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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 2020

FINANCIAL HIGHLIGHTS

	Year ended 31 December	
	2020	2019
	HK\$ million	HK\$ million
Revenue	802.9	1,005.8
Profit/(loss) attributable to the shareholders of the Company	140.3	(11.2)
Earnings/(loss) per share		
Basic and diluted (HK cents)	17.54	(1.40)

Final dividend in respect of the year ended 31 December 2020 of HK13.16 cents per share was proposed by the Board, which represented a dividend payout ratio of approximately 75%.

RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of LH Group Limited (the “**Company**”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2020, together with the comparative figures for the year ended 31 December 2019 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

		Year ended	
		31 December	
		2020	2019
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	4	802,852	1,005,776
Other income and gains	5	95,006	4,519
Cost of food and beverages		(252,111)	(292,786)
Staff costs		(213,823)	(301,392)
Depreciation and amortisation		(32,822)	(44,214)
Depreciation of right-of-use assets		(91,044)	(98,805)
Property rentals and related expenses		(33,732)	(73,602)
Fuel and utility expenses		(18,207)	(24,924)
Advertising and marketing expenses		(5,731)	(11,629)
Other operating expenses		(88,876)	(94,800)
Provision for impairment of property, plant and equipment, net		(5,740)	(20,176)
Provision for impairment of right-of-use assets, net		(10,714)	(48,444)
Provision for impairment of intangible assets		—	(569)
Provision for impairment of financial assets		—	(3,832)
Gain on disposal of subsidiaries		—	13,101
Loss on disposal of financial assets at fair value through profit or loss		—	(5,000)
Finance income	6	3,775	4,150
Finance costs	6	(5,086)	(8,321)
Profit/(loss) before taxation	7	143,747	(948)
Income tax expense	8	(3,419)	(10,320)
Profit/(loss) and total comprehensive income/ (loss) for the year		<u>140,328</u>	<u>(11,268)</u>
Attributable to:			
Shareholders of the Company		140,328	(11,226)
Non-controlling interests		—	(42)
		<u>140,328</u>	<u>(11,268)</u>
Earnings/(loss) per share			
Basic and diluted	9	<u>HK17.54 cents</u>	<u>HK(1.40) cents</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

		31 December	31 December
		2020	2019
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment		106,952	126,710
Right-of-use assets		169,332	227,331
Investment property		670	695
Intangible assets		5,419	6,015
Rental and utilities deposits	11	39,463	43,216
Prepayments for purchase of property, plant and equipment	11	1,805	575
Deferred income tax assets		26,040	23,875
		<u>349,681</u>	<u>428,417</u>
CURRENT ASSETS			
Inventories		32,414	24,517
Trade receivables	11	4,962	6,156
Prepayments, deposits and other receivables	11	20,983	18,277
Tax recoverable		686	1,737
Short term bank deposits		159,623	132,352
Cash and cash equivalents		179,148	130,759
		<u>397,816</u>	<u>313,798</u>
Total assets		<u>747,497</u>	<u>742,215</u>
EQUITY AND LIABILITIES			
Equity attributable to shareholders of the Company			
Share capital	13	80,000	80,000
Share premium		122,781	122,781
Reserves		211,820	71,492
Total equity		<u>414,601</u>	<u>274,273</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 31 December 2020

		31 December 2020	31 December 2019
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
NON-CURRENT LIABILITIES			
Provision for reinstatement costs	12	14,932	15,009
Lease liabilities		95,752	157,100
Deferred income tax liabilities		5,155	5,839
		<u>115,839</u>	<u>177,948</u>
CURRENT LIABILITIES			
Trade payables	12	37,657	44,774
Other payables and accruals	12	59,886	65,102
Contract liabilities		21,819	22,952
Lease liabilities		93,401	131,472
Tax payable		4,294	25,694
		<u>217,057</u>	<u>289,994</u>
Total liabilities		<u>332,896</u>	<u>467,942</u>
Total equity and liabilities		<u>747,497</u>	<u>742,215</u>

NOTES

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 9 June 2017 as an exempted company with limited liability under the Companies Law (Cap.22, Law 3 of 1961 as consolidated and revised) of the Cayman Islands and its shares have been listed (the “**Listing**”) on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) since 30 May 2018 (the “**Listing Date**”). The address of the Company’s registered office is Walkers Corporate Limited, 190 Elgin Avenue, George Town, Grand Cayman KY1-9008, Cayman Islands.

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

2. BASIS OF PREPARATION

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

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

3. ACCOUNTING POLICIES

(a) New standards and amendments to standards adopted by the Group

The Group has applied the following new and amended standards, improvements and interpretation for the first time for their annual reporting period commencing 1 January 2020:

HKFRS 3 (Amendments)	Definition of a Business
HKAS 1 and HKAS 8 (Amendments)	Definition of Material
Conceptual framework for financial reporting 2018	Revised Conceptual Framework for Financial Reporting
HKFRS 9, HKAS 39 and HKFRS 7 (Amendments)	Interest Rate Benchmark Reform

The Group also elected to adopt the following amendment early:

HKFRS 16 (Amendments)	Covid-19-Related Rent Concessions
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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, except for the Amendments to HKFRS 16 set out above.

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

		Effective for annual periods beginning on or after
HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 (Amendments)	Interest Rate Benchmark Reform — Phase 2	1 January 2021
Accounting Guideline 5 (Amendments)	Merger Accounting for Common Control Combination	1 January 2022
Annual Improvements Project (Amendments)	Annual Improvements 2018–2020 Cycle	1 January 2022
HKAS 16 (Amendments)	Proceeds before Intended Use	1 January 2022
HKAS 37 (Amendments)	Cost of Fulfilling a Contract	1 January 2022
HKFRS 3 (Amendments)	Reference to the Conceptual Framework	1 January 2022
HKFRS 17	Insurance Contracts	1 January 2023
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current	1 January 2023
Hong Kong Interpretation 5 (2020)	Classification by Borrower of a Term Loan that Contains a Repayment on a Demand Clause	1 January 2023
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The above accounting standards and interpretations have been published that are not mandatory for 31 December 2020 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

(c) Changes in accounting policies

The Group has early adopted Amendments to HKFRS 16 — COVID-19-Related Rent Concessions retrospectively from 1 January 2020. The amendment provides an optional practical expedient allowing lessees to elect not to assess whether a rent concession related to COVID-19 is a lease modification. Lessees adopting this election may account for qualifying rent concessions in the same way as they would if they were not lease modifications. The practical expedient only applies to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met:

- a. the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- b. any reduction in lease payments affects only payments due on or before 30 June 2021; and
- c. there is no substantive change to other terms and conditions of the lease.

The Group has applied the practical expedient to all qualifying COVID-19-related rent concessions. Rent concessions totalling approximately HK\$14,337,000 have been accounted for as negative variable lease payments and recognised in property rentals and related expenses in the consolidated statement of comprehensive income for the year ended 31 December 2020, with a corresponding adjustment to the lease liability. There is no impact on the opening balance of equity at 1 January 2020.

4. REVENUE AND SEGMENT INFORMATION

(a) Revenue

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

	Year ended 31 December	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Recognised at a point in time:		
Restaurant operations	799,185	991,090
Sale of food ingredients and others	3,667	14,686
	<u>802,852</u>	<u>1,005,776</u>

(b) Segment information

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

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

The Group has the following reporting segments:

- | | |
|---|---|
| (a) Cantonese cuisine — self-owned brands | Operation of Cantonese restaurants under the self-established “ <i>Pot Master</i> ” and “ <i>LHGrand</i> ” brands, offering Cantonese cuisine |
| (b) Asian cuisine — franchised brands | Operation of Asian cuisine restaurants under the franchised “ <i>Gyu-Kaku</i> ”, “ <i>On-Yasai</i> ”, “ <i>Gyu-Kaku Jinan-Bou</i> ” and “ <i>Yoogane</i> ” brands |
| (c) Asian cuisine — self-owned brands | Operation of Asian cuisine restaurants under self-owned brands, including “ <i>Mou Mou Club</i> ” and “ <i>Peace Cuisine</i> ” |
| (d) Sale of food ingredients and others | Sale of food ingredients to related parties and external third parties and other business |

Segment revenue and segment profit/(loss) were the measures reported to the Directors for the purpose of resources allocation and performance assessment. Segment profit/(loss), which is a measure of adjusted profit/(loss) before tax, was measured consistently with the Group’s profit/(loss) before tax except that unallocated finance income and unallocated cost 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 and prepayments, deposits and other receivables and cash and cash equivalents for general use, investment property, deferred income tax assets and tax recoverable.

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

All operating entities of the Group were domiciled in Hong Kong. All of the Group’s revenue was derived in Hong Kong. As at 31 December 2020 and 2019, all non-current assets of the Group were located in Hong Kong.

An analysis of the Group's revenue, profit/(loss) before taxation, depreciation and amortisation and provision for impairment for the years ended 31 December 2020 and 2019 and segment assets and liabilities as at 31 December 2020 and 2019 are as follows:

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

	For the year ended 31 December 2019				Total HK\$'000
	Cantonese cuisine — self-owned brands HK\$'000	Asian cuisine — franchised brands HK\$'000	Asian cuisine — self-owned brands HK\$'000	Sale of food ingredients and others HK\$'000	
Segment revenue					
Revenue	148,972	566,354	275,764	126,270	1,117,360
Inter-segment revenue	—	—	—	(111,584)	(111,584)
External revenue	<u>148,972</u>	<u>566,354</u>	<u>275,764</u>	<u>14,686</u>	<u>1,005,776</u>
Segment (loss)/profit	<u>(25,931)</u>	<u>80,945</u>	<u>(6,376)</u>	<u>2,619</u>	<u>51,257</u>
Depreciation and amortisation	<u>(5,807)</u>	<u>(23,497)</u>	<u>(12,683)</u>	—	<u>(41,987)</u>
Depreciation of right-of-use assets	<u>(16,238)</u>	<u>(50,042)</u>	<u>(28,235)</u>	—	<u>(94,515)</u>
Provision for impairment	<u>(29,500)</u>	<u>(11,319)</u>	<u>(32,202)</u>	—	<u>(73,021)</u>
Segment profit					51,257
Unallocated depreciation and amortisation					(2,227)
Unallocated depreciation of right-of-use assets					(4,290)
Gain on disposal of subsidiaries					13,101
Loss on disposal of financial assets at fair value through profit or loss					(5,000)
Unallocated cost					(57,565)
Unallocated finance income					4,150
Unallocated finance cost					<u>(374)</u>
Loss before taxation					<u>(948)</u>
Segment assets	<u>30,982</u>	<u>211,644</u>	<u>126,837</u>	<u>90,501</u>	<u>459,964</u>
Segment liabilities	<u>(47,332)</u>	<u>(220,406)</u>	<u>(126,566)</u>	<u>(24,901)</u>	<u>(419,205)</u>

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

	As at 31 December 2020 <i>HK\$'000</i>	As at 31 December 2019 <i>HK\$'000</i>
Segment assets	385,845	459,964
Unallocated assets	<u>361,652</u>	<u>282,251</u>
	<u><u>747,497</u></u>	<u><u>742,215</u></u>

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

	As at 31 December 2020 <i>HK\$'000</i>	As at 31 December 2019 <i>HK\$'000</i>
Segment liabilities	287,638	419,205
Unallocated liabilities	<u>45,258</u>	<u>48,737</u>
	<u><u>332,896</u></u>	<u><u>467,942</u></u>

(c) **Contract liabilities**

The Group recognised the following revenue-related contract liabilities:

	As at 31 December 2020 HK\$'000	As at 31 December 2019 HK\$'000
Advances from customers	21	330
Deferred revenue	21,798	22,622
Total contract liabilities	<u>21,819</u>	<u>22,952</u>

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

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

	2020 HK\$'000	2019 HK\$'000
Restaurant operations	<u>22,952</u>	<u>23,079</u>

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

5. OTHER INCOME AND GAINS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Other income:		
Government grants (<i>Note</i>)	43,797	—
Promotion income from a credit card company	3,100	2,800
Rental income	9	291
Sponsorship income	—	254
Forfeiture of deposits received from customers	—	86
Sundry income	987	1,088
	<u>47,893</u>	<u>4,519</u>
Other gains:		
Net gain from lease modification due to early termination on leases	45,983	—
Gains on disposal of property, plant and equipment	228	—
Gain on reversal of provision for reinstatement cost (<i>Note 12(a)</i>)	902	—
	<u>47,113</u>	<u>—</u>
Total other income and gains	<u><u>95,006</u></u>	<u><u>4,519</u></u>

Note:

Government subsidies of approximately HK\$43,797,000 were granted from the one-off Food Licence Holders Subsidy Scheme under Anti-Epidemic Fund launched by the Government of the Hong Kong Special Administrative Region (“**HKSAR Government**”). The Group has complied with all attached conditions before 31 December 2020 and they are recognised in profit or loss in “other income and gains”.

6. FINANCE INCOME AND COSTS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Interest income from bank deposits	3,056	4,150
Finance income on financial assets	<u>719</u>	<u>—</u>
Finance income	<u><u>3,775</u></u>	<u><u>4,150</u></u>
Finance costs paid for lease liabilities	(5,086)	(6,466)
Finance costs on financial assets	<u>—</u>	<u>(1,855)</u>
Finance costs	<u><u>(5,086)</u></u>	<u><u>(8,321)</u></u>

7. PROFIT/(LOSS) BEFORE TAXATION

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Depreciation of property, plant and equipment	32,201	43,546
Depreciation of investment property	25	25
Amortisation of intangible assets	596	643
COVID-19-related rent concessions	(14,337)	—
Lease payments under operating leases in respect of land and buildings:		
— Short term lease payments	<u>4,194</u>	21,763
— Contingent rental	<u>11,332</u>	<u>12,935</u>
	<u>15,526</u>	34,698
Auditors' remuneration		
— Audit services	2,100	2,200
— Non-audit services	<u>932</u>	<u>550</u>

8. INCOME TAX EXPENSE

Hong Kong profits tax has been provided on the estimated assessable profits at a rate of 16.5% for the year ended 31 December 2020 (2019: 16.5%).

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Hong Kong profits tax		
Current income tax	8,744	18,385
(Over)/under provision in prior year	(2,476)	1,223
Deferred income tax	(2,849)	(9,288)
	<u>3,419</u>	<u>10,320</u>

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

(a) Basic

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

	2020	2019
Profit/(loss) attributable to shareholders of the Company (<i>HK\$'000</i>)	140,328	(11,226)
Weighted average number of shares in issue (<i>'000</i>)	<u>800,000</u>	<u>800,000</u>
Basic earnings/(loss) per share (<i>HK cents</i>)	<u>17.54</u>	<u>(1.40)</u>

(b) Diluted

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

10. DIVIDENDS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Final dividend in respect of previous year, declared and paid during the year		
— nil (2019: HK5.40 cents per share)	—	43,200
Interim dividend declared and paid		
— nil (2019: HK4.96 cents per share)	—	39,680
Special dividend declared and paid		
— nil (2019: HK5.00 cents per share)	—	40,000
	<u>—</u>	<u>122,880</u>

A final dividend in respect of the year ended 31 December 2020 of HK13.16 cents per ordinary share, totalling HK\$105,280,000, was proposed by the Board on 29 March 2021 which is subject to the approval of shareholders at the forthcoming annual general meeting. The proposed dividend is not reflected as dividend payable in the consolidated statement of financial position.

11. TRADE AND OTHER RECEIVABLES

Trade receivables

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

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

	As at 31 December 2020 <i>HK\$'000</i>	As at 31 December 2019 <i>HK\$'000</i>
Within 30 days	3,237	5,451
31–60 days	105	401
61–180 days	1,620	304
	<u>4,962</u>	<u>6,156</u>

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

The maximum exposure to credit risk at 31 December 2020 and 2019 is the carrying value of trade receivables mentioned above. The Group does not hold any collateral as security.

Prepayments, deposits and other receivables

	As at 31 December 2020 <i>HK\$'000</i>	As at 31 December 2019 <i>HK\$'000</i>
Prepayments	7,881	7,852
Rental and utilities deposits	51,013	52,549
Other receivables	3,357	1,667
	<u>62,251</u>	<u>62,068</u>
Less: non-current portion		
— Rental and utilities deposits	(39,463)	(43,216)
— Prepayments for purchase of property, plant and equipment	(1,805)	(575)
	<u>(41,268)</u>	<u>(43,791)</u>
Current portion	<u><u>20,983</u></u>	<u><u>18,277</u></u>

At 31 December 2020 and 2019, the balances of deposits and other receivables were not past due. Financial assets included in the above balances relate to receivables for which there was no recent history of default. No provision for impairment was made to the rental and utilities deposits during the year (2019: approximately HK\$3,832,000).

The maximum exposure to credit risk as at 31 December 2020 and 2019 was the carrying value of each class of receivable mentioned above. The Group did not hold any collateral as security. The carrying amounts of deposits and other receivables approximate to their fair values and are denominated in HK\$.

12. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

Trade payables

	As at 31 December 2020 <i>HK\$'000</i>	As at 31 December 2019 <i>HK\$'000</i>
External suppliers	<u>37,657</u>	<u>44,774</u>

An ageing analysis of the trade payables as at 31 December 2020 and 2019, based on the invoice date, is as follows:

	As at 31 December 2020 <i>HK\$'000</i>	As at 31 December 2019 <i>HK\$'000</i>
Within 30 days	19,436	28,452
31–60 days	18,012	16,150
61–180 days	94	45
Over 180 days	<u>115</u>	<u>127</u>
	<u>37,657</u>	<u>44,774</u>

The trade payables are non-interest-bearing with payment terms of 30–60 days in general (2019: 30–60 days). The carrying amounts of trade payables approximate to their fair values and are denominated in HK\$.

Other payables and accruals

	As at 31 December 2020 HK\$'000	As at 31 December 2019 HK\$'000
Rent payable	1,545	1,940
Accrued employee benefit expenses	18,280	19,731
Provision for long service payment	994	2,285
Provision for untaken annual leave	8,235	8,453
Provision for reinstatement costs (<i>Note (a)</i>)	18,105	18,407
Other accrued expenses	23,555	26,236
Payables for purchase of property, plant and equipment	3,472	2,427
Others payables	632	632
	<u>74,818</u>	<u>80,111</u>
Less: non-current portion		
— Provision for reinstatement costs	<u>(14,932)</u>	<u>(15,009)</u>
Current portion	<u><u>59,886</u></u>	<u><u>65,102</u></u>

The carrying amounts of other payables and accruals approximate to their fair values, as the impact of discounting is not significant, and are mainly denominated in HK\$.

(a) Provision for reinstatement costs

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

	As at 31 December 2020 HK\$'000	As at 31 December 2019 HK\$'000
At the beginning of the year	18,407	19,455
Additional provision during the year	1,067	2,236
Reversal of provision made in prior years (<i>Note 5</i>)	(902)	—
Settlement	(467)	(219)
Disposal of subsidiaries	—	(3,065)
	<u>18,105</u>	<u>18,407</u>

13. SHARE CAPITAL

(a) **Authorised:**

	2020		2019	
	Number of shares	Nominal value <i>HK\$'000</i>	Number of shares	Nominal value <i>HK\$'000</i>
At beginning and end of the year	<u>4,000,000,000</u>	<u>400,000</u>	<u>4,000,000,000</u>	<u>400,000</u>

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

	2020		2019	
	Number of shares	Nominal value <i>HK\$'000</i>	Number of shares	Nominal value <i>HK\$'000</i>
At beginning and end of the year	<u>800,000,000</u>	<u>80,000</u>	<u>800,000,000</u>	<u>80,000</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Throughout the financial year ended 31 December 2020, the Group's business was adversely affected by the outbreak of the novel coronavirus disease ("COVID-19"), causing dramatic decline in the Group's revenue during most of the months in the year in which various stringent and mandatory social distancing measures, such as seating restrictions, reduced operating hours and other tighter constraints to contain the virus, were in place under the Prevention and Control of Disease (Requirements and Directions) (Business and Premises Regulation Chapter 599F of the Laws of Hong Kong). For further information in relation to the seating restrictions and reduced operating hours of restaurants, please refer to the calendars as set out on pages 24 of 25 of this announcement.

At the early stage of outbreak of the epidemic in mid-February in 2020, out of consideration for public health, and in order to address the then mounting public concern about the potential risk of infection associated with aerosol transmission from hotpot meals, the Group has decided to temporarily suspend the operation of all "On-Yasai (溫野菜)" and "Mou Mou Club (牛涮鍋)" restaurants of the Group for about two weeks. Such decision has not only brought unprecedented impact to the Group's revenue of that month, but also endangered the Group's financial condition. In order to survive the crisis, the Group adopted positive measures in response to the epidemic. Around two weeks later, the said restaurants were gradually by the Group reopened, with a pledge of upholding public health and a series of epidemic prevention measures adopted in order to protect the well being of our staff and customers.

Pioneering measures taken to tackle COVID-19 impact before relevant regulatory requirements

- Since February 2020, temporary table partitions/barriers were set up between tables in each restaurant in order to reduce direct face-to-face encounter between customers and our restaurant staff and prevent the spread of viruses by droplets; and since May 2020, permanent, durable and easy to clean table partitions/barriers had been set up and photocatalytic disinfection had been carried out in all restaurants to further enhance the protection for our customers;
- Since February 2020, we have imposed self-restriction of seating capacity to no more than 50% in our restaurants at the height of the pandemic;
- Since 31 July 2020, we have set up the role of "Designated Table Cleaners" in our restaurants whose role is to clean and disinfect tables (including partitions) and seats, and collect, clean and disinfect used food trays and tableware, so as to segregate their duties with other restaurant staff who are responsible for delivering dishes and other restaurant duties;
- Since late August 2020, self-checks have been conducted to ensure each of our restaurants has good ventilation of a minimum of six air changes per hour, with the related notice placed in our door-fronts;

- Since February 2020, heightening and redoubling our effort on restaurants' hygiene and cleaning with appropriate disinfectants, including hourly hand washing by all employees and thorough cleaning and disinfection by designated workers after the customers have left;
- Since June 2020, pioneering the development of "Red and Green Light Warning System" which could provide customers the most updated information on whether any confirmed cases of COVID-19 has recently visited our restaurants;
- Since February 2020, all restaurant staff are required to wear masks, and at their discretion, protective eyewear, provided by the Company, when they are on duty;
- Since February 2020, adoption of infection control measures, including body temperature screening and provision of hand sanitiser, in our restaurants; and
- Since February 2020, setting up air purifiers in our restaurants.

In addition, the Group also strictly abides by the mandatory social distancing measures and/or restrictions applicable to the catering industry, including but not limited to seating restrictions, reduced operating hours and other epidemic prevention constraints, imposed by the Hong Kong Government. The Group also initiated different cost saving measures and explored new income sources including developing takeaway and online businesses. The chairman and vice-chairperson of the Board also took a 50% cut to their monthly remuneration on a voluntary basis for a period of three months, starting from March 2020. During the year, the Group also distributed approximately HK\$30 million of "Re-supporting Coupon" (再幫襯銀票) to customers who dined in our restaurants to encourage them to visit the restaurants again. Although the additional discounts indirectly caused a slight increase to the Group's cost of food and beverages as a percentage of revenue, it also brought huge net revenue for the Group amid the COVID-19 pandemic.

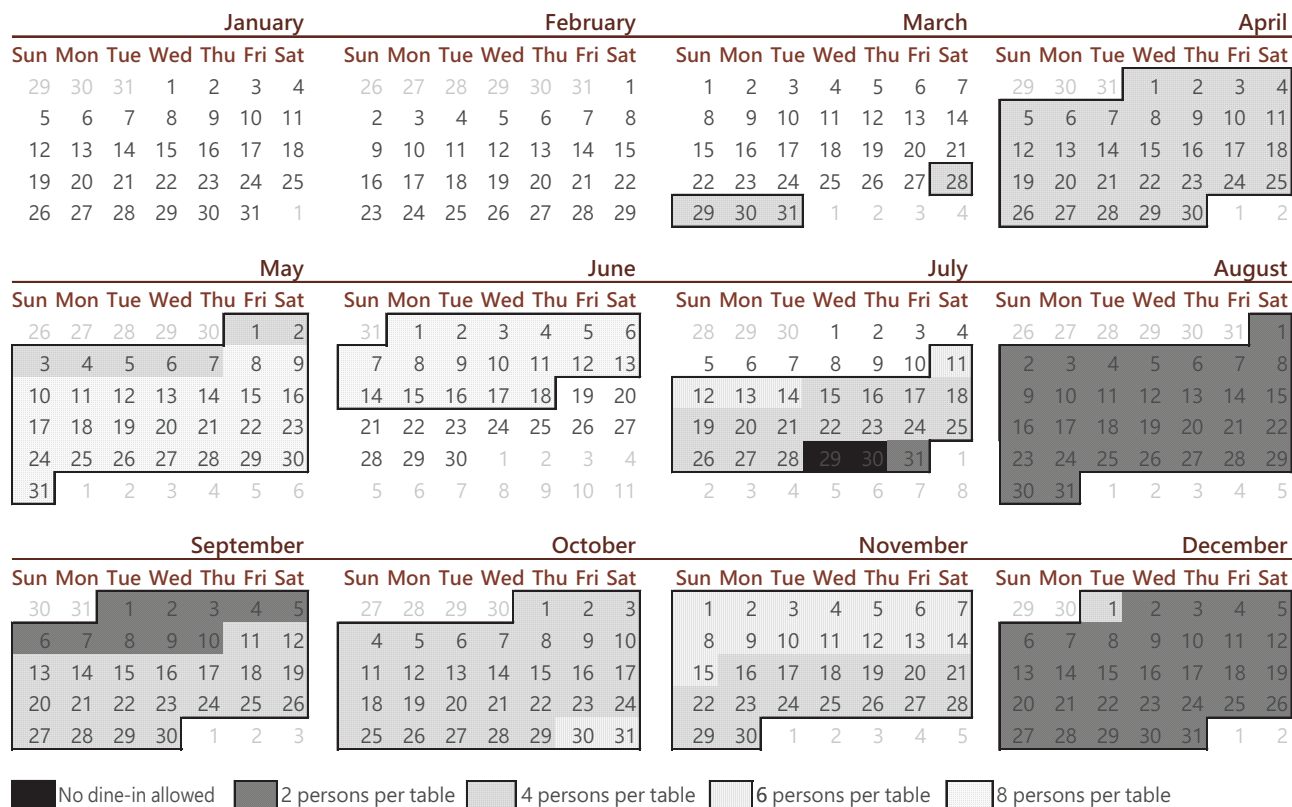
The Group's initiative in pioneering these epidemic prevention measures, and top-notch hygiene standard as we always uphold towards protecting the wellbeing of staff and customers, are highly recognised by local epidemic experts and our customers as illustrating a proactive responsibility of our leadership, and thereby greatly fostered and enhanced the trust and confidence of the diners of our restaurants.

According to the announcement issued by the Centre for Health Protection of the Department of Health, there were a total of seven visits of confirmed cases/suspected cases to our restaurants in 2020. The Group suspended its operations immediately in a proactive manner and engaged professional cleaning company to thoroughly clean and sanitize the relevant restaurants whenever such visits occurred. Besides, the Group promptly arranged every employee who was involved to conduct COVID-19 testing and kept disclosure of information in an open and transparent manner, thereby successfully avoided possible group outbreaks.

Owing to the outbreak of COVID-19 and the stringent and mandatory social distancing measures, the revenue of the Group has invariably suffered a significant decrease during most of the months in the financial year ended 31 December 2020 and recorded a significant loss. The subsidies and relief solutions offered by the Hong Kong Government during the year were timely help to the Group and its employees in the COVID-19 battered economy of Hong Kong. The Group is thankful to its customers for their unwavering support despite the aforesaid stringent and effective measures and for the effort of each and every of its staff. The Group showed strong resilience and agility in the relevant months in which the aforementioned measures were relieved, which had rapidly recouped revenues (*see the Comparable Restaurant Revenue Chart set out in the section headed “Financial Review — Revenue” below*) and brought considerable profits to the Group in the relevant months. This not only offset the losses of other months, helped the Group to tide over the difficulties together, but also successfully contributed to profits of the Group for the year ended 31 December 2020.

Restrictions on the maximum number of persons for each table under Chapter 599F of the Laws of Hong Kong

2020



Restrictions on the dine-in hours of restaurants under Chapter 599F of the Laws of Hong Kong

2020

January							February							March							April						
Sun	Mon	Tue	Wed	Thu	Fri	Sat	Sun	Mon	Tue	Wed	Thu	Fri	Sat	Sun	Mon	Tue	Wed	Thu	Fri	Sat	Sun	Mon	Tue	Wed	Thu	Fri	Sat
29	30	31	1	2	3	4	26	27	28	29	30	31	1	1	2	3	4	5	6	7	29	30	31	1	2	3	4
5	6	7	8	9	10	11	2	3	4	5	6	7	8	8	9	10	11	12	13	14	5	6	7	8	9	10	11
12	13	14	15	16	17	18	9	10	11	12	13	14	15	15	16	17	18	19	20	21	12	13	14	15	16	17	18
19	20	21	22	23	24	25	16	17	18	19	20	21	22	22	23	24	25	26	27	28	19	20	21	22	23	24	25
26	27	28	29	30	31	1	23	24	25	26	27	28	29	29	30	31	1	2	3	4	26	27	28	29	30	1	2

May							June							July							August						
Sun	Mon	Tue	Wed	Thu	Fri	Sat	Sun	Mon	Tue	Wed	Thu	Fri	Sat	Sun	Mon	Tue	Wed	Thu	Fri	Sat	Sun	Mon	Tue	Wed	Thu	Fri	Sat
26	27	28	29	30	1	2	31	1	2	3	4	5	6	28	29	30	1	2	3	4	26	27	28	29	30	31	1
3	4	5	6	7	8	9	7	8	9	10	11	12	13	5	6	7	8	9	10	11	2	3	4	5	6	7	8
10	11	12	13	14	15	16	14	15	16	17	18	19	20	12	13	14	15	16	17	18	9	10	11	12	13	14	15
17	18	19	20	21	22	23	21	22	23	24	25	26	27	19	20	21	22	23	24	25	16	17	18	19	20	21	22
24	25	26	27	28	29	30	28	29	30	1	2	3	4	26	27	28	29	30	31	1	23	24	25	26	27	28	29
31	1	2	3	4	5	6	5	6	7	8	9	10	11	2	3	4	5	6	7	8	30	31	1	2	3	4	5

September							October							November							December						
Sun	Mon	Tue	Wed	Thu	Fri	Sat	Sun	Mon	Tue	Wed	Thu	Fri	Sat	Sun	Mon	Tue	Wed	Thu	Fri	Sat	Sun	Mon	Tue	Wed	Thu	Fri	Sat
30	31	1	2	3	4	5	27	28	29	30	1	2	3	1	2	3	4	5	6	7	29	30	1	2	3	4	5
6	7	8	9	10	11	12	4	5	6	7	8	9	10	8	9	10	11	12	13	14	6	7	8	9	10	11	12
13	14	15	16	17	18	19	11	12	13	14	15	16	17	15	16	17	18	19	20	21	13	14	15	16	17	18	19
20	21	22	23	24	25	26	18	19	20	21	22	23	24	22	23	24	25	26	27	28	20	21	22	23	24	25	26
27	28	29	30	1	2	3	25	26	27	28	29	30	31	29	30	1	2	3	4	5	27	28	29	30	31	1	2

No dine-in allowed for whole day
 Dine-in allowed until 6pm
 Dine-in allowed until 9pm
 Dine-in allowed until 10pm
 Dine-in allowed until 12am
 Dine-in allowed until 2am

BUSINESS REVIEW

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

As at 31 December 2020, the Group operated one Cantonese restaurant under the self-owned brand “*Pot Master (煲仔王)*” in Hong Kong; and 37 Asian restaurants under two self-owned brands, namely, “*Mou Mou Club (牛瀨鍋)*” 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 served 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 31 December	
	2020	2019
Cantonese cuisine restaurants		
— Self-owned brands	1	2
Asian cuisine restaurants		
— Self-owned brands	13	14
— Franchised brands	24	22
<i>Sub-total of Asian restaurants:</i>	37	36
Total:	38	38

FINANCIAL REVIEW

Revenue

The Group's revenue decreased by approximately 20.2%, or approximately HK\$202.9 million, from approximately HK\$1,005.8 million for the year ended 31 December 2019 to approximately HK\$802.9 million for the year ended 31 December 2020. The Group's revenue was adversely affected by the outbreak of COVID-19 in 2020 in which various stringent and mandatory social distancing measures, such as seating restrictions, reduced operating hours and other constraints to contain the virus were in place.

Asian cuisine restaurants — franchised brands remained as the main pillar of revenue, constituting approximately 66.8% of the total revenue for the year ended 31 December 2020 (2019: 56.3%).

The revenue from Asian cuisine restaurants — self-owned brands decreased by approximately HK\$79.3 million or approximately 28.7%, from approximately HK\$275.8 million to approximately HK\$196.5 million.

In addition to the effect of COVID-19, the significant decrease in revenue from Cantonese cuisine restaurants is also due to the disposal of three Cantonese cuisine restaurants in April 2019 and the closure of one Cantonese cuisine restaurant in September 2020.

	For the year ended 31 December			
	2020		2019	
	Revenue	% of total	Revenue	% of total
	HK\$'000	(%)	HK\$'000	(%)
Cantonese cuisine restaurants				
— Self-owned brands	65,999	8.2	148,972	14.8
Asian cuisine restaurants				
— Self-owned brands	196,512	24.5	275,764	27.4
— Franchised brands	536,674	66.8	566,354	56.3
Sub-total of restaurant operations	799,185	99.5	991,090	98.5
Sale of food ingredients and others	3,667	0.5	14,686	1.5
Total	802,852	100.0	1,005,776	100.0

The following chart sets forth the change in revenue of comparable restaurants in each month in 2020 compared with the corresponding month in 2019:



Most of the months in 2020 recorded a decrease in the revenue of comparable restaurants compared with the same month in 2019. The revenue for comparable restaurants decreased most significantly in July, August and December 2020 as no dine-in were allowed after 6 pm during the months. Even in the gloom of COVID-19, during the months when social distancing measures have been released slightly (such as May, June, October and November 2020), our management observed that comparable restaurants still recorded considerable sales growth and showed strong recovery.

Other income and gains

The Group's other income and gains increased significantly by approximately 2,002.4%, or approximately HK\$90.5 million, from approximately HK\$4.5 million for the year ended 31 December 2019 to approximately HK\$95.0 million for the year ended 31 December 2020. The increase was due to one-off government subsidies of approximately HK\$43.8 million and net gain from lease modification of approximately HK\$46.0 million for the year ended 31 December 2020.

Cost of food and beverages

The Group's cost of food and beverages decreased by approximately 13.9%, or approximately HK\$40.7 million, from approximately HK\$292.8 million for the year ended 31 December 2019 to approximately HK\$252.1 million for the year ended 31 December 2020. The decrease was in line with the decrease in revenue during the year ended 31 December 2020. The cost of food and beverages as a percentage of revenue increased to approximately 31.4% for the year ended 31 December 2020 (2019: 29.1%), which was mainly due to greater meal discounts offered to both dine-in and takeaway customers in 2020.

Staff costs

The Group's staff costs decreased by approximately 29.1%, or approximately HK\$87.6 million, from approximately HK\$301.4 million for the year ended 31 December 2019 to approximately HK\$213.8 million for the year ended 31 December 2020. Such decrease was primarily due to wage subsidies of approximately HK\$43.1 million granted from the Employment Support Scheme under the Anti-Epidemic Fund launched by the Hong Kong Government and the decreased salary and wages during the year ended 31 December 2020 as we disposed three Cantonese cuisine restaurants on 30 April 2019. The staff costs as a percentage of revenue decreased to approximately 26.6% for the year ended 31 December 2020 (2019: 30.0%).

Property rentals and related expenses

The Group's property rentals and related expenses decreased by approximately 54.2%, or approximately HK\$39.9 million, from approximately HK\$73.6 million for the year ended 31 December 2019 to approximately HK\$33.7 million for the year ended 31 December 2020. Such decrease was mainly attributable to most leases were accounted for under HKFRS 16 as right-of-use assets and lease liabilities instead of property rentals expenses during the year ended 31 December 2020, while some leases were short-term leases at the initial adoption of HKFRS 16 for the year ended 31 December 2019. In addition, rent concessions from certain landlords resulting in more affordable rental rates were accounted for during the year ended 31 December 2020 while there was no such concession for the year ended 31 December 2019.

Profit/loss for the year

Profit for the year ended 31 December 2020 amounted to approximately HK\$140.3 million while there was a loss of approximately HK\$11.3 million for the year ended 31 December 2019. Such increase in profit was mainly due to the combined effect of (i) decrease in provision for impairment of property, plant and equipment and right-of-use assets by approximately HK\$52.2 million as compared with the year ended 31 December 2019; and (ii) other factors discussed above.

Excluding one-off and non-recurring items, i.e. government grants, net gain from lease modification, provision for impairment, gain on disposal of subsidiaries and loss on disposal of financial assets at fair value through profit or loss, the core profit before tax from our operation for the year ended 31 December 2020 was approximately HK\$27.3 million, decreased by approximately 57.3%, or approximately HK\$36.7 million, from approximately HK\$64.0 million for the year ended 31 December 2019.

LIQUIDITY AND FINANCIAL RESOURCES

The Group financed its business with internally generated cash flows and proceeds received from the Listing. As at 31 December 2020, the Group had short term bank deposits of approximately HK\$159.6 million (2019: approximately HK\$132.4 million) and cash and cash equivalents of approximately HK\$179.1 million (2019: approximately HK\$130.8 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 31 December 2020, the Group's total current assets and current liabilities were approximately HK\$397.8 million (2019: approximately HK\$313.8 million) and approximately HK\$217.1 million (2019: approximately HK\$290.0 million) respectively, while the current ratio was about 1.8 times (2019: about 1.1 times).

As at 31 December 2020, 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 31 December 2020, 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 2020.

EVENTS AFTER THE REPORTING PERIOD

No significant events occurred after the reporting period and up to the date of this announcement.

PLEDGE OF ASSETS

As at 31 December 2020, the Group did not pledge any assets.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2020, the Group had 1,344 employees (2019: 930 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 year ended 31 December 2020. As at 31 December 2020, 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 dollars and the Group is not exposed to any significant foreign exchange exposure.

CONTINGENT LIABILITIES

As at 31 December 2020, 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.

PROSPECTS

The outbreak of COVID-19 since early 2020 has significantly undermined catering businesses in Hong Kong. The management considers that the major uncertainties in the business performance of the Group in 2021 are subject to whether the epidemic will rebound from time to time. Throughout 2020, the management was delighted to see the substantial sales growth and strong profitability of our restaurants in several months when social distancing measures have been released slightly, even during the gloom of COVID-19. The management expects that the roll-out of vaccination plan on a mass scale globally and the recommendation of issuing electronic consumption vouchers with a total value of HK\$5,000 to each eligible person by the Financial Secretary in the 2021-22 Budget Proposals will help to facilitate the speedy recovery of the local consumption market and bring significant opportunity of business growth to the Group, provided that the epidemic situation in Hong Kong would not deteriorate in 2021.

Where there is crisis, there is opportunity. The current crisis provided an opportunity to reflect on our conventional business model and processes, which may be favourable for the Group's long-term development. In the face of setbacks stemming from dampened consumer sentiment and dine-in demand, the Group has agilely opened up and has been strengthening our food delivery and takeaway services to recoup revenue for the Group. To further capitalise its competitive advantage, the Group will also continue to expand its online businesses via proprietary and third-party platforms. Furthermore, the Group will continue to keep abreast of the latest trends not only by improving the application of our technology and information system, but also by allocating more resources to strengthen online and digital system management, in a bid to improve the efficiency and effectiveness of business processes. The Group will also appropriately adjust the restaurant and brand portfolio through phasing out those with weaker performance from time to time, and allocate resources to develop and explore brands with better potential and profitability.

With our diversified multi-brand strategy and over-three-decade corporate history, the Group has been well-recognised by our customers and different landlords as a credible and respected restaurants operator. The Group will leverage its healthy financial position to optimise its restaurant network and bring in/ develop new brands according to market trends to flourish our brand portfolio to cater for different market needs and solidify our market penetration. The Group will roll out new brands which includes but not limited to new concept hotpot restaurants and all-day dining in the local market to attract a wider spectrum of diners in due course.

Crisis creates opportunities. In the face of changes in 2021, the management will closely monitor the latest development and dynamic of epidemic and industry. Meanwhile, the management will actively rejuvenate our operations and seek for development opportunities among changes to create more value for our shareholders. With a robust financial position and brand layout, combined with strategies and actions both in place, the management believes that the Group will weather the storm and achieve further growth.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained a sufficient public float of at least 25% of the issued shares during the year ended 31 December 2020 and up to the date of this announcement.

ANNUAL GENERAL MEETING

The annual general meeting (the “**AGM**”) of the Company will be held on Thursday, 3 June 2021. The notice of AGM, which constitutes part of the circular to the shareholders of the Company (the “**Shareholders**”), will be sent together with the 2020 annual report in due course.

FINAL DIVIDEND

Having considered the economic outlook, the Group’s financial position, its future expansion plans and other factors, the Board has recommended the payment of a final dividend of HK13.16 cents per share, totalling HK\$105,280,000 to the Shareholders whose names will appear on the register of members of the Company (the “**Register of Members**”) on Friday, 11 June 2021, subject to the approval of the Shareholders 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 Friday, 25 June 2021.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determination of eligibility to attend and vote at the AGM, the Register of Members will be closed from Monday, 31 May 2021 to Thursday, 3 June 2021, both days inclusive during which period no transfer of shares will be registered. In order to be entitled to attend and vote at the AGM, 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 Friday, 28 May 2021.

For the purpose of determination of entitlement to the final dividend, the Register of Members will be closed from Wednesday, 9 June 2021 to Friday, 11 June 2021, both days inclusive, during which no transfer of shares will be registered. In order to qualify for the final 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, 8 June 2021.

CORPORATE GOVERNANCE PRACTICES

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders and to enhance corporate value and accountability. The Company has adopted the Corporate Governance Code and the Corporate Governance Report (the “**CG Code**”) contained in Appendix 14 to the Rules Governing the Listing of Securities (the “**Listing Rules**”) on the Stock Exchange as its own code of corporate governance.

During the year ended 31 December 2020, save for the deviation from code provision A.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 A.2.1 of the CG Code, the roles of chairperson and the chief executive officer should be separate and should not be performed by the same individual. Mr. Wong Kit Lung Simon (“**Mr. Wong**”) currently holds both positions. Mr. Wong has been the key leadership figure of the Group who has been primarily involved in the formulation of business strategies and determination of the overall direction of the Group. He has also been chiefly responsible for the Group’s operations as he directly supervises the senior management. Taking into account the continuation of the implementation of the business plans, the Directors (including the independent non-executive Directors) consider Mr. Wong as the best candidate for both positions and the present arrangements are beneficial and in the interests of the Group and the Shareholders as a whole. The balance of power and authority is ensured by the operation of the senior management and the Board, which comprises experienced and high-calibre individuals. The Board currently comprises two executive Directors (including Mr. Wong) and three independent non-executive Directors and therefore has a fairly strong independence element in its composition.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuer (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions of the Directors. Having made specific enquiry with the Directors, all Directors confirmed that they have complied with the required standard as set out in the Model Code for the year ended 31 December 2020.

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 2020.

AUDIT COMMITTEE

The Board has established an audit committee of the Company (the “**Audit Committee**”) which comprises three independent non-executive Directors, namely Ms. Hung Lo Shan Lusan (Chairperson), Mr. Hung Wai Man and Mr. Sin Yat Kin. The primary duties of the Audit Committee are to assist the Board by providing an independent view of the effectiveness of the financial reporting process, internal control and risk management system of the Group, to oversee the audit process, to develop and review our 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 2020.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2020 have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

PUBLICATION OF THE ANNUAL RESULTS AND 2020 ANNUAL REPORT

This annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.lhgroup.com.hk), and the 2020 annual report containing the information required by Appendix 16 to the Listing Rules will be despatched to the Shareholders and will be published on the respective websites of the Stock Exchange and the Company 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 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, JP
Chairman

Hong Kong, 29 March 2021

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