended 31 December 2023. The increase in expenses was mainly due to the increase in the number of restaurants from 53 as at 31 December 2022 to 57 as at 31 December 2023.

## **Profit for the year**

As a result of the foregoing, profit for the year ended 31 December 2023 increased by approximately 13.3%, or approximately HK\$10.4 million, from approximately HK\$77.7 million for the year ended 31 December 2022 to approximately HK\$88.1 million for the year ended 31 December 2023.

The increase in profit was mainly due to the fact that the Pandemic was under control in Hong Kong and the Hong Kong Government lifted dine-in restrictions and social distancing measures, which eliminated the negative impact on the Group's business for the year ended 31 December 2023. Since the social distancing measures began to relax in late April 2022, the restaurant operations of the Group had gradually resumed and the revenue had rebounded rapidly thereafter.

## **LIQUIDITY AND FINANCIAL RESOURCES AND CAPITAL STRUCTURE**

The Group financed its business with internally generated cash flows and capital contributions from the Shareholders of the Company. As at 31 December 2023, the Group had short term bank deposits of approximately HK\$105.1 million (2022: approximately HK\$145.5 million) and cash and cash equivalents of approximately HK\$147.7 million (2022: approximately HK\$196.5 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 the Shareholders of the Company as a source of funding for future developments.

As at 31 December 2023, the Group's total current assets and current liabilities were approximately HK\$325.2 million (2022: approximately HK\$428.2 million) and approximately HK\$293.7 million (2022: approximately HK\$288.1 million) respectively, while the current ratio was about 1.1 times (2022: about 1.5 times).

As at 31 December 2023, the gearing ratio of the Group was nil (2022: 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 year ended 31 December 2023, there was no investment in financial products or instruments other than cash or bank deposits were used.

There has been no change in the capital structure of the Company during the year ended 31 December 2023.

## **SIGNIFICANT INVESTMENTS**

As at 31 December 2023, 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 2023. The Group has no plan for material investments or additions of capital assets up to the date of this announcement.

## **CHARGES ON GROUP ASSETS**

As at 31 December 2023, the Group did not have any charges on assets.

## **EVENTS AFTER THE REPORTING PERIOD**

No significant events occurred since the year ended 31 December 2023 and up to the date of this announcement which requires disclosure.

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 31 December 2023, the Group had 1,667 employees (2022: 1,768 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 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 year ended 31 December 2023. Since the date of adoption of the Share Option Scheme and up to 31 December 2023, 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 2023, the Group did not have any foreign exchange investment and did not engage in any currency hedging transactions or enter into any hedging instruments. The Board would monitor the exposure to fluctuations in exchange rates so that the related risk would be controlled at an acceptable level.

## **CONTINGENT LIABILITIES**

As at 31 December 2023, 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 2023.

## **PROSPECTS**

It is expected that the Hong Kong catering industry market will be more challenging in 2024. Due to the downturn of the local property market and stock market, together with the weak spending power, the catering industry is expected to remain under pressure. The Chairman will lead the Group to seize the opportunities arising out of the downturn in 2024 and advance the Company's management into a stage of professional corporate management. The Group has established a professional management team during the year to strengthen our management in all aspects of operations, finance, marketing and information technology. The Chief Executive (Food & Beverage), who has been in office for one year, has also comprehensively led the entire management team to strengthen the Group's operations and respond to upcoming challenges. To ensure that the Group can thrive in this uncertain era, the management team will utilise their professional knowledge and experience in improving the Group's operational efficiency and market responsiveness through optimising the Group's internal workflow and implementing effective operating and marketing strategies. Under the guidance of the management team, the Group will launch the next stage of development, focusing on reshaping its existing brands, launching new brands through different cooperation modes, expanding restaurant networks, launching innovative products, as well as further institutionalising our workflow at the same time. Our goal is to strategically strengthen the foundation for management to prepare for the business rebound following the commencement of the interest rate-reduction cycle, and to maximise the room for capturing the rise in earnings that may occur at any time upon the improvement in consumption demand.

In this increasingly digital world, the Group is also actively using information technology to improve work efficiency, which not only reduces costs but also quickly improves the Group's ability to respond to market changes. In addition, the Group gives priority to attract customers to visit frequently at our branches in order to maintain a stable source of income. The Group will launch a new customer relationship management system and a new App for members to understand the Group's customers more effectively through data analysis, thereby providing more customised services, facilitating the Group to get closer to its customers and establishing a more inseparable customer relationship. Building solid customer relationships will not only help set up a loyal customer base, but also increase brand awareness and attractiveness.

We are actively developing new brands and expanding our restaurant network. In 2024, we will further accelerate the identification of strategic locations for new restaurants of various brands to meet different and diversified customer needs. We will launch a new restaurant under the franchise brand “Hikiniku To Come (挽肉と米)” in Central in the second quarter of 2024 to provide customers with a diversified dining experience and expand our presence in the fast casual dining sector. In March 2024, the Group took the lead in cooperating with a local snack shop to launch new products, and leveraged the Group’s membership network and brand awareness to widely promote local recommendable restaurants with an aim to create synergy effect with suitable industry peers amid the current sluggish economic environment. Regarding the existing brands, the Group plans to rebrand some of its existing self-operated and franchised brands in the second half of 2024 to provide customers with a brand-new dining experience.

Although the Hong Kong economy has been recovering, we still face different challenges, especially the pressure of increasing food cost and labour turnover. In response to the high food cost, we actively communicate with various suppliers to procure reasonable supplies based on the principle of reducing transaction costs. On the other hand, we constantly improve our menu by adjusting the menu profile of different brands based on the market condition, and introducing premium ingredients to provide customers with a “value-for-money” dining experience. In response to the shortage of labour, we have introduced robots and mobile phone ordering system to ease the workload of our staff. In the future, the Group will introduce more automated systems and AI technologies, with an aim to boost innovation and transformation of our restaurants.

## **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 of the Company during the year ended 31 December 2023 and up to the date of this announcement.

## **ANNUAL GENERAL MEETING**

The AGM of the Company will be held on Thursday, 6 June 2024. The notice of AGM, which constitutes part of the circular to the Shareholders, will be issued according to the applicable law, the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) and articles of association of the Company in due course.

## **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 HK4.06 cents per share for the year ended 31 December 2023 (2022: HK7.77 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, 27 June 2024 to the Shareholders whose names

appear on the register of members of the Company on Monday, 17 June 2024. Together with the interim dividend of HK4.75 cents per share and a special dividend of HK12.50 cents per share paid during the year ended 31 December 2023, the total dividend payout ratio was approximately 194%, amounted to a total of HK21.31 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 of the Company will be closed from Monday, 3 June 2024 to Thursday, 6 June 2024, both dates inclusive, during which period 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 Friday, 31 May 2024.

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 of the Company will be closed from Thursday, 13 June 2024 to Monday, 17 June 2024, during which period 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, 12 June 2024.

## **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”) contained in Appendix C1 (formerly Appendix 14) to the Listing Rules as its own code of corporate governance.

During the year ended 31 December 2023, 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. 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 (formerly 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 2023.

## **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 2023.

## **REVIEW BY 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 systems 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 2023, which was of the opinion that the preparation of such annual results complied with the applicable accounting standards, the Listing Rules and all other applicable legal requirements.

## **SCOPE OF WORK OF PRICEWATERHOUSECOOPERS**

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2023 as set out in the preliminary announcement 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 and consequently no opinion or assurance conclusion has been expressed by PricewaterhouseCoopers on the preliminary announcement.

## **PUBLICATION OF THE ANNUAL RESULTS AND 2023 ANNUAL REPORT**

This annual 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 2023 annual report will be issued and 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, 26 March 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, Ms. Hung Lo Shan Lusan and Mr. Hung Wai Man Prof, JP as independent non-executive Directors.*