LH GROUP LIMITED
敘福樓集團有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock code: 1978)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2019

FINANCIAL HIGHLIGHTS

	Six months ended 30 June		
	2019	2018	% Change
	HK$ million	*HK$ million*	
Revenue	**520.0**	465.7	11.7%
Earnings before interest, tax, depreciation and amortisation (excluded one-off gain on disposal of subsidiaries and listing expenses) *(Note)*	**100.0**	37.8	164.6%
Profit attributable to the shareholders of the Company	**39.7**	3.0	1,214.0%
Profit attributable to the shareholders of the Company (excluded one-off gain on disposal of subsidiaries and listing expenses)	**26.6**	11.0	140.5%
Earnings per share Basic and diluted *(HK cents)*	**4.96**	0.48	933.3%

Interim dividend in respect of the six months ended 30 June 2019 of HK4.96 cents per share (2018: nil), which represented a dividend payout ratio of approximately 100.0%, and a special dividend of HK5.00 cents per share, were proposed by the Board.

Note: Being a non-HKFRS measure, and has been arrived at after excluding, where applicable, depreciation and amortisation, depreciation of right-of-use assets, net finance costs/income and other one-off items, i.e. gain on disposal of subsidiaries and listing expenses, from profit before taxation. Included in the calculation approximately HK$45.4 million (2018: nil) was depreciation of right-of-use assets recognised since the first adoption of HKFRS 16 during the Period.

RESULTS

The board (the "**Board**") of directors (the "**Directors**") of LH Group Limited (the "**Company**") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2019 (the "**Period**"), together with the comparative figures for the previous year as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2019

		Six months ended 30 June	
		2019	2018
	Note	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
Revenue	4	**520,018**	465,682
Other income and gains		**2,825**	2,270
Cost of food and beverages		**(150,344)**	(130,076)
Staff costs		**(161,581)**	(151,418)
Depreciation and amortisation		**(22,521)**	(25,350)
Depreciation of right-of-use assets		**(45,376)**	—
Property rentals and related expenses		**(44,618)**	(86,902)
Fuel and utility expenses		**(13,558)**	(13,818)
Advertising and marketing expenses		**(6,154)**	(6,837)
Other operating expenses		**(46,595)**	(41,115)
Listing expenses		**—**	(8,027)
Gain on disposal of subsidiaries		**13,101**	—
Finance (costs)/income, net	6	**(678)**	720
Profit before taxation	5	**44,519**	5,129
Income tax expense	7	**(4,892)**	(2,110)
Profit and total comprehensive income for the period		**39,627**	3,019
Attributable to:			
Shareholders of the Company		**39,669**	3,019
Non-controlling interests		**(42)**	—
		39,627	3,019
Earnings per share			
Basic and diluted	8	**HK4.96 cents**	HK0.48 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

	Note	**As at 30 June 2019** ***HK$'000*** **(Unaudited)**	As at 31 December 2018 *HK$'000* (Audited)
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment		**139,123**	130,567
Right-of-use assets		**274,820**	—
Investment property		**708**	720
Intangible assets		**6,906**	7,227
Rental and utilities deposits	10	**32,629**	45,532
Prepayments for property, plant and equipment	10	**6,265**	1,414
Financial asset at fair value through profit or loss		**28,500**	—
Deferred income tax assets		**15,620**	17,192
		504,571	202,652
CURRENT ASSETS			
Inventories		**20,522**	26,144
Trade receivables	10	**10,957**	13,045
Prepayments, deposits and other receivables	10	**40,976**	38,733
Tax recoverable		**2,894**	2,894
Short term bank deposits		**158,765**	148,000
Cash and cash equivalents		**137,028**	142,289
		371,142	371,105
Total assets		**875,713**	573,757
EQUITY			
Equity and reserves attributable to the shareholders of the Company			
Share capital		**80,000**	80,000
Share premium		**122,781**	122,781
Reserves		**199,283**	207,716
		402,064	410,497
Non-controlling interests		**—**	49
Total equity		**402,064**	410,546

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 30 June 2019

	Note	**As at 30 June 2019** *HK$'000* **(Unaudited)**	As at 31 December 2018 *HK$'000* (Audited)
LIABILITIES			
NON-CURRENT LIABILITIES			
Provision for reinstatement costs	11	**13,269**	13,227
Lease liabilities		**193,120**	—
Deferred income tax liabilities		**2,572**	2,572
		208,961	15,799
CURRENT LIABILITIES			
Trade payables	11	**40,563**	42,327
Other payables and accruals	11	**52,076**	72,137
Contract liabilities		**21,535**	25,911
Dividend payable		**43,200**	—
Lease liabilities		**92,133**	—
Tax payable		**15,181**	7,037
		264,688	147,412
Total liabilities		**473,649**	163,211
Total equity and liabilities		**875,713**	573,757

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to shareholders of the Company						
(Unaudited)	**Share Capital** *HK$'000*	**Share Premium** *HK$'000*	**Retained Earnings** *HK$'000*	**Other Reserves** *HK$'000*	**Total** *HK$'000*	**Non-Controlling Interests** *HK$'000*	**Total** *HK$'000*
Balance as at 31 December 2018	**80,000**	**122,781**	**180,097**	**27,619**	**410,497**	**49**	**410,596**
Change in accounting policy	**—**	**—**	**(4,902)**	**—**	**(4,902)**	**—**	**(4,902)**
Restated balance as at 1 January 2019	**80,000**	**122,781**	**175,195**	**27,619**	**405,595**	**49**	**405,644**
Profit and total comprehensive income for the period	**—**	**—**	**39,669**	**—**	**39,669**	**(42)**	**39,627**
Transactions with shareholders							
Dividends *(Note 9)*	**—**	**—**	**(43,200)**	**—**	**(43,200)**	**—**	**(43,200)**
Acquisition of non-controlling interests	**—**	**—**	**—**	**—**	**—**	**(7)**	**(7)**
Balance as at 30 June 2019	**80,000**	**122,781**	**171,664**	**27,619**	**402,064**	**—**	**402,064**

	Attributable to shareholders of the Company						
(Unaudited)	Share Capital *HK$'000*	Share Premium *HK$'000*	Retained Earnings *HK$'000*	Other Reserves *HK$'000*	Total *HK$'000*	Non-Controlling Interests *HK$'000*	Total *HK$'000*
Balance as at 1 January 2018	—	—	173,883	27,619	201,502	—	201,502
Profit and total comprehensive income for the period	—	—	3,019	—	3,019	—	3,019
Transactions with shareholders							
Dividends *(Note 9)*	—	—	(28,997)	—	(28,997)	—	(28,997)
Capitalisation issue	60,000	(60,000)	—	—	—	—	—
Shares issued pursuant to the initial public offering (the "**IPO**")	20,000	200,000	—	—	220,000	—	220,000
Transaction costs attributable to the IPO	—	(17,219)	—	—	(17,219)	—	(17,219)
Balance as at 30 June 2018	80,000	122,781	147,905	27,619	378,305	—	378,305

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 Cayman Corporate Centre, 27 Hospital Road, 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 Cantonese and Asian cuisine including Japanese and Korean cuisine in Hong Kong.

The unaudited condensed consolidated interim financial information is presented in Hong Kong dollars ("**HK$**"), unless otherwise stated, and has been approved for issue by the Board on 27 August 2019.

2. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial information have been prepared in accordance with Hong Kong Accounting Standard ("**HKAS**") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"). The Group's unaudited condensed consolidated interim financial information should be read in conjunction with the Company's Annual Report for the year ended 31 December 2018 (the "**2018 Annual Report**").

The preparation of the unaudited condensed consolidated interim financial information in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses on a year-to-date basis. Actual results may differ from these estimates. In preparing this unaudited consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the 2018 Annual Report, except as stated below.

3. ACCOUNTING POLICIES

The accounting policies and methods of computation used in preparing the unaudited condensed consolidated interim financial information are consistent with those followed in preparing the 2018 Annual Report, except for the adoption of the following amended Hong Kong Financial Reporting Standards ("**HKFRSs**") and HKASs (collectively "**new HKFRSs**") which are effective for accounting periods beginning on or after 1 January 2019.

(a) Impact of new standard

The Group has applied the following new HKFRS issued by the HKICPA which was effective for the Group's financial year beginning on or after 1 January 2019:

- HKFRS 16 Leases.

The Group had to change its accounting policy and make certain retrospective adjustments following the adoption of HKFRS 16. Changes in principal accounting policy are set out in Note 3(c) below.

(b) New and amended HKFRSs in issue but not yet effective

The Group has not early applied the new and amended standards and interpretations that have been issued but not yet effective. The adoption of these are not expected to have a material impact on the unaudited interim results of the Group.

(c) Changes in principal accounting policy

The Group has initially adopted HKFRS 16 Leases from 1 January 2019, which resulted in changes in accounting policy and adjustments to the amounts recognised in the unaudited interim results. In accordance with the transitional provisions in HKFRS 16, the Group has elected to apply the new standard using the modified retrospective approach where the cumulative effects of initially applying HKFRS 16 is recognised as an adjustment to the opening balance of retained profits and comparative figures are not restated.

The change in accounting policy affected the following items in the consolidated balance sheet on 1 January 2019:

— property, plant and equipment — decreased by approximately HK$6,063,000

— right-of-use assets — increased by approximately HK$273,924,000

— lease liabilities — increased by approximately HK$284,994,000

— equity — decreased by approximately HK$4,902,000

— other payables and accruals — decreased by approximately HK$12,231,000

Before the adoption of HKFRS 16, commitments under operating leases for future periods were not recognised by the Group as liabilities. Operating lease rental expenses were recognised in the consolidated income statement over the lease period on a straight-line basis.

On adoption of HKFRS 16, the Group recognised the lease liabilities in relation to leases which had previously been classified as "operating leases" according to the principles of HKAS 17 if they meet certain criteria set out in HKFRS 16. These liabilities were measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate. The difference between the present value and the total remaining lease payments represents the cost of financing. Such finance cost will be charged to the consolidated income statement in the period in which it is incurred using the effective interest method.

	(HK$'000)
Operating lease commitments disclosed as at 31 December 2018	327,290
Discounted using the Group's incremental borrowing rate of 2.24%	(18,129)
Less: Short-term leases recognised on a straight-line basis as expenses	(24,167)
Lease liabilities recognised as at 1 January 2019	284,994

Leases are initially recognised as a right-of-use asset and the corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the consolidated income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The associated right-of-use assets are measured at the amount equal to the initial measurement of lease liabilities, adjusted by certain items as set out below. The right-of-use assets were recognised in the consolidated balance sheet and are depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets leased by the Group and the corresponding liabilities are initially measured on a present value basis. Lease liabilities include the net present value of the lease payments, as follows:

— fixed payments (including in-substance fixed payments), less any lease incentives receivable;

— variable lease payments that are based on an index or a rate; and

— payments of penalties for terminating the lease, if the lease term reflects the Group, as a lessee, exercising an option to terminate the lease.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the Group's incremental borrowing rate.

Right-of-use assets are measured at cost comprising the following:

— the amount of the initial measurement of lease liabilities;

— any lease payment made at or before the commencement date, less any lease incentive received;

— any initial direct cost; and

— restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in the consolidated income statement. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise equipment and small items of office furniture.

4. REVENUE AND SEGMENT INFORMATION

(a) Revenue

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

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Recognised at a point in time:		
Restaurant operations	**512,493**	457,586
Sale of food ingredients	**7,525**	8,096
	520,018	465,682

(b) Segment information

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

The Group is principally engaged in the operation of restaurant chains and sales of food ingredients in Hong Kong. Management reviews the operating results of the business of major cuisine and sale of food ingredients 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 Cantonese restaurants under the self-established "*Banqueting House*", "*China Hall*", "*Pot Master*" and "*LHGrand*" brands, offering Cantonese cuisine and wedding reception services
(b)	Asian cuisine — franchised brands	Operation of Asian cuisine restaurants under the franchised "*Gyu-Kaku*", "*On-Yasai*", "*Gyu-Kaku Jinan-Bou*" and "*Yoogane*" brands
(c)	Asian cuisine — self-owned brands	Operation of Asian cuisine restaurants under self-owned brands, including "*Mou Mou Club*" and "*Peace Cuisine*"
(d)	Sale of food ingredients	Sale of food ingredients to related parties and external third parties

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

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

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

The major operating entities of the Group are domiciled in Hong Kong. All of the Group's revenue are derived in Hong Kong. As at 30 June 2019 and 31 December 2018, all of non-current assets of the Group are located in Hong Kong.

During the year ended 31 December 2018, management realigned the Group's business strategy and has classified the "*Peace Cuisine*" brand from "Cantonese cuisine — self-owned brands" to "Asian cuisine — self-owned brands" and certain comparatives have been reclassified to conform with current period presentation.

An analysis of the Group's revenue, profit before taxation and depreciation and amortisation for the six months ended 30 June 2019 and 2018 and segment assets and liabilities as at 30 June 2019 and 31 December 2018 is as follows:

	For the six months ended 30 June 2019				
(Unaudited)	**Cantonese cuisine — self-owned brands**	**Asian cuisine — franchised brands**	**Asian cuisine — self-owned brands**	**Sale of food ingredients**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue					
Revenue	**101,919**	**283,432**	**127,142**	**67,914**	**580,407**
Inter-segment revenue	**—**	**—**	**—**	**(60,389)**	**(60,389)**
External revenue	**101,919**	**283,432**	**127,142**	**7,525**	**520,018**
Segment profit	**2,114**	**50,382**	**9,580**	**1,357**	**63,433**
Segment profit includes					
Depreciation and amortisation	**(13,527)**	**(33,978)**	**(17,287)**	**—**	**(64,792)**
Segment profit					**63,433**
Unallocated depreciation and amortisation					**(3,105)**
Unallocated cost					**(31,179)**
Gain on disposal of subsidiaries					**13,101**
Unallocated finance income, net					**2,269**
Profit before taxation					**44,519**
	As at 30 June 2019				
Segment assets	**99,302**	**217,305**	**156,926**	**75,236**	**548,769**
Segment liabilities	**(52,101)**	**(201,977)**	**(123,438)**	**(13,173)**	**(390,689)**

(Unaudited)	Cantonese cuisine — self-owned brands *HK$'000*	Asian cuisine — franchised brands *HK$'000*	Asian cuisine — self-owned brands *HK$'000*	Sale of food ingredients *HK$'000*	Total *HK$'000*
	For the six months ended 30 June 2018				
Segment revenue					
Revenue	139,143	204,990	113,453	77,113	534,699
Inter-segment revenue	—	—	—	(69,017)	(69,017)
External revenue	139,143	204,990	113,453	8,096	465,682
Segment profit	6,244	25,272	7,388	1,726	40,630
Segment profit includes					
Depreciation and amortisation	(5,335)	(11,630)	(7,582)	—	(24,547)
Segment profit					40,630
Unallocated depreciation and amortisation					(803)
Unallocated cost					(35,418)
Unallocated finance income					720
Profit before taxation					5,129
	As at 31 December 2018				
(Audited)					
Segment assets	67,309	115,695	66,204	35,131	284,339
Segment liabilities	(23,369)	(69,638)	(26,755)	(12,944)	(132,706)

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

	As at 30 June 2019 *HK$'000* **(Unaudited)**	As at 31 December 2018 *HK$'000* (Audited)
Segment assets	**548,769**	284,339
Unallocated assets	**326,944**	289,418
	875,713	573,757

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

	As at 30 June 2019 *HK$'000* **(Unaudited)**	As at 31 December 2018 *HK$'000* (Audited)
Segment liabilities	**390,689**	132,706
Unallocated liabilities	**82,960**	30,505
	473,649	163,211

5. PROFIT BEFORE TAXATION

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

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Depreciation of property, plant and equipment	**22,188**	25,101
Depreciation of right-of-use assets	**45,376**	—
Depreciation of investment property	**12**	12
Amortisation of intangible assets	**321**	237
Provision of impairment of property, plant and equipment	**1,243**	—
Lease payments under operating leases in respect of land and buildings:		
— Minimum lease payments	**17,104**	63,486
— Contingent rental	**6,458**	3,916
	23,562	67,402
Employee benefit expenses		
Wages and salaries	**142,232**	133,987
Discretionary bonuses	**7,724**	5,762
Retirement benefit scheme contributions	**6,584**	6,271
Staff welfare	**3,414**	3,272
Provision for untaken annual leave	**1,714**	762
(Reversal of)/provision for long service payment	**(87)**	1,364
	161,581	151,418
Auditors' remuneration		
— Audit services	**1,291**	1,603
— Non-audit services	**303**	338

6. FINANCE (COSTS)/INCOME, NET

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Finance income	**2,419**	720
Finance costs on lease liabilities	**(3,097)**	—
Finance (costs)/income, net	**(678)**	720

7. TAXATION

Hong Kong profits tax has been provided on the estimated assessable profits at a rate of 16.5% for the periods ended 30 June 2019 and 2018.

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

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Hong Kong profits tax		
Current income tax	**7,718**	5,861
Deferred income tax	**(2,826)**	(3,751)
	4,892	2,110

8. EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

(a) Basic

The calculation of basic earnings per share is based on the profit attributable to shareholders of the Company (the "**Shareholders**") of approximately HK$39,669,000 (period ended 30 June 2018: HK$3,019,000) and the weighted average of approximately 800,000,000 ordinary shares (period ended 30 June 2018: 635,359,000) in issue during the interim period. The weighted average number of ordinary shares in issue during the period ended 30 June 2019 and 2018 is calculated based on the assumption that 600,000,000 shares were in issue at the beginning of the periods, taking into consideration the effect of share split and the capitalisation issue.

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
Profit attributable to the Shareholders *(HK$'000)*	**39,669**	3,019
Weighted average number of ordinary shares in issue *('000)*		
Share split and capitalisation issue *('000)*	**600,000**	600,000
Effect of shares issued under IPO *('000)*	**200,000**	35,359
	800,000	635,359
Earnings per share	**HK4.96 cents**	HK0.48 cents

(b) Diluted

Diluted earnings per share for the periods ended 30 June 2019 and 2018 are the same as the basic earnings per share as there were no potentially dilutive ordinary shares issued.

9. DIVIDEND

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Final dividend declared — HK5.4 cents (2018: nil) per share	**43,200**	—
Dividend paid	**—**	28,997
	43,200	28,997

The final dividend in respect of the year ended 31 December 2018 was approved in the annual general meeting on 19 June 2019. The proposed dividend is reflected as dividend payable in the consolidated statement of financial position as at 30 June 2019.

The dividend for the period ended 30 June 2018 was declared and paid before the Listing.

An interim dividend in respect of the six months ended 30 June 2019 of HK4.96 cents per ordinary share, and a special dividend of HK5.00 cents per ordinary share, totalling HK$39,680,000 and HK$40,000,000, respectively, were proposed by the Board on 27 August 2019. The proposed dividends are not reflected as dividend payable in the consolidated statement of financial position.

10. TRADE AND OTHER RECEIVABLES

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

	As at 30 June 2019	As at 31 December 2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
External customers	**10,957**	13,045

An ageing analysis of the trade receivables as at 30 June 2019 and 31 December 2018, based on the invoice date, is as follows:

	As at 30 June 2019 *HK$'000* **(Unaudited)**	As at 31 December 2018 *HK$'000* (Audited)
Within 30 days	**10,673**	11,904
31–60 days	**134**	34
61–180 days	**150**	1,107
	10,957	13,045

There was no recent history of default in respect of the Group's debtors. Based on past experience, management believes that no impairment allowance is necessary in respect of the past due balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances. No impairment loss was recognised by the Group at 30 June 2019 and 31 December 2018.

	As at 30 June 2019 *HK$'000* **(Unaudited)**	As at 31 December 2018 *HK$'000* (Audited)
Prepayments	**19,363**	14,286
Rental and utilities deposits	**58,393**	68,014
Other receivables	**2,114**	3,379
	79,870	85,679
Less: non-current portion		
— Rental and utilities deposits	**(32,629)**	(45,532)
— Prepayments for property, plant and equipment	**(6,265)**	(1,414)
Current portion	**40,976**	38,733

As at 30 June 2019 and 31 December 2018, the balances of deposits and other receivables were neither past due nor impaired. Financial assets included in the above balances relate to receivables for which there was no recent history of default.

The maximum exposure to credit risk as at 30 June 2019 and 31 December 2018 was the carrying value of each class of receivable mentioned above. The Group did not hold any collateral as security.

11. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

An ageing analysis of the trade payables as at 30 June 2019 and 31 December 2018, based on the invoice date, is as follows:

	As at 30 June 2019	As at 31 December 2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Within 30 days	**25,541**	31,798
31–60 days	**14,463**	10,294
61–180 days	**375**	24
Over 180 days	**184**	211
	40,563	42,327

The trade payables are non-interest-bearing with payment terms of 30–60 days in general.

	As at 30 June 2019 *HK$'000* (Unaudited)	As at 31 December 2018 *HK$'000* (Audited)
Rent payable	**1,413**	1,835
Provision for effective rental	**420**	13,598
Accrued employee benefit expenses	**18,538**	21,530
Provision for long service payment	**1,501**	3,029
Provision for untaken annual leave	**5,610**	4,149
Provision for reinstatement costs	**18,342**	19,455
Accrued listing expenses	**—**	77
Other accrued expenses	**16,165**	13,812
Payables for purchase of property, plant and equipment	**2,724**	7,820
Other payables	**632**	59
	65,345	85,364
Less: non-current portion		
— Provision for reinstatement costs	**(13,269)**	(13,227)
Current portion	**52,076**	72,137

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

As at 30 June 2019, the Group operated two Cantonese restaurants under two self-owned brands in Hong Kong, namely, "*LHGrand (叙福樓金閣)*" and "*Pot Master (煲仔王)*"; and 34 Asian restaurants under two self-owned brands, namely, "*Mou Mou Club (牛涮鍋)*" and "*Peace Cuisine (和平飯店)*", 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 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 market to mass market with different culinary preferences.

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

	As at 30 June	
	2019	2018
Cantonese cuisine restaurants		
— Self-owned brands *(Note)*	**2**	5
Asian cuisine restaurants		
— Self-owned brands *(Note)*	**13**	12
— Franchised brands	**21**	18
Sub-total of Asian restaurants:	**34**	29
Total:	**36**	35

Note:

During the year ended 31 December 2018, management realigned the Group's business strategy and has classified the "*Peace Cuisine*" brand from "Cantonese cuisine — self-owned brands" to "Asian cuisine — self-owned brands" and certain comparatives have been reclassified to conform with current period presentation.

As disclosed in the section headed "Future plans and use of proceeds" in the prospectus dated 15 May 2018 (the "**Prospectus**"), the Group will continue to open new restaurants in Hong Kong going forward in accordance with our expansion plan and the Group will exercise due care in identifying adequate opportunities and planning for the opening of new restaurants.

FINANCIAL REVIEW

Revenue

The Group's revenue increased by approximately 11.7%, or approximately HK$54.3 million, from approximately HK$465.7 million for the six months ended 30 June 2018 (the "**Last Corresponding Period**") to approximately HK$520.0 million for the Period. The increase in revenue was primarily due to the increase in revenue from restaurant operations, which is primarily driven by the increase in revenue from our Asian cuisine restaurants — franchised brands during the Period by approximately HK$78.4 million or approximately 38.3% as compared with the Last Corresponding Period. The revenue from Asian cuisine restaurants — franchised brands as a percentage of the Group's revenue increased from approximately 44.1% for the Last Corresponding Period to approximately 54.5% for the Period.

	For the six months ended 30 June			
	2019		2018	
	Revenue *HK$'000*	**% of total Revenue** *(%)*	Revenue *HK$'000*	% of total Revenue *(%)*
Cantonese cuisine restaurants				
— Self-owned brands *(Note)*	**101,919**	**19.6**	139,143	29.9
Asian cuisine restaurants				
— Self-owned brands *(Note)*	**127,142**	**24.5**	113,453	24.3
— Franchised brands	**283,432**	**54.5**	204,990	44.1
Sub-total of restaurant operations	**512,493**	**98.6**	457,586	98.3
Sale of food ingredients	**7,525**	**1.4**	8,096	1.7
Total	**520,018**	**100.0**	465,682	100.0

Note:

During the year ended 31 December 2018, management realigned the Group's business strategy and has classified the "*Peace Cuisine*" brand from "Cantonese cuisine — self-owned brands" to "Asian cuisine — self-owned brands" and certain comparatives have been reclassified to conform with current period presentation.

Cost of food and beverages

The Group's cost of food and beverages increased by approximately 15.6%, or approximately HK$20.3 million, from approximately HK$130.1 million for the Last Corresponding Period to approximately HK$150.3 million for the Period. The increase was in line with the increase in revenue during the Period. The cost of food and beverages as a percentage of revenue remained stable at approximately 28.9% for the Period (Last Corresponding Period: 27.9%).

Staff costs

The Group's staff costs increased by approximately 6.7%, or approximately HK$10.2 million, from approximately HK$151.4 million for the Last Corresponding Period to approximately HK$161.6 million for the Period. Such increase was primarily due to the increased administrative and operation headcount, and the increased salary and wages in order to cope with our increased business operation and business expansion plan during the Period.

Property rentals and related expenses

The Group's property rentals and related expenses decreased by approximately 48.7%, or approximately HK$42.3 million, from approximately HK$86.9 million for the Last Corresponding Period to approximately HK$44.6 million for the Period. Such decrease was mainly attributable to the initial adoption of HKFRS 16 during the Period and that only lease payments associated with short-term leases and variable lease payments that do not meet the definition of a liability for the Group as lessee (i.e. contingent rent) were included in property rentals and related expenses for the Period.

Listing expenses

Listing expenses comprise professional and other expenses in relation to the Listing. The Group's listing expenses amounted to approximately HK$8.0 million for the Last Corresponding Period due to the expenses incurred during the period in preparation for the Listing. There were no such expenses incurred for the Period.

Profit for the Period

Profit for the Period increased by approximately 1,212.6%, or approximately HK$36.6 million, from approximately HK$3.0 million for the Last Corresponding Period to approximately HK$39.6 million for the Period. Such increase was mainly due to the combined effect of (i) an one-off gain on disposal of subsidiaries of approximately HK$13.1 million for the Period; and (ii) other factors discussed above.

LIQUIDITY AND FINANCIAL RESOURCES

The Group financed its business with internally generated cash flows and proceeds received from the Listing. As at 30 June 2019, the Group had short term bank deposits of approximately HK$158.8 million (as at 31 December 2018: HK$148.0 million) and cash and cash equivalents of approximately HK$137.0 million (as at 31 December 2018: approximately HK$142.3 million). Most bank deposits and cash were denominated in Hong Kong dollar. The Group will continue to use the internal generated cash flows and proceeds received from the Listing as a source of funding for future developments.

As at 30 June 2019, the Group's total current assets and current liabilities were approximately HK$371.1 million (as at 31 December 2018: approximately HK$371.1 million) and approximately HK$264.7 million (as at 31 December 2018: approximately HK$147.4 million) respectively, while the current ratio was about 1.40 times (as at 31 December 2018: about 2.5 times). As a result of the adoption of HKFRS 16, the Group recognised the commitments under operating leases for future periods as lease liabilities, whereas, under the previous accounting standard, no such liabilities were required to be recorded. In this connection, the recorded net current assets, and hence the current ratio, were lower.

As at 30 June 2019, the gearing ratio of the Group was not applicable 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%.

SIGNIFICANT INVESTMENTS

As at 30 June 2019, the Group did not hold any significant investments.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

Reference is made to the announcement of the Company dated 23 April 2019. Unless otherwise stated, capitalised terms used herein shall have the same meanings as those defined therein.

During the Period, LHG Chinese Catering Limited, a wholly-owned subsidiary of the Company, has disposed the entire issued shares in Fameco (H.K.) Limited, The Banqueting House (TST) Co. Limited, The China House (KF) Limited, each being a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company and the Sale Loans at the Consideration of HK$28,500,000.

Upon completion of the Disposal, the Group recorded an unaudited gain on the Disposal of approximately HK$13,101,000. Such gain is recognised based on the Consideration from the Disposal of HK$28,500,000 minus the net liabilities of the Disposal Companies as at the Completion Date of approximately HK$5,431,000 and the Sale Loan of approximately HK$20,831,000.

Save as disclosed above, the Group has no material acquisition or disposal of subsidiaries, associates or joint ventures during the Period.

EVENTS AFTER THE REPORTING PERIOD

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

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2019, the Group had 908 employees (as at 31 December 2018: 1,041 employees). The remuneration of the employees is determined by reference to prevailing market terms and in accordance with the performance, qualification and experience of each individual employee.

The 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.

No share option was granted during the Period. As at 30 June 2019, the Company 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 dollar and the Group is not exposed to any significant foreign exchange exposure.

CONTINGENT LIABILITIES

As at 30 June 2019, the Group did not have any material contingent liabilities.

PROSPECTS

The Group's strategic objective is to continue solidifying its market position as a top multi-brand full service restaurant group in Hong Kong and enhancing market penetration into different customer segments. To achieve such objective, the Group will continue to implement the following strategies:

- Expanding its restaurant network and enhancing its market penetration in Hong Kong;

- Strengthening its multi-brand business model with new additions to its brand portfolio; and

- Enhancing operational efficiency and cost savings.

There is a complexity of macro risks arising from ongoing international trade negotiations, import tariff changes implemented by countries and challenges alongside geopolitical uncertainties which might pose challenges to both local business environment and consumer confidence in the industry. And our business and financial performance in the second half of 2019 is enveloped by a multitude of uncertainties and macro risks.

The management of the Group will remain dedicated to weathering the storm and will approach the second half of the year with caution and market responsiveness and closely monitor the latest developments in order to make flexible business and strategy adjustment in a timely manner to minimise any potential unfavourable impacts on our businesses.

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 from the Listing Date to the date of this announcement.

USE OF NET PROCEEDS FROM LISTING

The net proceeds from the Listing on 30 May 2018 after deducting share issuance expenses and listing expenses (the "**Net Proceeds**") was approximately HK$178,610,000. As at 30 June 2019, the Company had used approximately HK$66,408,000 of the Net Proceeds for the purposes as set out in the Prospectus, representing approximately 37.2% of the Net Proceeds.

Use of Net Proceeds	**Approximately percentage of total amount**	**Actual Net Proceeds** *HK$'000*	**Amount utilised as at 30 June 2019** *HK$'000*	**Unused Net Proceeds** *HK$'000*
Opening a total of eight restaurants under our self-owned brands				
— One Cantonese cuisine restaurant *(note)*	8%	14,830	—	14,830
— Seven Asian cuisine restaurants *(note)*	26%	45,232	14,050	31,182
Opening 19 restaurants under franchised brands	56%	100,659	34,469	66,190
Additional working capital, strategic investment and other general corporate purposes	10%	17,889	17,889	—
Total	100%	178,610	66,408	112,202

Note: "*Peace Cuisine*" brand has been classified from "Cantonese cuisine — self-owned brands" to "Asian cuisine — self-owned brands" as management had realigned the Group's business strategy. Accordingly, the category under which "*Peace Cuisine*" belonged to was reclassified and the respective use of proceeds have been reclassified from "Cantonese restaurant" to "Asian Cuisine restaurant" to conform with the segment presentation.

INTERIM DIVIDEND

The Board has declared payment of an interim dividend of HK4.96 cents per share (2018: nil) for the Period, and a special dividend of HK5.00 cents per share, payable to the Shareholders whose names appear on the register of members of the Company (the "**Register of Members**") on Friday, 13 September 2019. The interim dividend will be paid to the Shareholders on or around Friday, 27 September 2019.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determination of entitlement to the interim dividend and special dividend, the Register of Members will be closed from Wednesday, 11 September 2019 to Friday, 13 September 2019, both days inclusive, during which no transfer of shares will be registered. In order to qualify for the interim dividend and special dividend, all completed transfer forms accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 10 September 2019.

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**") as set out in Appendix 14 to the Listing Rules as its own code of corporate governance.

For the Period, save for the deviation from code provision A.2.1 of the CG Code, the Company has complied with all the code provisions of the CG Code and adopted most of the best practices set out therein.

Pursuant to code provision A.2.1 of the CG Code, the roles of the chairman and the chief executive officer should be separated 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 our senior management. Taking into account the continuation of the implementation of our 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 Company 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 three 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 Period.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor its subsidiaries has purchased, sold or redeemed any of the Company's listed securities for the Period.

AUDIT COMMITTEE

The Board has established an audit committee (the "**Audit Committee**") which comprises three independent non-executive Directors, namely Ms. Hung Lo Shan Lusan (Chairman), 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 our policies and to perform other duties and responsibilities as assigned by the Board.

The Audit Committee, together with management, has reviewed the unaudited condensed consolidated interim results of the Group for the Period.

PUBLICATION OF THE INTERIM RESULTS AND 2019 INTERIM REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This interim results announcement is published on the websites of the Stock Exchange (***www.hkexnews.hk***) and the Company (***www.lhgroup.com.hk***), and the 2019 interim report containing the information required by Appendix 16 to the Listing Rules will be dispatched to the Shareholders and will be published on the respective websites of the Stock Exchange and the Company in due course.

APPRECIATION

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

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

Hong Kong, 27 August 2019

As at the date of this announcement, the Board comprises Mr. Wong Kit Lung Simon Prof, JP, Ms. Ko Sau Chee Grace and Mr. Ho Chi Wai as executive Directors; and Mr. Sin Yat Kin SBS, CSDSM, Ms. Hung Lo Shan Lusan and Mr. Hung Wai Man JP as independent non-executive Directors.