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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 2025

FINANCIAL HIGHLIGHTS	Year ended 31 December	
	2025	2024
	HK\$ million	HK\$ million
Revenue	1,081.4	1,056.0
Profit/(loss) attributable to the shareholders of the Company	1.7	(32.1)
Earnings/(loss) per share Basic and diluted (HK cents)	0.21	(4.01)

RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of LH Group Limited (the “**Company**”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the “**Group**” or “**we**”, “**our**” or “**us**”) for the year ended 31 December 2025, together with the comparative figures for the year ended 31 December 2024 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2025

	<i>Notes</i>	2025 <i>HK\$'000</i>	2024 <i>HK\$'000</i>
Revenue	4	1,081,378	1,055,992
Other income and (loss)/gain	5	3,319	4,268
Cost of food and beverages		(314,969)	(319,700)
Staff costs		(379,430)	(377,865)
Depreciation and amortisation		(40,449)	(32,841)
Depreciation of right-of-use assets, property rental and related expenses	6	(178,539)	(176,581)
Fuel and utility expenses		(31,484)	(29,983)
Advertising and marketing expenses		(9,794)	(8,657)
Other operating expenses		(105,943)	(108,342)
Provision for impairment of property, plant and equipment		(1,659)	(14,159)
Provision for impairment of right-of-use assets		(6,948)	(22,087)
Provision for impairment of intangible assets		—	(628)
Finance income	7	2,474	5,372
Finance costs	7	(15,276)	(13,239)
Profit/(loss) before taxation	8	2,680	(38,450)
Income tax (expense)/credit	9	(1,028)	6,388
Profit/(loss) and total comprehensive income/ (loss) for the year		<u>1,652</u>	<u>(32,062)</u>
Attributable to:			
Shareholders of the Company		1,698	(32,062)
Non-controlling interests		(46)	—
		<u>1,652</u>	<u>(32,062)</u>
Earnings/(loss) per share			
Basic and diluted (<i>HK cents</i>)	10	<u>0.21</u>	<u>(4.01)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2025

	Notes	2025 HK\$'000	2024 HK\$'000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment		123,941	142,331
Right-of-use assets		241,737	292,852
Investment properties		11,177	11,696
Intangible assets		2,059	1,676
Rental and utilities deposits	12	49,242	55,216
Prepayments for purchase of property, plant and equipment	12	3,416	9,421
Deferred income tax assets		47,938	46,717
		<u>479,510</u>	<u>559,909</u>
CURRENT ASSETS			
Inventories		17,319	19,421
Trade receivables	12	6,937	6,344
Prepayments, deposits and other receivables	12	48,874	47,321
Tax recoverable		3,978	8,201
Cash and cash equivalents		140,024	144,810
		<u>217,132</u>	<u>226,097</u>
Total assets		<u>696,642</u>	<u>786,006</u>
EQUITY AND LIABILITIES			
Equity attributable to shareholders of the Company			
Share capital	14	80,000	80,000
Share premium		122,781	122,781
Reserves		31,782	30,084
		<u>234,563</u>	<u>232,865</u>
Non-controlling interests		<u>(6)</u>	<u>—</u>
Total equity		<u>234,557</u>	<u>232,865</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)*As at 31 December 2025*

	<i>Note</i>	2025 <i>HK\$'000</i>	2024 <i>HK\$'000</i>
NON-CURRENT LIABILITIES			
Provision for reinstatement costs	13	14,500	17,970
Lease liabilities		178,087	209,573
Deferred income tax liabilities		4,008	6,390
		<u>196,595</u>	<u>233,933</u>
CURRENT LIABILITIES			
Trade payables	13	50,964	54,826
Other payables and accruals	13	100,176	115,898
Contract liabilities	13	22,850	30,335
Tax payable		1,195	3,238
Lease liabilities		90,305	114,911
		<u>265,490</u>	<u>319,208</u>
Total liabilities		<u>462,085</u>	<u>553,141</u>
Total equity and liabilities		<u>696,642</u>	<u>786,006</u>

NOTES

1. GENERAL INFORMATION

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

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

2. BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with the HKFRS Accounting Standards as issued by the Hong Kong Institute of Certified Public Accountants and disclosure requirements of the Hong Kong Companies Ordinance Cap. 622. These consolidated financial statements have been prepared under the historical cost convention.

The Group’s current liabilities exceeded its current assets by approximately HK\$48,358,000 as at 31 December 2025 (31 December 2024: HK\$93,111,000). The Group was in a net current assets position of approximately HK\$64,797,000 (31 December 2024: HK\$52,135,000) by taking out lease liabilities of approximately HK\$90,305,000 (2024: HK\$114,911,000) and contract liabilities of approximately HK\$22,850,000 (2024: HK\$30,335,000). As at 31 December 2025, the Group had cash and cash equivalents of approximately HK\$140,024,000 (2024: HK\$144,810,000) and no external borrowings. The Directors of the Company have reviewed the Group’s cash flow projections, which cover a period of not less than twelve months from 31 December 2025. The Directors are of the opinion that, taking into account the anticipated cash flows generated from the Group’s operations as well as the possible changes in its operating performance, the Group will have sufficient working capital to fulfil its financial obligations as and when they fall due in the coming twelve months from 31 December 2025. We have not identified any material uncertainties related to the Group’s ability to continue going concern. Accordingly, these consolidated financial information have been prepared on a going concern basis.

The preparation of these consolidated financial statements in conformity with HKFRS Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to these consolidated financial statements.

3. ACCOUNTING POLICIES

(a) Amended standards adopted by the Group

The Group has applied the following amended standards for its annual reporting period commencing 1 January 2025:

HKAS 21 and HKFRS 1 (Amendments)	Lack of Exchangeability
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The amended standards listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(b) New standards, amendments to standards and interpretation not yet adopted

		Effective for annual periods beginning on or after
HKFRS 9 and HKFRS 7 (Amendments)	Classification and Measurement of Financial Instruments	1 January 2026
HKFRS 9 and HKFRS 7 (Amendments)	Contracts Referencing Nature-dependent Electricity	1 January 2026
Amendments to HKFRSs	Annual Improvements to HKFRS Accounting Standards — Volume 11	1 January 2026
HKFRS 18 and Hong Kong Interpretation 5	Presentation and Disclosure in Financial Statement	1 January 2027
HKAS 21 (Amendments)	Translation to a Hyperinflationary Presentation Currency	1 January 2027
HKFRS 19	Subsidiaries without Public Accountability: Disclosures and subsequent amendments in October 2025	1 January 2027
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

Certain new standards, amendments to standards and interpretation have been published that are not mandatory for 31 December 2025 reporting periods and have not been early adopted by the Group. These new standards, amendments to standards and interpretation are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

4. REVENUE AND SEGMENT INFORMATION

(a) Revenue

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

	Year ended 31 December	
	2025	2024
	<i>HK\$'000</i>	<i>HK\$'000</i>
Recognised at a point in time:		
Restaurant operations	1,080,646	1,049,503
Sale of food ingredients and others	<u>732</u>	<u>6,489</u>
	<u>1,081,378</u>	<u>1,055,992</u>

(b) Segment information

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

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

The Group has the following reporting segments:

- (a) Self-owned brands Operation of restaurants under the self-owned brands including “*Mou Mou Club*”, “*Peace Cuisine*”, “*Wing Wah Allday*”, “*Pot Master*”, “*#HAP Taiwanese Hotpot*”, “*Shabu Days*”, “*So Meen*” and “*Twins Liangpi x KABU*” brands
- (b) Franchised brands Operation of restaurants under the franchised “*Gyu-Kaku*”, “*Gyu-Kaku Buffet*”, “*Gyu-Kaku J*”, “*On-Yasai*”, “*Gyu-Kaku Jinan-Bou*”, “*The Matcha Tokyo*” and “*Hikiniku To Come*” brands
- (c) Sale of food ingredients and others Sale of food ingredients to related parties and external third parties and other business

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

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

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

All operating entities of the Group are domiciled in Hong Kong. All revenue of the Group are derived in Hong Kong. As at 31 December 2025 and 2024, all non-current assets of the Group are located in Hong Kong.

An analysis of the Group's revenue, profit/(loss) before taxation, depreciation and amortisation, depreciation of right-of-use assets and provision for impairment for the years ended 31 December 2025 and 2024 and segment assets and liabilities as at 31 December 2025 and 2024 are as follows:

	For the year ended 31 December 2025			
	Self-owned brands <i>HK\$'000</i>	Franchised brands <i>HK\$'000</i>	Sale of food ingredients and others <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue				
Revenue	301,515	779,131	91,318	1,171,964
Inter-segment revenue	—	—	(90,586)	(90,586)
	<u>301,515</u>	<u>779,131</u>	<u>732</u>	<u>1,081,378</u>
Segment profit/(loss)	<u>3,576</u>	<u>73,191</u>	<u>(2,852)</u>	<u>73,915</u>
Depreciation and amortisation	<u>(12,053)</u>	<u>(24,631)</u>	<u>(1,372)</u>	<u>(38,056)</u>
Depreciation of right-of-use assets	<u>(27,195)</u>	<u>(83,468)</u>	—	<u>(110,663)</u>
Provision for impairment	<u>(572)</u>	<u>(8,035)</u>	—	<u>(8,607)</u>
Segment profit				73,915
Unallocated depreciation and amortisation				(2,393)
Unallocated depreciation of right-of-use assets				(4,231)
Unallocated costs				(65,667)
Unallocated finance income				1,306
Unallocated finance costs				<u>(250)</u>
Profit before taxation				<u>2,680</u>
Segment assets	<u>158,302</u>	<u>262,710</u>	<u>58,772</u>	<u>479,784</u>
Segment liabilities	<u>(124,905)</u>	<u>(261,100)</u>	<u>(16,959)</u>	<u>(402,964)</u>

For the year ended 31 December 2024

	Self-owned brands <i>HK\$'000</i>	Franchised brands <i>HK\$'000</i>	Sale of food ingredients and others <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue				
Revenue	271,263	778,240	95,936	1,145,439
Inter-segment revenue	—	—	(89,447)	(89,447)
External revenue	<u>271,263</u>	<u>778,240</u>	<u>6,489</u>	<u>1,055,992</u>
Segment (loss)/profit	<u>(6,867)</u>	<u>39,263</u>	<u>(2,688)</u>	<u>29,708</u>
Depreciation and amortisation	<u>(6,018)</u>	<u>(23,157)</u>	<u>(1,372)</u>	<u>(30,547)</u>
Depreciation of right-of-use assets	<u>(25,180)</u>	<u>(85,880)</u>	<u>—</u>	<u>(111,060)</u>
Provision for impairment	<u>(14,528)</u>	<u>(22,346)</u>	<u>—</u>	<u>(36,874)</u>
Segment profit				29,708
Unallocated depreciation and amortisation				(2,294)
Unallocated depreciation of right- of-use assets				(4,230)
Unallocated costs				(66,455)
Unallocated finance income				5,087
Unallocated finance costs				<u>(266)</u>
Loss before taxation				<u>(38,450)</u>
Segment assets	<u>179,962</u>	<u>342,389</u>	<u>59,560</u>	<u>581,911</u>
Segment liabilities	<u>(145,678)</u>	<u>(314,655)</u>	<u>(13,495)</u>	<u>(473,828)</u>

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

	2025	2024
	<i>HK\$'000</i>	<i>HK\$'000</i>
Segment assets	479,784	581,911
Unallocated assets	216,858	204,095
	<u>696,642</u>	<u>786,006</u>

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

	2025	2024
	<i>HK\$'000</i>	<i>HK\$'000</i>
Segment liabilities	402,964	473,828
Unallocated liabilities	59,121	79,313
	<u>462,085</u>	<u>553,141</u>

(c) Contract liabilities

The Group recognised the following revenue-related contract liabilities:

	2025 <i>HK\$'000</i>	2024 <i>HK\$'000</i>
Advances from customers	155	1,036
Contract liabilities	<u>22,695</u>	<u>29,299</u>
Total contract liabilities	<u><u>22,850</u></u>	<u><u>30,335</u></u>

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

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

	2025 <i>HK\$'000</i>	2024 <i>HK\$'000</i>
Restaurant operations	<u>30,335</u>	<u>36,541</u>

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

5. OTHER INCOME AND (LOSS)/GAIN

	2025 <i>HK\$'000</i>	2024 <i>HK\$'000</i>
Other income:		
Promotion income from a credit card company	3,300	3,300
Rental income	437	452
Sundry income	397	433
	<u>4,134</u>	<u>4,185</u>
Other (loss)/gain:		
(Loss)/gain on disposal of property, plant and equipment	<u>(815)</u>	<u>83</u>
	<u>(815)</u>	<u>83</u>
Total other income and (loss)/gain	<u>3,319</u>	<u>4,268</u>

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

	2025 <i>HK\$'000</i>	2024 <i>HK\$'000</i>
Depreciation of right-of-use assets	114,894	115,290
Property rentals and related expenses	63,645	61,291
	<u>178,539</u>	<u>176,581</u>

7. FINANCE INCOME AND COSTS

	2025 <i>HK\$'000</i>	2024 <i>HK\$'000</i>
Interest income from bank deposits	1,368	5,372
Finance income on financial assets	1,106	—
Finance income	<u>2,474</u>	<u>5,372</u>
Finance costs on lease liabilities	(15,276)	(13,155)
Finance costs on financial assets	—	(84)
Finance costs	<u>(15,276)</u>	<u>(13,239)</u>

8. PROFIT/(LOSS) BEFORE TAXATION

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

	2025 <i>HK\$'000</i>	2024 <i>HK\$'000</i>
Depreciation of property, plant and equipment	39,489	31,870
Depreciation of right-of-use assets	114,894	115,290
Depreciation of investment properties	519	519
Amortisation of intangible assets	441	452
Provision for impairment of property, plant and equipment	1,659	14,159
Provision for impairment of right-of-use assets	6,948	22,087
Provision for impairment of intangible assets	—	628
	<hr/>	<hr/>
Lease payments under operating leases in respect of land and buildings:		
— Short term lease payments	3,567	3,686
— Contingent rental	4,606	4,800
	<hr/>	<hr/>
	8,173	8,486
	<hr/>	<hr/>
Employee benefit expenses:		
Salaries, bonuses and other allowances	364,386	362,874
Retirement benefit scheme contributions	15,044	14,991
	<hr/>	<hr/>
	379,430	377,865
	<hr/>	<hr/>
Auditors' remuneration:		
— Audit services	2,138	2,036
— Non-audit services	661	849
	<hr/> <hr/>	<hr/> <hr/>

9. INCOME TAX (EXPENSE)/CREDIT

Hong Kong profits tax has been provided on the estimated assessable profits at a rate of 16.5% for the year ended 31 December 2025 (2024: 16.5%), except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime. The first HK\$2,000,000 (2024: HK\$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (2024: 8.25%) and the remaining assessable profits are taxed at 16.5% (2024: 16.5%).

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

	2025	2024
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong profits tax		
Current income tax	(4,643)	(5,779)
Over/(under) provision in prior year	12	(496)
Deferred income tax	3,603	12,663
	<u>(1,028)</u>	<u>6,388</u>

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

	2025	2024
Profit/(loss) attributable to the Shareholders (HK\$'000)	1,698	(32,062)
Weighted average number of shares in issue (’000)	<u>800,000</u>	<u>800,000</u>
Basic earnings/(loss) per share (HK cents)	<u>0.21</u>	<u>(4.01)</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.

11. DIVIDENDS

	2025 HK\$'000	2024 HK\$'000
2023 final dividend, HK4.06 cents per ordinary share	<u>—</u>	<u>32,480</u>

The Board resolved not to propose the payment of a final dividend for the year ended 31 December 2025 (2024 : Nil) .

12. TRADE AND OTHER RECEIVABLES

Trade receivables

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

An ageing analysis of the trade receivables as at 31 December 2025, based on the invoice date, is as follows:

	2025 <i>HK\$'000</i>	2024 <i>HK\$'000</i>
Within 30 days	5,530	5,639
31–60 days	746	177
61–180 days	661	528
	<u>6,937</u>	<u>6,344</u>

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

The maximum exposure to credit risk as at 31 December 2025 and 2024 is the carrying value of trade receivables mentioned above. The Group does not hold any collateral as security.

Prepayments, deposits and other receivables

	2025 <i>HK\$'000</i>	2024 <i>HK\$'000</i>
Prepayments	15,713	21,563
Rental and utilities deposits	82,931	86,892
Other receivables	<u>2,888</u>	<u>3,503</u>
	101,532	111,958
Less: non-current portion		
— Rental and utilities deposits	(49,242)	(55,216)
— Prepayments for purchase of property, plant and equipment	<u>(3,416)</u>	<u>(9,421)</u>
Current portion	<u>48,874</u>	<u>47,321</u>

The maximum exposure to credit risk as at 31 December 2025 and 2024 was the carrying value of each class of receivable mentioned above. The Group did not hold any collateral as security. The carrying amounts of deposits and other receivables approximate to their fair values and are denominated in HK\$.

13. TRADE PAYABLES, CONTRACT LIABILITIES, OTHER PAYABLES AND ACCRUALS

Trade payables

	2025 <i>HK\$'000</i>	2024 <i>HK\$'000</i>
External suppliers	<u>50,964</u>	<u>54,826</u>

An ageing analysis of the trade payables as at 31 December 2025 and 2024, based on the invoice date, is as follows:

	2025 <i>HK\$'000</i>	2024 <i>HK\$'000</i>
Within 30 days	27,483	30,244
31–60 days	23,098	24,287
61–180 days	31	36
Over 180 days	352	259
	<u>50,964</u>	<u>54,826</u>

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

Contract liabilities, other payables and accruals

	2025 <i>HK\$'000</i>	2024 <i>HK\$'000</i>
Rent payable	1,148	2,402
Accrued employee benefit expenses	36,525	37,541
Provision for long service payment	2,058	1,923
Provision for untaken annual leave	12,353	11,485
Provision for reinstatement costs (<i>Note (a)</i>)	24,327	25,130
Contract liabilities	22,850	30,335
Other accrued expenses	32,122	32,507
Payables for purchase of property, plant and equipment	5,511	22,248
Others payables	632	632
	<u>137,526</u>	<u>164,203</u>
Less: non-current portion		
— Provision for reinstatement costs	<u>(14,500)</u>	<u>(17,970)</u>
Current portion	<u>123,026</u>	<u>146,233</u>

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

(a) Provision for reinstatement costs

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

	2025 <i>HK\$'000</i>	2024 <i>HK\$'000</i>
At the beginning of the year	25,130	23,804
Additional provision during the year	1,782	4,189
Settlement	(2,585)	(2,863)
	<hr/>	<hr/>
At the end of the year	<u>24,327</u>	<u>25,130</u>

14. SHARE CAPITAL

(a) Authorised:

	2025		2024	
	Number of shares	Nominal value <i>HK\$'000</i>	Number of shares	Nominal value <i>HK\$'000</i>
At the beginning and the end of the year	<u>4,000,000,000</u>	<u>400,000</u>	<u>4,000,000,000</u>	<u>400,000</u>

(b) Issued and fully paid:

	2025		2024	
	Number of shares	Nominal value <i>HK\$'000</i>	Number of shares	Nominal value <i>HK\$'000</i>
At the beginning and the end of the year	<u>800,000,000</u>	<u>80,000</u>	<u>800,000,000</u>	<u>80,000</u>

MANAGEMENT DISCUSSION AND ANALYSIS

In 2025, the food and beverage and retail sectors in Hong Kong continued to undergo deep structural transformation. In this environment, the Group continued to review and adjust its business direction, proactively respond to local consumers who have become increasingly discerning and value-conscious, placing greater emphasis on both price-performance and overall experience. We firmly believe that only through proactive innovation, optimisation of our operating model, and disciplined focus of resources on businesses with potential and competitiveness can we remain vibrant in an increasingly competitive market.

Over the past few years, the Group has been implementing a proactive and prudent approach to restructure its brand and store portfolio. On one hand, we prudently closed underperforming stores or outlets where rental terms were no longer favourable. On the other hand, we opened new stores with stronger development potential, while continuously optimising our menus and brand positioning to focus on the high-quality but cost-effective “affordable luxury” market. Our goal is to provide local customers with a premium dining experience at competitive prices, striking a balance among quality, consistency and value perception.

The Group also maintained prudent financial discipline and a healthy cash flow position with no bank borrowings, thereby supporting future strategic investments and transformation initiatives. During the year, we continued to increase our investment in digitalisation and automation, including smart reservation solutions, customer relationship management system and process automation, in order to further enhance operational efficiency, table turnover and customer loyalty, and to establish a higher benchmark for capital returns.

In terms of brand development, introducing and developing quality Japanese dining brands remains a key strategic direction for the Group. Following the successful market recognition of “Hikiniku To Come”, the Group opened the first Hong Kong store of Japanese brand “Yamamoto’s Hamburg” at PopCorn in Tseung Kwan O in February 2026, further strengthening our brand portfolio that emphasises “affordable premium experience” and offering customers high-quality but affordable dining options. At the same time, our self-owned brand “Shabu Days” expanded to its third outlet in January 2026, of which market response was overwhelming.

BUSINESS REVIEW

As at 31 December 2025, the Group operated 21 restaurants under self-owned brands comprising “Mou Mou Club (牛涮鍋)”, “Peace Cuisine (和平飯店)”, “Wing Wah Allday (永華日常)”, “Pot Master (煲仔王)”, “#HAP Taiwanese Hotpot (好呷台灣火鍋)”, “Shabu Days (好鍋日子)”, “So “Meen” (敘•小麵)” and “Twins Liangpi x KABU (兩姊妹涼皮x株式會社)”, and 40 restaurants under franchised brands, “Gyu-Kaku (牛角)”, “Gyu-Kaku Buffet (牛角Buffet)”, “Gyu-Kaku J (牛角J)”, “Gyu-Kaku Jinan-Bou (牛角次男坊)”, “On-Yasai (溫野菜)”, “The Matcha Tokyo” and “Hikiniku To Come (挽肉と米)”, which serve quality, value-for-money delicacies to diversified customer segments seeking a wide array of culinary experiences. We pride ourselves in the extensive market coverage of our brand portfolio, which allows us to tap into customer segments spanning across mid-to-high end markets to mass market with different culinary preferences.

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

	As at 31 December	
	2025	2024
Self-owned brands	21	17
Franchised brands	40	46
Total	61	63

FINANCIAL REVIEW

Revenue

Despite ongoing structural transformation and intense competition in Hong Kong's food and beverage market, the Group recorded a slight increase in revenue. This was mainly driven by our store portfolio optimisation. The annual revenue increased by approximately 2.4%, or approximately HK\$25.4 million, from approximately HK\$1,056.0 million for the year ended 31 December 2024 to approximately HK\$1,081.4 million for the year ended 31 December 2025.

The revenue from franchised brands slightly increased by approximately HK\$0.8 million or approximately 0.1%, from approximately HK\$778.2 million for the year ended 31 December 2024 to approximately HK\$779.1 million for the year ended 31 December 2025. The number of restaurants under franchised brands decreased from 46 as at 31 December 2024 to 40 as at 31 December 2025. The business of franchised brands remained as the main pillar of revenue, constituting approximately 72.0% of the total revenue of the Group for the year ended 31 December 2025 (2024: approximately 73.7%).

The revenue from self-owned brands increased by approximately HK\$30.2 million or approximately 11.2%, from approximately HK\$271.3 million for the year ended 31 December 2024 to approximately HK\$301.5 million for the year ended 31 December 2025.

Revenue by business segments is set out below:

	For the year ended 31 December			
	2025		2024	
	Revenue	% of total	Revenue	% of total
	<i>HK\$'000</i>	<i>(%)</i>	<i>HK\$'000</i>	<i>(%)</i>
Self-owned brands	301,515	27.9	271,263	25.7
Franchised brands	779,131	72.0	778,240	73.7
Sub-total of restaurant operations	1,080,646	99.9	1,049,503	99.4
Sale of food ingredients and others	732	0.1	6,489	0.6
Total	1,081,378	100.0	1,055,992	100.0

Other income and (loss)/gain

The Group's other income and (loss)/gain decreased by approximately 22.2%, or approximately HK\$1.0 million, from approximately HK\$4.3 million for the year ended 31 December 2024 to approximately HK\$3.3 million for the year ended 31 December 2025. Other income and (loss)/gain mainly consists of promotion income from a credit card company of approximately HK\$3.3 million for the year ended 31 December 2025 (2024: approximately HK\$3.3 million). Decrease in other income and (loss)/gain was mainly due to the loss on disposal of property, plant and equipment of approximately HK\$0.8 million for the year ended 31 December 2025 (2024: gain on disposal of property, plant and equipment of approximately HK\$0.1 million).

Cost of food and beverages

The Group's cost of food and beverages decreased by approximately 1.5%, or approximately HK\$4.7 million, from approximately HK\$319.7 million for the year ended 31 December 2024 to approximately HK\$315.0 million for the year ended 31 December 2025. The decrease was primarily attributable to the implementation of cost-saving measures, including the optimisation of procurement strategies and adjustments to the menu mix to enhance operational efficiency.

The cost of food and beverages as a percentage of revenue decreased to approximately 29.1% for the year ended 31 December 2025 (2024: approximately 30.3%).

Staff costs

The Group's staff costs slightly increased by approximately 0.4%, or approximately HK\$1.5 million, from approximately HK\$377.9 million for the year ended 31 December 2024 to approximately HK\$379.4 million for the year ended 31 December 2025. Staff cost as a percentage of revenue decreased by 0.7 percentage points from approximately 35.8% for the year ended 31 December 2024 to approximately 35.1% for the year ended 31 December 2025 mainly due to increase in revenue.

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

The Group's depreciation of right-of-use assets, property rental and related expenses increased by approximately 1.1%, or approximately HK\$1.9 million, from approximately HK\$176.6 million for the year ended 31 December 2024 to approximately HK\$178.5 million for the year ended 31 December 2025. The increase in expenses was mainly due to the increase in building management fee and rates of approximately HK\$2.7 million during the year ended 31 December 2025.

Profit/(loss) for the year

As a result of the foregoing, the Group recorded a profit for the year ended 31 December 2025 of approximately HK\$1.7 million as compared to a loss for the year ended 31 December 2024 of approximately HK\$32.1 million.

The turnaround from loss to profit was mainly due to: (1) the increase in revenue for the year ended 31 December 2025 compared to that for the year ended 31 December 2024, mainly attributable to the Group's proactive transformation and active restructuring initiatives, which resulted in an increase in revenue; (2) the decrease in operating costs attributable to effective cost control and operational efficiency during the year ended 31 December 2025; and (3) decrease in provisions for impairment of property, plant and equipment and right-of-use assets related to certain underperforming stores for the year ended 31 December 2025 compared to that for the year ended 31 December 2024.

LIQUIDITY AND FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group financed its business with internally generated cash flows and capital contributions from the Shareholders of the Company. As at 31 December 2025, the Group had cash and cash equivalents of approximately HK\$140.0 million (2024: cash and cash equivalents of approximately HK\$144.8 million). Most bank deposits and cash were denominated in Hong Kong dollar. The Group will continue to use the internal generated cash flows and capital contributions from the Shareholders of the Company as a source of funding for future developments.

As at 31 December 2025, the Group's total current assets and current liabilities were approximately HK\$217.1 million (2024: approximately HK\$226.1 million) and approximately HK\$265.5 million (2024: approximately HK\$319.2 million) respectively, while the current ratio was about 0.8 times (2024: about 0.7 times).

As at 31 December 2025, the gearing ratio of the Group was nil (2024: Nil) as it had no outstanding interest-bearing bank borrowings. The gearing ratio is calculated by total interest-bearing bank borrowings divided by total equity and multiplied by 100%.

The Group operates a conservative set of treasury policies to ensure that no unnecessary risks are taken with the Group's assets. During the year ended 31 December 2025, there was no investment in financial products or instruments other than cash or bank deposits were used.

There has been no change in the capital structure of the Company during the year ended 31 December 2025. During the year ended 31 December 2025, the Company did not hold or sell any treasury shares (as defined under the Listing Rules).

SIGNIFICANT INVESTMENTS

As at 31 December 2025, the Group did not hold any significant investments (2024: Nil).

CAPITAL COMMITMENT

As at 31 December 2025, the Group's outstanding capital commitments were approximately HK\$6.8 million (2024: approximately HK\$5.1 million). The outstanding capital commitments consist of leasehold improvements which are contracted, but not provided for, and will be fulfilled by the operating cash flow generated from ordinary business of the Group. Save as disclosed above, the Group had no other capital commitment as at 31 December 2025.

CONTINGENT LIABILITIES

As at 31 December 2025, the Group had contingent liabilities of approximately HK\$2.7 million (2024: approximately HK\$1.2 million) in respect of bank guarantee given in favour of the landlord in lien of rental deposit.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENT

Save for those disclosed in this announcement, the Group had not entered into any off-balance sheet transactions as at the date of this announcement and had no other capital commitments or any specific plans for material investments or capital assets as at 31 December 2025.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES AND FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

The Group has no material acquisition or disposal of subsidiaries, associates or joint ventures during the year ended 31 December 2025 (2024: Nil). Apart from those disclosed in this announcement, the Group has no future plan for material investments or additions of capital assets up to the date of this announcement.

CHARGES ON GROUP ASSETS

As at 31 December 2025, the Group did not have any charges on assets (2024: Nil).

EVENTS AFTER THE REPORTING PERIOD

No significant events occurred since the year ended 31 December 2025 and up to the date of this announcement which requires disclosure.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2025, the Group had 1,521 employees (2024: 1,619 employees). The Group has developed its human resources policy that the remuneration of the employees is determined by reference to prevailing market terms and in accordance with the performance, qualification and experience of each individual employee. The remuneration of individual employee is reviewed regularly with reference to the employee's performance and qualifications.

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

SHARE OPTION SCHEME

No share option was granted during the year ended 31 December 2025. Since the date of adoption of the Share Option Scheme and up to 31 December 2025, the Company had not granted any share option under the Share Option Scheme and had no outstanding share option under the Share Option Scheme.

FOREIGN EXCHANGE EXPOSURE

Most of the transactions of the Group are denominated in Hong Kong dollars and the Group is not exposed to any significant foreign exchange exposure. As at 31 December 2025, the Group did not have any foreign exchange investment and did not engage in any currency hedging transactions or enter into any hedging instruments. The Board would monitor the exposure to fluctuations in exchange rates so that the related risk would be controlled at an acceptable level.

PROSPECTS

Looking ahead, the Hong Kong catering industry is in the midst of a structural transformation. The Group will continue to focus on the mid-priced segment, deepening its product strategy that balances high value-for-money with quality dining experiences. The Group remains committed to agile innovation, prudent management, and ongoing transformation, fully embracing technological advances to drive development to enhance operational efficiency. At the same time, while solidifying its position in the local market, the Group will actively explore expansion opportunities both within and outside Hong Kong to drive sustainable long-term growth.

The management team will continue to leverage their expertise and experience to streamline the Group's internal processes and develop effective operational and promotional strategies. This will enhance the Group's operational efficiency and market responsiveness, ensuring steady progress in a challenging environment. Under the leadership of the management team, the Group will continue to refine existing brands, develop new brands, and expand its business network. Additionally, the Group will introduce innovative products and further institutionalize work processes. Strengthening management will be the strategy to embrace future opportunities and challenges. We believe the Group will be well-positioned to generate sustainable returns for shareholders, partners and employees amid the next wave of market adjustments.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained a sufficient public float of at least 25% of the issued shares of the Company during the year ended 31 December 2025 and up to the date of this announcement.

FINAL DIVIDEND

The Board resolved not to propose the payment of a final dividend for the year ended 31 December 2025 (2024: Nil).

The above decision was made after the prudent consideration by the Board of various factors, including the dividend policy of the Company and the profit recorded for the year ended 31 December 2025. Having taken into account the transactional and administrative costs associated with the proposed dividend distribution, the Board was of the view that the declaration of such a dividend would not be cost-effective. Accordingly, the Board resolved not to recommend the payment of a final dividend for the year ended 31 December 2025.

ANNUAL GENERAL MEETING

The AGM of the Company will be held on Wednesday, 10 June 2026. The circular and notice of AGM will be issued according to the applicable law, the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") and articles of association of the Company in due course.

CLOSURE OF REGISTER OF MEMBERS

To ascertain the identity of the Shareholders who will be entitled to attend and vote at the AGM, the register of members of the Company will be closed from Friday, 5 June 2026 to Wednesday, 10 June 2026, both dates inclusive, during which period no transfer of shares will be effected. The record date will be Wednesday, 10 June 2026. In order to be eligible to attend and vote at the AGM, all completed share transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at its office at Shops 1712–1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Thursday, 4 June 2026.

CORPORATE GOVERNANCE PRACTICES

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders and to enhance corporate value and accountability. The Company has adopted the Corporate Governance Code (the “**CG Code**”) contained in Appendix C1 to the Listing Rules as its own code of corporate governance.

During the year ended 31 December 2025, 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 complied with all the code provisions of the CG Code and adopted most of the best practices set out therein.

Pursuant to code provision C.2.1 of the CG Code, the roles of chairperson and the chief executive officer should be separate and should not be performed by the same individual. Mr. Wong Kit Lung Simon (“**Mr. Wong**”) currently holds both positions. Mr. Wong has been the key leadership figure of the Group who has been primarily involved in the formulation of business strategies and determination of the overall direction of the Group. He has also been chiefly responsible for the Group's operations as he directly supervises the senior management of the Group. 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 such arrangement is 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 Issuers (the “**Model Code**”) as set out in Appendix C3 to the Listing Rules as its own code of conduct regarding securities transactions of the Directors. Having made specific enquiry with all the Directors, all the Directors confirmed that they have complied with the required standard as set out in the Model Code for the year ended 31 December 2025.

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 or sale of treasury shares (as defined under Listing Rules) for the year ended 31 December 2025.

As at 31 December 2025, the Company did not hold or sell any treasury shares (as defined under the Listing Rules).

REVIEW BY AUDIT COMMITTEE

The Board has established an audit committee of the Company (the “**Audit Committee**”) which comprises three independent non-executive Directors, namely Mr. Mak Kam Chiu (Chairperson), Mr. Hung Wai Man and Mr. Sin Yat Kin. The primary duties of the Audit Committee are to assist the Board by providing an independent view of the effectiveness of the financial reporting process, internal control and risk management systems of the Group, to oversee the audit process, to develop and review the Group’s policies and to perform other duties and responsibilities as assigned by the Board.

The Audit Committee, together with the management of the Group, have reviewed the consolidated annual results of the Group for the year ended 31 December 2025, which were of the opinion that the preparation of such annual results complied with the applicable accounting standards, the Listing Rules and all other applicable legal requirements.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2025 as set out in the preliminary announcement have been agreed by the Group’s auditor, PricewaterhouseCoopers, to the amounts set out in the Group’s audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by PricewaterhouseCoopers on the preliminary announcement.

PUBLICATION OF THE ANNUAL RESULTS AND 2025 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 2025 annual report (containing the information required by Appendix D2 to the Listing Rules) will be issued and published on the respective websites of the Stock Exchange and the Company according to the requirements under the Listing Rules.

APPRECIATION

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

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

Hong Kong, 26 March 2026

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