



LHGROUP

叙福樓集團

LH GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 1978

2023
INTERIM
REPORT

QUALITY SERVICE
AUTOMATION **MULTI-BRAND STRATEGY**
WORKFLOW MANAGEMENT PASSION
GROWTH MINDSET **NEW** **PROFESSIONALISM**
COST CONTROL **NEW** CUSTOMER SATISFACTION
POSITIVITY **LEADERSHIP** **MARKETING**
CREATIVITY **LEADERSHIP** TEAMWORK
STORE NETWORK EXPANSION **PEOPLE DEVELOPMENT**
DIGITAL TRANSFORMATION VALUE FOR MONEY
CHANGE **ARTIFICIAL INTELLIGENCE**

CONTENTS

Corporate Information	2
Financial Highlights and Calendar	4
Management Discussion and Analysis	5
Other Information	14
Unaudited Condensed Consolidated Statement of Comprehensive Income	18
Condensed Consolidated Statement of Financial Position	19
Unaudited Condensed Consolidated Statements of Changes in Equity	21
Unaudited Condensed Consolidated Statements of Cash Flows	22
Notes to the Financial Statements	23
Properties held by the Group	40

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Wong Kit Lung Simon *Prof, BBS, JP*
(*Chairman and Chief Executive Officer*)
Ms. Ko Sau Chee Grace (*Vice Chairperson*)

Independent Non-executive Directors

Mr. Sin Yat Kin *SBS, CSDSM, JP*
Ms. Hung Lo Shan Lusan
Mr. Hung Wai Man *Prof, JP*

AUDIT COMMITTEE

Ms. Hung Lo Shan Lusan (*Chairperson*)
Mr. Hung Wai Man *Prof, JP*
Mr. Sin Yat Kin *SBS, CSDSM, JP*

REMUNERATION COMMITTEE

Mr. Sin Yat Kin *SBS, CSDSM, JP* (*Chairperson*)
Mr. Wong Kit Lung Simon *Prof, BBS, JP*
Ms. Hung Lo Shan Lusan

NOMINATION COMMITTEE

Mr. Wong Kit Lung Simon *Prof, BBS, JP*
(*Chairperson*)
Mr. Sin Yat Kin *SBS, CSDSM, JP*
Mr. Hung Wai Man *Prof, JP*

JOINT COMPANY SECRETARIES

Ms. Chan Hiu Yi (*ACG, HKACG*)
Ms. Yu Wing Sze (*ACG, HKACG*)

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
Registered Public Interest Entity Auditor
22/F, Prince's Building
Central
Hong Kong

AUTHORISED REPRESENTATIVES

Ms. Chan Hiu Yi
Ms. Ko Sau Chee Grace

LEGAL ADVISER

ONC Lawyers
19th Floor, Three Exchange Square
8 Connaught Place
Central, Hong Kong

REGISTERED OFFICE

Walkers Corporate Limited
190 Elgin Avenue
George Town
Grand Cayman KY1-9008
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 03, L22, Tower 1
Enterprise Square Five
38 Wang Chiu Road
Kowloon Bay, Kowloon
Hong Kong

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712–1716
17/F, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

**CAYMAN ISLANDS PRINCIPAL
SHARE REGISTRAR AND TRANSFER OFFICE**

Walkers Corporate Limited
190 Elgin Avenue
George Town
Grand Cayman KY1-9008
Cayman Islands

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
Industrial and Commercial Bank of China (Asia) Limited
China Construction Bank (Asia) Corporation Limited
China Citic Bank (International) Limited

COMPANY WEBSITE

www.lhgroup.com.hk

STOCK CODE

1978

LISTING DATE

30 May 2018

Financial Highlights and Calendar

FINANCIAL HIGHLIGHTS

For the six months ended 30 June

	2023 <i>HK\$ million</i>	2022 <i>HK\$ million</i>
Revenue	660.5	400.0
Profit attributable to the shareholders of the Company	47.6	6.8
Earnings per share Basic and diluted (<i>HK cents</i>)	5.94	0.85
Interim dividend per share (<i>HK cents</i>)	4.75	—
Special dividend per share (<i>HK cents</i>)	12.50	—

CALENDAR

Interim Results Announcement	28 August 2023
Closure period of Register of Members for interim dividend and special dividend	18 September 2023 - 20 September 2023 (both dates inclusive)
Payable date of interim dividend and special dividend	On or around 29 September 2023

Management Discussion and Analysis

BUSINESS REVIEW

LH Group Limited (the “**Company**”) together with its subsidiaries (collectively, the “**Group**”) is a top full service multi-brand restaurant group in Hong Kong specialising in Asian (in particular Japanese) and Cantonese cuisine.

As at 30 June 2023, the Group operated a total of 55 restaurants, out of which 16 restaurants are under five self-owned brands, namely “*Mou Mou Club (牛涮鍋)*”, “*Peace Cuisine (和平飯店)*”, “*Wing Wah Allday (永華日常)*”, “*Pot Master (煲仔王)*” and “*#HAP Taiwanese Hotpot (好呷台灣火鍋)*”, and 39 restaurants are under four franchised brands, namely “*Gyu-Kaku (牛角)*”, “*Gyu-Kaku Jinan-Bou (牛角次男坊)*”, “*On-Yasai (溫野菜)*” and “*The Matcha Tokyo*”, which serve quality, value-for-money delicacies to diversified customer segments seeking a wide array of culinary experiences. We pride ourselves in the extensive market coverage of our brand portfolio, which allows us to tap into customer segments spanning across mid-to-high end 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	
	2023	2022
Self-owned brands	16	16
Franchised brands	39	34
Total:	55	50

FINANCIAL REVIEW

Revenue

In early 2022, there was an outbreak of the fifth wave of COVID-19 in Hong Kong (the “**Pandemic**”) and implementation of stricter dine-in restrictions and social distancing measures by the Hong Kong Government caused a negative impact on the Group’s business. The operation of the Group’s restaurants was also suspended temporarily due to the deteriorating outbreak of the pandemic in early 2022, which led to a drop in the Group’s revenue for the six months ended 30 June 2022 (the “**Last Corresponding Period**”). Since the social distancing measures began to relax in late April 2022, the Group showed strong resilience and agility and there was rapid rebound in revenue thereafter.

Compared to the results for the Last Corresponding Period, which were significantly hit by the outbreak of the fifth wave of outbreak of the Pandemic in Hong Kong, the Group’s revenue increased by approximately 65.1%, or approximately HK\$260.5 million, from approximately HK\$400.0 million for the Last Corresponding Period to approximately HK\$660.5 million for the six months ended 30 June 2023 (the “**Period**”). The increase in revenue mainly due to (i) the absence of strict social distancing measures from early January to late April 2022, which significantly affected the performance of the Group in Last Corresponding Period; and (ii) the increase in number of restaurants operated by the Group from 50 as at 30 June 2022 to 55 as at 30 June 2023.

The number of restaurants under franchised brands increased from 34 as at 30 June 2022 to 39 as at 30 June 2023 and the revenue from franchised brands increased by approximately HK\$189.7 million or approximately 64.6%, from approximately HK\$293.7 million for the Last Corresponding Period to approximately HK\$483.4 million for the Period. Franchised brands remained as the main pillar of revenue, constituting approximately 73.2% of the total revenue of the Group for the Period (Last Corresponding Period: 73.4%).

The revenue from self-owned brands increased by approximately HK\$70.3 million or approximately 67.9%, from approximately HK\$103.7 million for the Last Corresponding Period to approximately HK\$174.0 million for the Period.

Revenue by business segments is set out below:

	For the six months ended 30 June			
	2023		2022	
	Revenue HK\$'000	% of total Revenue (%)	Revenue HK\$'000	% of total Revenue (%)
Self-owned brands	173,993	26.3	103,658	25.9
Franchised brands	483,374	73.2	293,696	73.4
Sub-total of restaurant operations	657,367	99.5	397,354	99.3
Sale of food ingredients and others	3,142	0.5	2,669	0.7
Total	660,509	100.0	400,023	100.0

Other income and gains

The Group's other income and gains decreased by approximately 87.6%, or approximately HK\$17.7 million, from approximately HK\$20.2 million for the Last Corresponding Period to approximately HK\$2.5 million for the Period.

The decrease was mainly due to a decrease in government subsidies of approximately HK\$17.5 million from approximately HK\$17.8 million for the Last Corresponding Period to approximately HK\$0.3 million for the Period. Other income and gains mainly consist of promotion income from a credit card company of approximately HK\$1.7 million for the Period (Last Corresponding Period: approximately HK\$1.7 million).

Cost of food and beverages

The Group's cost of food and beverages increased by approximately 55.7%, or approximately HK\$72.0 million, from approximately HK\$129.2 million for the Last Corresponding Period to approximately HK\$201.2 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 decreased from approximately 32.3% for the Last Corresponding Period to approximately 30.5% for the Period.

Staff costs

The Group's staff cost increased by approximately 55.1%, or approximately HK\$72.2 million, from approximately HK\$131.0 million for the Last Corresponding Period to approximately HK\$203.2 million for the Period. Apart from the increase in the number of employees due to the expansion of restaurant network, the increase was due to the absence of wage subsidy being received under the Employment Support Scheme of the Anti-Epidemic Fund set up by the Hong Kong Government for the Period, while the amount of relevant subsidies for the Last Corresponding Period was approximately HK\$19.4 million. If the wage subsidies for the Last Corresponding Period were excluded, wages and salaries increased by approximately HK\$52.8 million for the Period. Staff cost as a percentage of revenue decreased by 1.9 percentage points from approximately 32.7% for the Last Corresponding Period to approximately 30.8% for the Period. If the wage subsidies received during the Last Corresponding Period were excluded, staff cost was amounted to 30.8% for the Period, which decreased by 6.8 percentage points from approximately 37.6% for the Last Corresponding Period.

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

The Group's depreciation of right-of-use assets, rental and related expenses increased by approximately 30.1%, or approximately HK\$22.8 million, from approximately HK\$75.6 million for the Last Corresponding Period to approximately HK\$98.4 million for the Period. The increase in expenses was mainly due to the increase in the number of restaurants from 50 as at 30 June 2022 to 55 as at 30 June 2023.

Profit for the Period

Profit for the Period increased significantly by approximately 600.5%, or approximately HK\$40.8 million, from approximately HK\$6.8 million for the Last Corresponding Period to approximately HK\$47.6 million for the Period.

The increase in profit was mainly due to the absence of the negative impacts on the Group's business during the Period due to the absence of the outbreak of the fifth wave of COVID-19 in Hong Kong and the abolition of dine-in restrictions and social distancing policies by the Hong Kong Government. Since the social distancing measures began to relax in late April 2022, the restaurant operations of the Group had gradually resumed and the revenue had rebounded rapidly thereafter.

LIQUIDITY AND FINANCIAL RESOURCES

The Group financed its business with internally generated cash flows and proceeds received from its listing (the "**Listing**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). As at 30 June 2023, the Group had short term bank deposits of approximately HK\$212.5 million (as at 31 December 2022: approximately HK\$145.5 million) and cash and cash equivalents of approximately HK\$147.5 million (as at 31 December 2022: approximately HK\$196.5 million). Most bank deposits and cash were denominated in HK\$. The Group will continue to use the internal generated cash flows as a source of funding for future developments.

As at 30 June 2023, the Group's total current assets and current liabilities were approximately HK\$418.8 million (as at 31 December 2022: approximately HK\$428.2 million) and approximately HK\$308.8 million (as at 31 December 2022: approximately HK\$288.1 million) respectively, while the current ratio was about 1.4 times (as at 31 December 2022: about 1.5 times).

As at 30 June 2023, the gearing ratio of the Group was nil (as at 31 December 2022: nil) as it had no outstanding interest-bearing bank borrowings. The gearing ratio is calculated by total interest-bearing bank borrowings divided by total equity and multiplied by 100%.

SIGNIFICANT INVESTMENTS

As at 30 June 2023, the Group did not have any significant investments.

TREASURY POLICY

The Group operates a conservative set of treasury policies to ensure that no unnecessary risks are taken with the Group's assets. No investment in financial instruments other than cash or bank deposits is currently used. The directors of the Company (the "**Directors**") will continue to follow a prudent policy in managing the Group's cash and maintaining a strong and healthy liquidity to ensure that the Group is well placed to take advantage of future growth opportunities.

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 Period. The Group has no plan for material investments or additions of capital assets during the Period and as at the date of this report.

CHARGES ON GROUP ASSETS

As at 30 June 2023, the Group did not have any charges on assets.

CAPITAL STRUCTURE

There was no change in the capital structure of the Group during the six months ended 30 June 2023. The capital of the Group only comprises ordinary shares.

EVENTS AFTER THE REPORTING PERIOD

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

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2023, the Group had 1,919 employees (as at 31 December 2022: 1,768 employees). The remuneration of the employees is determined by reference to prevailing market terms and in accordance with the performance, qualification and experience of each individual employee. The remuneration of individual employee is reviewed regularly with reference to the employee's performance and qualifications.

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

SHARE OPTION SCHEME

No share option was granted during the Period. Since the date of adoption of the Share Option Scheme on 4 May 2018 and up to 30 June 2023, there was no share option granted, exercised, outstanding, expired, cancelled or lapsed under the Share Option Scheme.

The number of share options available for grant under the scheme mandate of the Share Option Scheme was 80,000,000 Shares as at 1 January 2023 and 30 June 2023, respectively, representing 10% of the issued share capital of the Company as at each of the respective dates. There was no service provider sub-limit set under the Share Option Scheme during the Period.

FOREIGN EXCHANGE EXPOSURE

Most of the transactions of the Group are denominated in HK\$ and the Group is not exposed to any significant foreign exchange exposure. As at 30 June 2023, the Group did not have any foreign exchange investment and did not engage in any currency hedging transactions or enter into any hedging instruments.

CONTINGENT LIABILITIES

As at 30 June 2023, the Group did not have any material contingent liabilities.

PROSPECTS

In February 2023, Hong Kong has officially lifted entry restrictions for control of the Pandemic, together with the Pandemic control measures in Mainland China being released, the tourism industry of Hong Kong has gradually recovered. The Hong Kong Government withdrawn the “mask mandate” regulation in March 2023 and launched the new round of consumption voucher scheme in April and July 2023, which boosted the consumer sentiment and acted as resumption catalyst for the local consumption market, paving its way for return to normality. Under the gradual resumption of the Hong Kong economy, the Group is well prepared in various aspects and awaits for the post-Pandemic opportunities.

The tourism and catering market of Hong Kong is complementary to each other. As travel restrictions between Hong Kong and Mainland China fully lifted in February 2023, and the promotion of “Hello Hong Kong” actively carried out by the Hong Kong Government, which gives away free air tickets and vouchers to travelers, together with the organization of large-scale campaigns, exhibitions and international meetings in Hong Kong, travelers and business travelers will be attracted to visit and spend in Hong Kong. Although the number of visitors continually increased after the lifting of travel restrictions, local districts are still relatively quiet after 9 p.m. and the overall consumption market has not fully recovered. The Group believes that with the practical improvement in the economy, different sub-economies will be further strengthened and continue to resume, which in turn will drive the development of Hong Kong in mid-long run. The Group expects that in the second half of 2023, along with the economy resumption, various campaigns, the number of visitors will continue to increase. It is believed that more business development opportunities will be brought to the catering industry as well as promoting our business growth.

In terms of branding, we strengthen our pricing ability and leading position in the market by ways of rejuvenating the existing brands, creating and introducing new brands, increasing number of stores, enhancing digital marketing and product innovation. The Group introduced the franchised café brand “The Matcha Tokyo” from Tokyo and a new self-owned Taiwanese hot pot brand “#HAP Taiwanese Hotpot (好呷台灣火鍋)”, to provide a more diverse dining experience to customers. Those new brands are welcomed by our customers during the initial phrase of investment and have demonstrated steady performance. We will continue to develop different brands and extend our business to customers in all districts.

Management Discussion and Analysis

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

Although the macro-economy is still affected by uncertainties such as interest rate hike cycle, inflation and geopolitics instabilities, the Group is optimistic towards the recovery of local economy. In order to enhance our management and overcome the upcoming challenges, we have established a professional management team to plan ahead for the next phrase of development. Under the leadership of our professional management team, the Group will move on to the next phrase of development, through proactive rejuvenating the existing brands, developing and introducing new brands, expanding our restaurants network, promoting systematic procedures, strengthening digital marketing, continuing our product innovation, and balancing the development of various brands, with an aim to boost business growth and enhancing our market position under a back-to-normal business environment.

DIVIDENDS

This year falls on the fifth anniversary of the Group’s listing. To thank the shareholders of the Company (the “**Shareholders**”) for their support along the way especially during the Pandemic, in addition to declaring an interim dividend, the board of Directors (the “**Board**”) has resolved to declare a special dividend of HK\$100 million, to thank the Shareholders. The Board also encouraged the Shareholders to spend more at the Group’s branches after receiving dividends to support the Group’s continued business development, achieving the goal of spending happily and boosting the economy together.

Upon payment of interim and special dividends, the Group will still have more than HK\$200 million funds in reserve for operation and future development. As the Group had no financial borrowings, the global and local interest rate hikes have not imposed any direct financial burden to the Group. Instead, it has emerged as a relative competitive advantage for the Group. Hoping that the Shareholders will continue to support the Group’s development, the Group will do its best to improve products and services for creating value for customer satisfaction.

The Board has resolved to declare payment of an interim dividend of HK4.75 cents per share for the Period (Last Corresponding Period: nil), totalling HK\$38 million, and the payment of a special dividend of HK12.50 cents per share, totalling HK\$100 million, payable to the Shareholders whose name appear on the register of members of the Company (the “**Register of Members**”) on Wednesday, 20 September 2023. The interim dividend and special dividend will be paid to the Shareholders on or around Friday, 29 September 2023.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determination of entitlement to the interim dividend and the special dividend, the Register of Members will be closed from Monday, 18 September 2023 to Wednesday, 20 September 2023, both days inclusive, during which no transfer of shares will be registered. In order to qualify for the interim dividend and the 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 Friday, 15 September 2023.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the best knowledge of the Directors, the Company has maintained a sufficient public float of at least 25% of the issued shares for the Period and up to the date of this report under the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

CORPORATE GOVERNANCE PRACTICES

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders and to enhance corporate value and accountability. The Company has adopted the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Listing Rules as its own code of corporate governance.

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuer (the “**Model Code**”) as set out in Appendix 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 standards as set out in the Model Code for the Period.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities 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 (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 has held meetings to discuss the financial reporting process, internal control and risk management system of the Group, including the review of the unaudited interim results and the unaudited interim condensed consolidated financial information of the Group for the Period.

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

Other Information

CHANGE IN DIRECTORS' BIOGRAPHICAL DETAILS UNDER RULE 13.51B(1) OF THE LISTING RULES

Name of Director	Change
Ms. Hung Lo Shan Lusan	Ms. Hung has been appointed as an independent non-executive director of PetroChina Company Limited, the shares of which are listed on the Hong Kong Stock Exchange (Stock Code: 0857) and Shanghai Stock Exchange (Stock Code: 601857), with effect from 8 June 2023.

Save as disclosed above, there has been no change in the Directors' biographical details which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

(i) Interest in the Company

As at 30 June 2023, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code are as follows:

Name of Director	Capacity/Nature of interest	Number of Shares	Approximate percentage of shareholding in the Company (%)	Long position/ Short position
Mr. Wong Kit Lung Simon ⁽²⁾	Interest held jointly with other persons; interest in a controlled corporation	600,000,000	75%	L ⁽¹⁾
Ms. Ko Sau Chee Grace ⁽²⁾	Interest held jointly with other persons; interest in a controlled corporation	600,000,000	75%	L ⁽¹⁾

Other Information

Notes:

- (1) The letter “L” denotes the person’s long position in the shares of the Company (the “**Shares**”).
- (2) Mr. Wong Kit Lung Simon, Mr. Ko Cheuk Kuen, Mr. Wong Yiu Hung, Mr. Liu Cheung, Mr. Liu Chi Hung Peter, Mr. Lau Kwong Kwan, Hop Kwan Holdings Limited (“**Hop Kwan**”) and Ms. Ko Sau Chee Grace are parties acting in concert (having the meaning ascribed to it under the Hong Kong Codes on Takeovers and Mergers and Share Repurchases (the “**Takeovers Code**”). Under the SFO, Mr. Lam Kwan Ying and Ms. Chan Wai Chun are deemed or taken to be interested in the shares to be held by Hop Kwan. As such, Mr. Wong Kit Lung Simon, Mr. Ko Cheuk Kuen, Mr. Wong Yiu Hung, Mr. Liu Cheung, Mr. Liu Chi Hung Peter, Mr. Lau Kwong Kwan, Hop Kwan, Mr. Lam Kwan Ying, Ms. Chan Wai Chun and Ms. Ko Sau Chee Grace will for the purpose of the SFO together through LHG Holdings Limited (“**LHG Holdings**”) control 75% of the entire share capital of the Company.

(ii) Interest in the associated corporation

Name of Director	Position in the Company	Name of associated corporation	Number of Shares held	Approximate percentage of shareholding (%)
Mr. Wong Kit Lung Simon	Executive Director	LHG Holdings	290,358	29.03%
Ms. Ko Sau Chee Grace	Executive Director	LHG Holdings	100,100	10.01%

Save as disclosed above, as at 30 June 2023, none of the Directors or chief executives of the Company had or was deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required to be recorded in the register to be kept by the Company pursuant to section 352 of the SFO, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

Other Information

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2023, within the knowledge of the Directors, the following persons (other than the Directors or chief executive of the Company) had an interest or a short position in the Shares or underlying Shares which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name of Shareholder	Capacity/Nature of interest	Number of Shares	Approximate percentage of shareholding (%)	Long position/ Short position/ Lending pool
LHG Holdings ⁽²⁾	Beneficial owner	600,000,000	75%	L ⁽¹⁾
Mr. Ko Cheuk Kuen ⁽⁶⁾	Interest held jointly with other persons; interest in a controlled corporation	600,000,000	75%	L ⁽¹⁾
Mr. Wong Yiu Hung ⁽⁶⁾	Interest held jointly with other persons; interest in a controlled corporation	600,000,000	75%	L ⁽¹⁾
Mr. Liu Cheung ⁽⁶⁾	Interest held jointly with other persons; interest in a controlled corporation	600,000,000	75%	L ⁽¹⁾
Mr. Liu Chi Hung Peter ⁽⁶⁾	Interest held jointly with other persons; interest in a controlled corporation	600,000,000	75%	L ⁽¹⁾
Mr. Lau Kwong Kwan ⁽⁶⁾	Interest held jointly with other persons; interest in a controlled corporation	600,000,000	75%	L ⁽¹⁾
Hop Kwan ⁽³⁾⁽⁶⁾	Interest held jointly with other persons; interest in a controlled corporation	600,000,000	75%	L ⁽¹⁾
Mr. Lam Kwan Ying ⁽³⁾⁽⁴⁾⁽⁶⁾	Interest of spouse; interest held jointly with other persons; interest in a controlled corporation	600,000,000	75%	L ⁽¹⁾
Ms. Chan Wai Chun ⁽³⁾⁽⁵⁾⁽⁶⁾	Interest of spouse; interest held jointly with other persons; interest in a controlled corporation	600,000,000	75%	L ⁽¹⁾

Other Information

Notes:

- (1) The letter "L" denotes the person's long position in the Shares.
- (2) LHG Holdings is an investment-holding company incorporated in the British Virgin Islands and owned as to 29.03%, 2.99%, 10.01%, 11.99%, 11.99%, 11.99% and 10.01% by Mr. Wong Kit Lung Simon, Mr. Wong Yiu Hung, Mr. Ko Cheuk Kuen, Mr. Liu Cheung, Mr. Liu Chi Hung Peter, Mr. Lau Kwong Kwan, Hop Kwan and Ms. Ko Sau Chee Grace respectively.
- (3) Mr. Lam Kwan Ying and Ms. Chan Wai Chun each owns 18.33% and 68.33% of Hop Kwan respectively and therefore under the SFO, Mr. Lam Kwan Ying and Ms. Chan Wai Chun are deemed or taken to be interested in the Shares to be held by Hop Kwan.
- (4) Mr. Lam Kwan Ying is the spouse of Ms. Chan Wai Chun and is deemed or taken to be interested in all the Shares in which Ms. Chan Wai Chun has, or is deemed to have, an interest for the purpose of the SFO.
- (5) Ms. Chan Wai Chun is the spouse of Mr. Lam Kwan Ying and is deemed or taken to be interested in all the Shares in which Mr. Lam Kwan Ying has, or is deemed to have, an interest for the purpose of the SFO.
- (6) Mr. Wong Kit Lung Simon, Mr. Ko Cheuk Kuen, Mr. Wong Yiu Hung, Mr. Liu Cheung, Mr. Liu Chi Hung Peter, Mr. Lau Kwong Kwan, Hop Kwan and Ms. Ko Sau Chee Grace are parties acting in concert (having the meaning ascribed to it under the Takeovers Code). Under the SFO, Mr. Lam Kwan Ying and Ms. Chan Wai Chun are deemed or taken to be interested in the shares to be held by Hop Kwan. As such, Mr. Wong Kit Lung Simon, Mr. Ko Cheuk Kuen, Mr. Wong Yiu Hung, Mr. Liu Cheung, Mr. Liu Chi Hung Peter, Mr. Lau Kwong Kwan, Hop Kwan, Mr. Lam Kwan Ying, Ms. Chan Wai Chun and Ms. Ko Sau Chee Grace will for the purpose of the SFO together through LHG Holdings control 75% of the entire share capital of the Company.

Save as disclosed above, as at 30 June 2023, the Directors are not aware of any other person (other than the Directors or chief executives of the Company) who had an interest or a short position in the Shares or underlying Shares as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

Unaudited Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2023

	Notes	Six months ended 30 June	
		2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Revenue	4	660,509	400,023
Other income and gains	5	2,512	20,206
Cost of food and beverages		(201,247)	(129,249)
Staff costs		(203,220)	(130,985)
Depreciation and amortisation		(20,538)	(19,824)
Depreciation of right-of-use assets, rental and related expenses	6	(98,386)	(75,614)
Fuel and utility expenses		(15,317)	(9,806)
Advertising and marketing expenses		(3,699)	(3,281)
Other operating expenses		(66,461)	(47,785)
Finance income	7	6,662	470
Finance costs	7	(4,608)	(3,225)
Profit before taxation	9	56,207	930
Income tax (expense)/credit	8	(8,657)	5,858
Profit and total comprehensive income for the period attributable to the shareholders of the Company		47,550	6,788
Earnings per share			
Basic and diluted	10	HK5.94 cents	HK0.85 cents

Condensed Consolidated Statement of Financial Position

As at 30 June 2023

	Notes	As at 30 June 2023 HK\$'000 (Unaudited)	As at 31 December 2022 <i>HK\$'000</i> (Audited)
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	12(a)	110,684	109,461
Right-of-use assets	12(b)	234,287	211,118
Investment properties		12,473	12,733
Intangible assets		3,563	3,921
Rental and utilities deposits	13	57,570	46,578
Prepayments for purchase of property, plant and equipment	13	208	4,400
Deferred income tax assets		32,295	30,192
		451,080	418,403
CURRENT ASSETS			
Inventories		22,069	37,508
Trade receivables	13	6,254	8,538
Prepayments, deposits and other receivables	13	28,736	38,502
Tax recoverable		1,728	1,728
Short term bank deposits		212,478	145,451
Cash and cash equivalents		147,540	196,462
		418,805	428,189
Total assets		869,885	846,592

Condensed Consolidated Statement of Financial Position

As at 30 June 2023

	Notes	As at 30 June 2023 HK\$'000 (Unaudited)	As at 31 December 2022 HK\$'000 (Audited)
EQUITY			
Equity and reserves attributable to the shareholders of the Company			
Share capital	14	80,000	80,000
Share premium		122,781	122,781
Reserves		192,111	206,721
Total equity		394,892	409,502
LIABILITIES			
NON-CURRENT LIABILITIES			
Provision for reinstatement costs	15	18,213	15,654
Lease liabilities	12(b)	141,901	127,250
Deferred income tax liabilities		6,121	6,121
		166,235	149,025
CURRENT LIABILITIES			
Trade payables	15	55,490	58,310
Other payables and accruals	15	88,062	85,861
Contract liabilities		49,217	43,755
Lease liabilities	12(b)	104,991	96,409
Tax payable		10,998	3,730
		308,758	288,065
Total liabilities		474,993	437,090
Total equity and liabilities		869,885	846,592

Unaudited Condensed Consolidated Statements of Changes in Equity

For the six months ended 30 June 2023

(Unaudited)	Attributable to shareholders of the Company				
	Share Capital HK\$'000	Share Premium HK\$'000	Retained Earnings HK\$'000	Other Reserves HK\$'000	Total HK\$'000
Balance as at 1 January 2023	80,000	122,781	179,102	27,619	409,502
Profit and total comprehensive income for the Period	—	—	47,550	—	47,550
Dividends (Note 11)	—	—	(62,160)	—	(62,160)
Balance as at 30 June 2023	80,000	122,781	164,492	27,619	394,892

(Unaudited)	Attributable to shareholders of the Company				
	Share Capital HK\$'000	Share Premium HK\$'000	Retained Earnings HK\$'000	Other Reserves HK\$'000	Total HK\$'000
Balance as at 1 January 2022	80,000	122,781	149,797	27,619	380,197
Profit and total comprehensive income for the Period	—	—	6,788	—	6,788
Dividends (Note 11)	—	—	(48,400)	—	(48,400)
Balance as at 30 June 2022	80,000	122,781	108,185	27,619	338,585

Unaudited Condensed Consolidated Statements of Cash Flows

	Six months ended 30 June	
	2023 <i>HK\$'000</i> (Unaudited)	2022 <i>HK\$'000</i> (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash generated from operations	156,974	53,286
Interest received	591	75
Hong Kong profits tax paid, net	(3,492)	(3,191)
Net cash flows generated from operating activities	154,073	50,170
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property, plant and equipment	(17,847)	(25,182)
Interest received	5,543	180
(Increase)/decrease in short term bank deposits	(67,027)	4,166
Net cash flows used in investing activities	(79,331)	(20,836)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	(62,160)	(48,400)
Principal elements of lease payments, net of COVID-19-related rent concessions	(61,504)	(21,700)
Net cash flows used in financing activities	(123,664)	(70,100)
NET DECREASE IN CASH AND CASH EQUIVALENTS		
Cash and cash equivalents at the beginning of the period	(48,922)	(40,766)
	196,462	241,947
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	147,540	201,181

Notes to the Financial Statements

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 on the Main Board of the Stock Exchange since 30 May 2018 (the “**Listing Date**”). The address of the Company’s registered office is Walkers Corporate Limited, 190 Elgin Avenue, George Town, Grand Cayman KY1-9008, Cayman Islands.

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

The unaudited condensed consolidated interim financial information is presented in Hong Kong dollars (“**HK\$**”), unless otherwise stated, and has been approved for issue by the Board on 28 August 2023.

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 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 2022 (the “**2022 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 2022 Annual Report, except as stated below.

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

3. ACCOUNTING POLICIES

The accounting policies and methods of computation used in preparing the unaudited condensed consolidated interim financial information are consistent with those followed in preparing the 2022 Annual Report, except for the adoption of the following amended Hong Kong Financial Reporting Standards (“HKFRSs”) and HKASs (collectively “new HKFRSs”) as set out below.

New and amended standards adopted by the Group

The following amended standards have been adopted by the Group for the financial period beginning on or after 1 January 2023:

HKAS 1 (Amendments) and HKFRS Practice Statement 2	Disclosure of accounting policies
HKAS 8 (Amendments)	Definition of accounting estimates
HKAS 12 (Amendments)	Deferred tax related to assets and liabilities arising from a single transaction

These amended standards have no material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

The Group has not adopted any new or amended standards or interpretations that are not yet effective during the six months ended 30 June 2023.

4. REVENUE AND SEGMENT INFORMATION

(a) Revenue

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

	Six months ended 30 June	
	2023 HK\$’000 (Unaudited)	2022 <i>HK\$’000</i> (Unaudited)
Recognised at a point in time:		
Restaurant operations	657,367	397,354
Sale of food ingredients and others	3,142	2,669
	660,509	400,023

4. REVENUE AND SEGMENT INFORMATION (continued)

(b) Segment information

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

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

The Group has the following reporting segments:

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

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

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

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

All operating entities of the Group are domiciled in Hong Kong. All of the Group's revenue are derived in Hong Kong. As at 30 June 2023 and 31 December 2022, all of non-current assets of the Group are located in Hong Kong.

4. REVENUE AND SEGMENT INFORMATION (continued)

(b) Segment information (continued)

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

	As at 30 June 2023 HK\$'000 (Unaudited)	As at 31 December 2022 HK\$'000 (Audited)
Segment assets	505,858	495,642
Unallocated assets	364,027	350,950
	869,885	846,592

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

	As at 30 June 2023 HK\$'000 (Unaudited)	As at 31 December 2022 HK\$'000 (Audited)
Segment liabilities	403,715	372,681
Unallocated liabilities	71,278	64,409
	474,993	437,090

5. OTHER INCOME AND GAINS

	Six months ended 30 June	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Government grants	249	17,766
Promotion income from a credit card company	1,650	1,650
Sundry income	613	790
	2,512	20,206

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

	Six months ended 30 June	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Depreciation of right-of-use assets	58,835	52,166
Property rentals and related expenses	39,551	23,448
	98,386	75,614

7. FINANCE INCOME AND COSTS

	Six months ended 30 June	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Interest income from bank deposits	6,662	312
Finance income on financial assets	—	158
Finance income	6,662	470
Finance costs on lease liabilities	(4,399)	(3,225)
Finance costs on financial assets	(209)	—
Finance costs	(4,608)	(3,225)

8. TAXATION

Hong Kong profits tax has been provided on the estimated assessable profits at a rate of 16.5% for the six months ended 30 June 2023 and 2022.

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

	Six months ended 30 June	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Hong Kong profits tax	10,760	1,253
Current income tax	(2,103)	(7,111)
Deferred income tax	—	—
Income tax expense/(credit)	8,657	(5,858)

9. PROFIT BEFORE TAXATION

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

	Six months ended 30 June	
	2023 HK\$'000 (Unaudited)	2022 <i>HK\$'000</i> (Unaudited)
Depreciation of property, plant and equipment	19,920	19,454
Depreciation of right-of-use assets	58,835	52,166
Depreciation of investment properties	260	12
Amortisation of intangible assets	358	358
COVID-19 related rent concessions	—	(5,709)
Lease payments under operating leases in respect of land and buildings:		
— Short term lease payments	3,405	2,591
— Contingent rental	11,933	5,490
	15,338	8,081
Employee benefit expenses		
Wages and salaries	177,081	112,897
Discretionary bonuses	13,614	13,099
Retirement benefit scheme contributions	8,068	6,494
Staff welfare	3,008	2,011
Reversal of provision for untaken annual leave	(113)	(4,550)
Provision for long service payment	1,562	1,034
	203,220	130,985
Auditors' remuneration		
— Audit services	1,225	1,100
— Non-audit services	340	356

10. 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 the Shareholders of approximately HK\$47,550,000 (six months ended 30 June 2022: HK\$6,788,000) and the 800,000,000 ordinary shares in issue during the six months ended 30 June 2023 and 2022.

	Six months ended 30 June	
	2023 (Unaudited)	2022 (Unaudited)
Profit attributable to the Shareholders (HK\$'000)	47,550	6,788
Number of ordinary shares in issue ('000)	800,000	800,000
Earnings per share	HK5.94 cents	HK0.85 cents

(b) Diluted

Diluted earnings per share for the six months ended 30 June 2023 and 2022 are the same as the basic earnings per share as there were no potentially dilutive ordinary shares issued.

11. DIVIDEND

A final dividend for the year ended 31 December 2022 of HK7.77 cents per ordinary share, totalling HK\$62,160,000, was declared by the Board on 27 March 2023 and approved by the Shareholders at the annual general meeting of the Company held on 7 June 2023, which was paid on 27 June 2023.

An interim dividend in respect of the six months ended 30 June 2023 of HK4.75 cents per ordinary share, totalling HK\$38 million, and a special dividend of HK12.50 cents per ordinary share, totalling HK\$100 million, was declared by the Board on 28 August 2023. The declared dividends are not reflected as dividend payable in the condensed consolidated statement of financial position as at 30 June 2023. The Board resolved not to declare an interim dividend for the corresponding period of last year.

12(a). PROPERTY, PLANT AND EQUIPMENT

	Land and buildings HK\$'000	Leasehold improvements HK\$'000	Restaurants and kitchen equipment HK\$'000	Furniture and fixtures HK\$'000	Office equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
(Audited)							
At 31 December 2022							
Cost	51,452	168,359	144,343	9,843	2,046	4,938	380,981
Accumulated depreciation	(12,969)	(127,702)	(106,079)	(9,359)	(2,046)	(4,150)	(262,305)
Accumulated impairment	—	(4,955)	(4,159)	(101)	—	—	(9,215)
Net carrying amount	<u>38,483</u>	<u>35,702</u>	<u>34,105</u>	<u>383</u>	<u>—</u>	<u>788</u>	<u>109,461</u>
(Unaudited)							
Period ended 30 June 2023							
Opening net book amount	38,483	35,702	34,105	383	—	788	109,461
Additions	—	9,839	11,242	65	—	650	21,796
Depreciation	(802)	(9,307)	(9,506)	(130)	—	(175)	(19,920)
Provision for impairment	—	(430)	(222)	(1)	—	—	(653)
Closing net book amount	<u>37,681</u>	<u>35,804</u>	<u>35,619</u>	<u>317</u>	<u>—</u>	<u>1,263</u>	<u>110,684</u>
As at 30 June 2023							
Cost	51,452	178,198	155,585	9,908	2,046	5,588	402,777
Accumulated depreciation	(13,771)	(137,009)	(115,585)	(9,489)	(2,046)	(4,325)	(282,225)
Accumulated impairment	—	(5,385)	(4,381)	(102)	—	—	(9,868)
Net carrying amount	<u>37,681</u>	<u>35,804</u>	<u>35,619</u>	<u>317</u>	<u>—</u>	<u>1,263</u>	<u>110,684</u>

The Group regards each individual restaurant as a separately identifiable cash-generating-unit (“CGU”) and performed impairment assessments on each of the CGU with impairment indicators by considering the recoverable amount of such assets at restaurant level. As at 30 June 2023, the Group’s management identified impairment indicators in certain restaurants, which were loss making, and estimated corresponding recoverable amounts of their property, plant and equipment.

Key inputs to the determination of the recoverable amount over the remaining lease period includes annual revenue growth and pre-tax discount rate. As at 30 June 2023, the annual revenue growth used for restaurants in the impairment assessment is ranging from 10% to 27% for the remaining lease period. The pre-tax discount rate used to determine the recoverable amounts is approximately 14%.

The recoverable amounts of the CGUs are determined based on value-in-use calculations, which are higher than the fair value less costs of disposal calculations. The value-in-use calculations use cash flow projections based on financial forecasts of each CGU approved by management covering a period of the remaining lease term. The Group recognised an impairment charge of property, plant and equipment of HK\$653,000 (Last Corresponding Period: nil) for the Period.

12(b).LEASES

(i) Amounts recognised in the condensed consolidated statement of financial position

The condensed consolidated statement of financial position shows the following amounts relating to leases:

	As at 30 June 2023 HK\$'000 (Unaudited)	As at 31 December 2022 HK\$'000 (Audited)
Right-of-use assets		
Restaurants	224,124	198,771
Offices	10,079	12,095
Warehouse	84	252
	234,287	211,118

The condensed consolidated statement of financial position shows the following amounts relating to leases:

	As at 30 June 2023 HK\$'000 (Unaudited)	As at 31 December 2022 HK\$'000 (Audited)
Lease liabilities		
Current	104,991	96,409
Non-current	141,901	127,250
	246,892	223,659

12(b).LEASES (continued)

(ii) Amounts recognised in the unaudited condensed consolidated statement of comprehensive income

	Six months ended 30 June	
	2023 HK\$'000 (Unaudited)	2022 <i>HK\$'000</i> (Unaudited)
Depreciation charge of right-of-use assets	58,835	52,166
Finance costs	4,399	3,225
Expense relating to short-term leases (included in depreciation of right-of-use assets, rental and related expenses)	3,405	2,591
Expense relating to variable lease payments not included in lease liabilities (included in depreciation of right-of-use assets, rental and related expenses)	11,933	5,490
COVID-19-related rent concessions (included in depreciation of right-of-use asset, rental and related expenses)	—	(5,709)

The total cash outflow for leases for the Period was approximately HK\$76,842,000 (Last Corresponding Period: HK\$29,781,000).

(iii) The Group's leasing activities and how these are accounted for

The Group leases various offices, warehouses and restaurants. Rental contracts are typically made for fixed periods of 2 to 5 years.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

(iv) Variable lease payments

Some property leases contain variable payment terms that are linked to sales generated from a restaurant. The basis of variable payment terms range from 6% to 15% of sales. Variable payment terms are used for a variety of reasons, including minimising the fixed costs base for newly established restaurants. Variable lease payments that depend on sales are recognised in profit or loss in the period in which the condition that triggers those payments occurs.

12(b).LEASES (continued)

(v) Provision for impairment of right-of-use assets

As at 30 June 2023, the Group's management identified impairment indicators in certain restaurants, which were loss making, and estimated corresponding recoverable amounts of the right-of-use assets of the restaurants.

Key inputs to the determination of the recoverable amount over the remaining lease period includes annual revenue growth and pre-tax discount rate. As at 30 June 2023, the annual revenue growth used for restaurants in the impairment assessment is ranging from 10% to 27% for the remaining lease period. The pre-tax discount rate used to determine the recoverable amounts is approximately 14%.

The recoverable amounts of the CGUs are determined based on value-in-use calculations, which are higher than the fair value less costs of disposal calculations. The value-in-use calculations use cash flow projections based on financial forecasts of each CGU approved by management covering a period of the remaining lease term. The Group recognised an impairment charge of right-of-use assets of HK\$412,000 for the Period (Last Corresponding Period: Nil).

13. TRADE AND OTHER RECEIVABLES

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

	As at 30 June 2023 HK\$'000 (Unaudited)	As at 31 December 2022 HK\$'000 (Audited)
External customers	6,254	8,538

An ageing analysis of the trade receivables as at 30 June 2023 and 31 December 2022, based on the invoice date, is as follows:

	As at 30 June 2023 HK\$'000 (Unaudited)	As at 31 December 2022 HK\$'000 (Audited)
Within 30 days	5,404	7,747
31–60 days	304	223
61–180 days	546	568
	6,254	8,538

13. TRADE AND OTHER RECEIVABLES (continued)

There was no recent history of default in respect of the Group's debtors. Based on past experience, management believes that no impairment allowance is necessary in respect of the past due balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group did not hold any collateral over these balances. No impairment loss was recognised by the Group as at 30 June 2023 and 31 December 2022.

	As at 30 June 2023 HK\$'000 (Unaudited)	As at 31 December 2022 HK\$'000 (Audited)
Prepayments	9,597	15,974
Rental and utilities deposits	73,500	70,284
Other receivables	3,417	3,222
	86,514	89,480
Less: non-current portion		
— Rental and utilities deposits	(57,570)	(46,578)
— Prepayments for purchase of property, plant and equipment	(208)	(4,400)
Current portion	28,736	38,502

As at 30 June 2023 and 31 December 2022, 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 2023 and 31 December 2022 was the carrying value of each class of receivable mentioned above. The Group did not hold any collateral as security. The carrying amounts of deposits and other receivables approximate to their fair values and are denominated in HK\$.

14. SHARE CAPITAL

(a) Authorised:

	As at 30 June 2023		As at 30 June 2022	
	Number of shares	Nominal value HK\$'000	Number of shares	Nominal value HK\$'000
At beginning and end of the period	4,000,000,000	400,000	4,000,000,000	400,000

14. SHARE CAPITAL (continued)

(b) Issued and fully paid:

	As at 30 June 2023		As at 30 June 2022	
	Number of shares	Nominal value HK\$'000	Number of shares	Nominal value HK\$'000
At beginning and end of the period	800,000,000	80,000	800,000,000	80,000

15. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

Trade payables

	As at 30 June 2023 HK\$'000 (Unaudited)	As at 31 December 2022 HK\$'000 (Audited)
External suppliers	55,490	58,310

An ageing analysis of the trade payables as at 30 June 2023 and 31 December 2022, based on the invoice date, is as follows:

	As at 30 June 2023 HK\$'000 (Unaudited)	As at 31 December 2022 HK\$'000 (Audited)
Within 30 days	39,419	37,727
31–60 days	15,437	20,208
61–180 days	215	55
Over 180 days	419	320
	55,490	58,310

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

15. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS (continued)

Other payables and accruals

	As at 30 June 2023 HK\$'000 (Unaudited)	As at 31 December 2022 HK\$'000 (Audited)
Rent payable	3,552	4,515
Accrued employee benefit expenses	33,794	29,469
Provision for long service payment	3,667	2,143
Provision for untaken annual leave	10,375	10,498
Provision for reinstatement costs	23,491	23,123
Contract liabilities	49,217	43,755
Other accrued expenses	26,565	27,353
Payables for purchase of property, plant and equipment	3,539	3,782
Other payables	1,292	632
	155,492	145,270
Less: non-current portion		
— Provision for reinstatement costs	(18,213)	(15,654)
Current portion	137,279	129,616

16. CAPITAL COMMITMENTS

The Group had the following capital expenditure contracted but not yet incurred and provided for as follows:

	As at 30 June 2023 HK\$'000 (Unaudited)	As at 31 December 2022 HK\$'000 (Audited)
Capital expenditure Contracted but not provided for	299	4,967

17. RELATED PARTY TRANSACTIONS

Save as transactions detailed elsewhere in the unaudited condensed consolidated interim financial information, the Group had the following transactions with related parties:

(a) Key management compensation

Key management includes executive directors and the senior management of the Group.

	Six months ended 30 June	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Salaries and other short term employee benefits	3,123	3,003
Discretionary bonuses	1,665	4,757
Retirement benefit scheme contribution	18	18
	4,806	7,778

Properties held by the Group

As at 30 June 2023

Location	Nature
A residential unit at Nos. 153–155 Po Kong Village Road, Nos. 1–9 Po Ying Lane, 20 Yuk Wah Crescent, Tsz Wan Shan, Kowloon	Investment property
A residential unit at Villa Esplanada, No. 8 Nga Ying Chau Street, Tsing Yi, New Territories	Investment property
Four workshop units at Wah Fai Industrial Building, No. 4 Sze Shan Street, Kowloon	Property
Five car parking units at Wah Fai Industrial Building, No. 4 Sze Shan Street, Kowloon	Property

There was no change in properties held by the Group during the six months ended 30 June 2023.