



LH GROUP

叙福樓集團

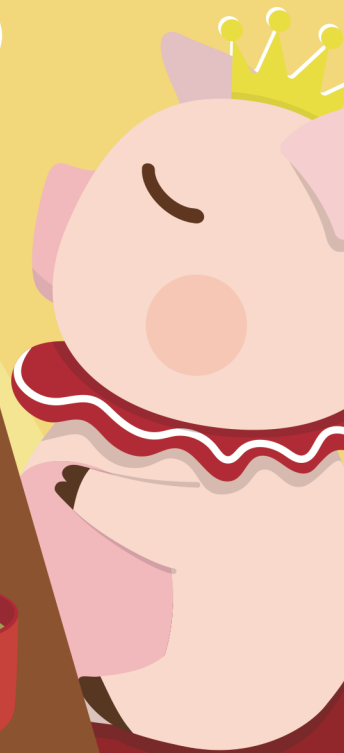
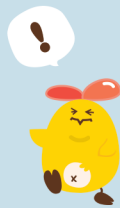
LH GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 1978

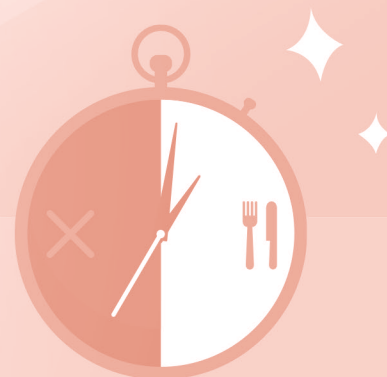


INTERIM REPORT
2020



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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Wong Kit Lung Simon *Prof, JP*
(*Chairman and Chief Executive Officer*)
Ms. Ko Sau Chee Grace (*Vice Chairperson*)
Mr. Ho Chi Wai (resigned on 1 September 2020)

Independent non-executive Directors

Mr. Sin Yat Kin *SBS, CSDSM*
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*

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

JOINT COMPANY SECRETARIES

Ms. Chan Hiu Yi (*ACIS, ACS*)
Ms. Yu Wing Sze (*ACIS, ACS*)

AUDITOR

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

AUTHORISED REPRESENTATIVES

Mr. Ho Chi Wai (resigned on 1 September 2020)
Ms. Ko Sau Chee Grace
(appointed on 1 September 2020)
Ms. Chan Hiu Yi

LEGAL ADVISER

Michael Li & Co.
19/F., Prosperity Tower
No.39 Queen's Road Central
Central, Hong Kong

REGISTERED OFFICE

Cayman Corporate Centre
27 Hospital Road
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
27 Hospital Road
George Town
Grand Cayman KY1-9008
Cayman Islands

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
Shanghai Commercial Bank Limited
Industrial and Commercial Bank of China (Asia)
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

	2020 <i>HK\$ million</i>	2019 <i>HK\$ million</i>	% Change
Revenue	404.2	520.0	(22.3)%
Profit attributable to the shareholders of the Company	24.3	39.7	(38.9)%
Earnings per share Basic and diluted (<i>HK cents</i>)	3.03	4.96	(38.9)%
Interim dividend per share (<i>HK cents</i>)	—	4.96	
Special dividend per share (<i>HK cents</i>)	—	5.00	

CALENDAR

Interim Results Announcement	27 August 2020
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BUSINESS REVIEW

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

As at 30 June 2020, LH Group Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) operated two Cantonese restaurants under two self-owned brands in Hong Kong, namely, “*LHGrand (叙福樓金閣)*” and “*Pot Master (煲仔王)*”; and 36 Asian restaurants under two self-owned brands, namely, “*Mou Mou Club (牛涮鍋)*” and “*Peace Cuisine (和平飯店)*”, and four franchised brands, namely “*Gyu-Kaku (牛角)*”, “*Gyu-Kaku Jinan-Bou (牛角次男坊)*”, “*On-Yasai (溫野菜)*” and “*Yoogane (柳氏家)*”, which serve quality, value-for-money delicacies to diversified customer segments seeking a wide array of culinary experiences. We pride ourselves in the extensive market coverage of our brand portfolio, which allows us to tap into customer segments spanning across mid-to-high end market to mass market with different culinary preferences.

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

	As at 30 June	
	2020	2019
Cantonese cuisine restaurants		
— Self-owned brands	2	2
Asian cuisine restaurants		
— Self-owned brands	14	13
— Franchised brands	22	21
<i>Sub-total of Asian restaurants:</i>	36	34
Total:	38	36





FINANCIAL REVIEW

Revenue

The Group's revenue decreased by approximately 22.3%, or approximately HK\$115.8 million, from approximately HK\$520.0 million for the six months ended 30 June 2019 (the "**Last Corresponding Period**") to approximately HK\$404.2 million for the six months ended 30 June 2020 (the "**Period**"). The Group's revenue was adversely affected by the COVID-19 outbreak in 2020. "Mou Mou Club" (under Asian cuisine restaurants – self-owned brands) and "On-Yasai" (under Asian cuisine restaurants – franchised brands) restaurants were closed for at least two weeks due to public concern cast by confirmed COVID-19 cases in relation to the potential risk of infection associated with aerosol transmission from hot pot dining. Since late March 2020, new measures and requirements specific to catering business in Hong Kong have also been imposed by directions issued by the Secretary for Food and Health, which among other things, limited the seating capacity and the number of persons that may be seated together in each table. In addition to the effect of COVID-19, the significant decrease in revenue from Cantonese cuisine restaurants is also due to the disposal of three Cantonese cuisine restaurants in April 2019.

	For the six months ended 30 June			
	2020		2019	
	Revenue HK\$'000	% of total Revenue (%)	Revenue HK\$'000	% of total Revenue (%)
Cantonese cuisine restaurants				
— Self-owned brands	40,421	10.0	101,919	19.6
Asian cuisine restaurants				
— Self-owned brands	94,674	23.4	127,142	24.5
— Franchised brands	266,737	66.0	283,432	54.5
Sub-total of restaurant operations	401,832	99.4	512,493	98.6
Sale of food ingredients	2,402	0.6	7,525	1.4
Total	404,234	100.0	520,018	100.0



Other income and gains

The Group's other income and gains increased significantly by approximately 1,397.9%, or approximately HK\$39.5 million, from approximately HK\$2.8 million for the Last Corresponding Period to approximately HK\$42.3 million for the Period. The increase was due to one-off government grants of approximately HK\$13.3 million and net gain from lease modification of approximately HK\$26.9 million for the Period.

Cost of food and beverages

The Group's cost of food and beverages decreased by approximately 16.8%, or approximately HK\$25.3 million, from approximately HK\$150.3 million for the Last Corresponding Period to approximately HK\$125.1 million for the Period. The decrease was in line with the decrease in revenue during the Period. The cost of food and beverages as a percentage of revenue increased slightly from 28.9% for the Last Corresponding Period to 30.9% for the Period.

Staff costs

The Group's staff costs decreased by approximately 20.6%, or approximately HK\$33.3 million, from approximately HK\$161.6 million for the Last Corresponding Period to approximately HK\$128.3 million for the Period. Such decrease was primarily due to the receipt of government grant of approximately HK\$7.2 million during the Period and the disposal of three Cantonese cuisine restaurants on 30 April 2019. The staff costs as a percentage of revenue remained relatively stable at 31.7% for the Period (Last Corresponding Period: 31.1%).

Property rentals and related expenses

The Group's property rentals and related expenses decreased by approximately 59.5%, or approximately HK\$26.5 million, from approximately HK\$44.6 million for the Last Corresponding Period to approximately HK\$18.1 million for the Period. Such decrease was mainly attributable to most leases were accounted for under HKFRS 16 as right-of-use assets and lease liabilities instead of property rentals expenses during the Period, while some leases were short-term leases at the initial adoption of HKFRS 16 for the Last Corresponding Period. In addition, rent concessions from certain landlords resulting in more affordable rental rates were accounted for during the Period while there was no such concession for the Last Corresponding Period.





Profit for the Period

Profit for the Period decreased by approximately 38.8%, or approximately HK\$15.4 million, from approximately HK\$39.6 million for the Last Corresponding Period to approximately HK\$24.3 million for the Period. Such decrease was mainly due to the combined effect of (i) provision for impairment of property, plant and equipment and right-of-use assets of a total of approximately HK\$28.5 million for the Period; (ii) an one-off gain on disposal of subsidiaries of approximately HK\$13.1 million for the Last Corresponding Period while no such gain for the Period; and (iii) other factors discussed above.

Excluding one-off and non-recurring items, i.e. government grants, gain from lease modification, provision for impairment and gain on disposal of subsidiaries, the core profit from our operation for the Period was approximately HK\$7.3 million, decreased by approximately 77.5%, or approximately HK\$25.3 million, from approximately HK\$32.7 million for the Last Corresponding Period.

LIQUIDITY AND FINANCIAL RESOURCES

The Group financed its business with internally generated cash flows and proceeds received from the listing (the “**Listing**”) of its shares on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). As at 30 June 2020, the Group had short term bank deposits of approximately HK\$128.5 million (as at 31 December 2019: HK\$132.4 million) and cash and cash equivalents of approximately HK\$193.4 million (as at 31 December 2019: approximately HK\$130.8 million). Most bank deposits and cash were denominated in Hong Kong dollar. The Group will continue to use the internal generated cash flows and proceeds received from the Listing as a source of funding for future developments.

As at 30 June 2020, the Group’s total current assets and current liabilities were approximately HK\$369.4 million (as at 31 December 2019: approximately HK\$313.8 million) and approximately HK\$277.8 million (as at 31 December 2019: approximately HK\$290.0 million) respectively, while the current ratio was about 1.3 times (as at 31 December 2019: about 1.1 times).

As at 30 June 2020, the gearing ratio of the Group was not applicable as it had no outstanding interest-bearing bank borrowings. The gearing ratio equals total interest-bearing bank borrowings divided by total equity and multiplied by 100%.

SIGNIFICANT INVESTMENTS

As at 30 June 2020, the Group did not hold any significant investments.



MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

The Group has no material acquisition or disposal of subsidiaries, associates or joint ventures during the Period.

EVENTS AFTER THE REPORTING PERIOD

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

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2020, the Group had 1,374 employees (as at 31 December 2019: 930 employees). The remuneration of the employees is determined by reference to prevailing market terms and in accordance with the performance, qualification and experience of each individual employee.

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

No share option was granted during the Period. As at 30 June 2020, the Company had no outstanding share option under the Share Option Scheme.

FOREIGN EXCHANGE EXPOSURE

Most of the transactions of the Group are denominated in Hong Kong dollar and the Group is not exposed to any significant foreign exchange exposure.

CONTINGENT LIABILITIES

As at 30 June 2020, the Group did not have any material contingent liabilities.





PROSPECTS

The outbreak of COVID-19 in early 2020 has significantly undermined catering businesses in Hong Kong, and we expect the combination of regulatory restrictions on social distancing, poor market conditions and weak consumer sentiment would continue to adversely affect our business significantly in the remaining of the year. Furthermore, the remnant issues since 2019, such as the macro risks arising from ongoing international trade negotiations, import tariff changes implemented by countries and challenges alongside geopolitical uncertainties, would still be posing challenges to both local business environment and consumer confidence in the industry and affecting the outlook for 2020. In view of the above, our business and financial performance in 2020 is enveloped by a multitude of uncertainties and macro risks.

In the face of numerous obstacles in 2020, the Group has been and will continue to be proactively negotiating with landlords on rent concession and reduction, seeking more favorable terms with suppliers and strengthening food delivery and takeaway services. The Group has also been actively managing its working capital to ensure that it remains in a healthy liquidity position. Heightening of hygiene and epidemic prevention requirements, which are always of vital importance, will also be kept strictly in place.

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



USE OF NET PROCEEDS FROM LISTING

The net proceeds from the IPO on 30 May 2018 after deducting share issuance expenses and listing expenses (the “**Net Proceeds**”) was approximately HK\$178,610,000. As at 30 June 2020, the Company had used approximately HK\$85,206,000 of the Net Proceeds for the purposes as set out in the prospectus of the Company dated 15 May 2018, representing approximately 47.7% of the Net Proceeds.

Use of Net Proceeds	Actual Net Proceeds HK\$'000	Amount utilised as at 30 June 2020 HK\$'000	Unutilised Net Proceeds HK\$'000	Expected timeline for utilisation of the unutilised Net Proceeds
Opening a total of eight restaurants under our self-owned brands				
— One Cantonese cuisine restaurant (<i>note</i>)	14,830	—	14,830	On or before 31 December 2022
— Seven Asian cuisine restaurants (<i>note</i>)	45,232	22,716	22,516	On or before 31 December 2022
Opening 19 restaurants under franchised brands	100,659	44,601	56,058	On or before 31 December 2022
Additional working capital, strategic investment and other general corporate purposes	17,889	17,889	—	—
Total	178,610	85,206	93,404	

Note:

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

INTERIM DIVIDEND

The board (the “**Board**”) of directors (the “**Directors**”) of the Company did not propose an interim dividend for the Period.





Other Information

CORPORATE GOVERNANCE PRACTICES

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

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

Pursuant to code provision A.2.1 of the CG Code, the roles of chairperson and 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 our senior management. Taking into account the continuation of the implementation of our business plans, the Directors (including the independent non-executive Directors) consider Mr. Wong as the best candidate for both positions and the present arrangements are beneficial and in the interests of the Company and the Shareholders as a whole. The balance of power and authority is ensured by the operation of the senior management and the Board, which comprises experienced and high-calibre individuals. The Board currently comprises three executive Directors (including Mr. Wong) and three independent non-executive Directors and therefore has a fairly strong independence element in its composition.

MODEL CODE FOR SECURITIES TRANSACTIONS

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

AUDIT COMMITTEE

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

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



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

On 1 September 2020, Mr. Ho Chi Wai resigned as an executive Director, the chief financial officer and the authorised representative (the "**Authorised Representative**") of the Company under Rule 3.05 of the Listing Rules. Ms. Ko Sau Chee Grace, an executive Director and vice chairperson of the Company, has been appointed as the Authorised Representative on 1 September 2020.

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 INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

(i) Interest in the Company

As at 30 June 2020, 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⁾

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%

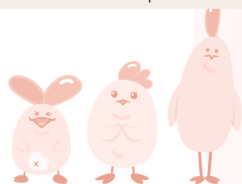
Save as disclosed above, as at 30 June 2020, none of the Directors or chief executives of the Company had or was deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which 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.



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

As at 30 June 2020, 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 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 2020, 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 2020



	Note	Six months ended 30 June	
		2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Revenue	4	404,234	520,018
Other income and gains	5	42,315	2,825
Cost of food and beverages		(125,089)	(150,344)
Staff costs		(128,276)	(161,581)
Depreciation and amortisation		(18,712)	(22,521)
Depreciation of right-of-use assets		(47,730)	(45,376)
Property rentals and related expenses		(18,085)	(44,618)
Fuel and utility expenses		(9,842)	(13,558)
Advertising and marketing expenses		(3,230)	(6,154)
Other operating expenses		(40,592)	(45,352)
Provision for impairment of property, plant and equipment	11(a)	(9,111)	(1,243)
Provision for impairment of right-of-use assets	11(b)	(19,417)	—
Gain on disposal of subsidiaries		—	13,101
Finance income	6	2,584	2,419
Finance costs	6	(2,804)	(3,097)
Profit before taxation	8	26,245	44,519
Income tax expense	7	(1,990)	(4,892)
Profit and total comprehensive income for the period		24,255	39,627
Attributable to:			
Shareholders of the Company		24,255	39,669
Non-controlling interests		—	(42)
		24,255	39,627
Earnings per share			
Basic and diluted	9	HK3.03 cents	HK4.96 cents





Condensed Consolidated Statement of Financial Position

As at 30 June 2020

	Note	As at 30 June 2020 HK\$'000 (Unaudited)	As at 31 December 2019 HK\$'000 (Audited)
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	11(a)	104,586	126,710
Right-of-use assets	11(b)	164,565	227,331
Investment property		683	695
Intangible assets		5,734	6,015
Rental and utilities deposits	12	47,139	43,216
Prepayments for property, plant and equipment	12	2,728	575
Deferred income tax assets		26,144	23,875
		351,579	428,417
CURRENT ASSETS			
Inventories		24,592	24,517
Trade receivables	12	5,419	6,156
Prepayments, deposits and other receivables	12	17,506	18,277
Tax recoverable		—	1,737
Short term bank deposits		128,499	132,352
Cash and cash equivalents		193,396	130,759
		369,412	313,798
Total assets		720,991	742,215



As at 30 June 2020

	Note	As at 30 June 2020 HK\$'000 (Unaudited)	As at 31 December 2019 HK\$'000 (Audited)
EQUITY			
Equity and reserves attributable to the shareholders of the Company			
Share capital	13	80,000	80,000
Share premium		122,781	122,781
Reserves		95,747	71,492
Total equity		298,528	274,273
LIABILITIES			
NON-CURRENT LIABILITIES			
Provision for reinstatement costs	14	15,622	15,009
Lease liabilities	11(b)	123,246	157,100
Deferred income tax liabilities		5,839	5,839
		144,707	177,948
CURRENT LIABILITIES			
Trade payables	14	47,650	44,774
Other payables and accruals	14	85,509	65,102
Contract liabilities		38,467	22,952
Lease liabilities	11(b)	94,764	131,472
Tax payable		11,366	25,694
		277,756	289,994
Total liabilities		422,463	467,942
Total equity and liabilities		720,991	742,215





Unaudited Condensed Consolidated Statements of Changes in Equity

For the six months ended 30 June 2020

(Unaudited)	Attributable to shareholders of the Company					Non-Controlling Interests HK\$'000	Total HK\$'000
	Share Capital	Share Premium	Retained Earnings	Other Reserves	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000		
Balance as at 1 January 2020	80,000	122,781	43,873	27,619	274,273	—	274,273
Profit and total comprehensive income for the Period	—	—	24,255	—	24,255	—	24,255
Balance as at 30 June 2020	80,000	122,781	68,128	27,619	298,528	—	298,528

(Unaudited)	Attributable to shareholders of the Company					Non-Controlling Interests HK\$'000	Total HK\$'000
	Share Capital	Share Premium	Retained Earnings	Other Reserves	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000		
Balance as at 31 December 2018	80,000	122,781	180,097	27,619	410,497	49	410,596
Change in accounting policy	—	—	(4,902)	—	(4,902)	—	(4,902)
Restated balance as at 1 January 2019	80,000	122,781	175,195	27,619	405,595	49	405,644
Profit and total comprehensive income for the period	—	—	39,669	—	39,669	(42)	39,627
Transactions with shareholders							
Dividends (Note 10)	—	—	(43,200)	—	(43,200)	—	(43,200)
Acquisition of non-controlling interests	—	—	—	—	—	(7)	(7)
Balance as at 30 June 2019	80,000	122,781	171,664	27,619	402,064	—	402,064

Unaudited Condensed Consolidated Statements of Cash Flows



	Six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash generated from operations	132,079	104,690
Interest received	184	34
Hong Kong profits tax paid, net	<u>(16,850)</u>	<u>(50)</u>
Net cash flows generated from operating activities	<u>115,413</u>	<u>104,674</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property, plant and equipment	(6,899)	(16,940)
Acquisition of assets, net of cash acquired	—	(35,008)
Disposal of subsidiaries, net of cash disposed	—	(5,865)
Dividend income from financial asset at fair value through profit or loss	—	800
Interest received	1,084	2,385
Decrease/(increase) in short term bank deposits	<u>3,853</u>	<u>(10,765)</u>
Net cash flows used in investing activities	<u>(1,962)</u>	<u>(65,393)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Listing expenses paid	—	(27)
Acquisition of non-controlling interests	—	(7)
Principal elements of lease payments	<u>(50,814)</u>	<u>(44,508)</u>
Net cash flows used in financing activities	<u>(50,814)</u>	<u>(44,542)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	62,637	(5,261)
Cash and cash equivalents at the beginning of the period	<u>130,759</u>	<u>142,289</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	193,396	137,028





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 Cayman Corporate Centre, 27 Hospital Road, George Town, Grand Cayman KY1-9008, Cayman Islands.

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

The unaudited condensed consolidated interim financial information is presented in Hong Kong dollars (“**HK\$**”), unless otherwise stated, and has been approved for issue by the Board on 27 August 2020.

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 2019 (the “**2019 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 2019 Annual Report, except as stated below.



3. ACCOUNTING POLICIES

The accounting policies and methods of computation used in preparing the unaudited condensed consolidated interim financial information are consistent with those followed in preparing the 2019 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.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

Government grants

Grants from the government are recognised at their fair value when there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants relating to costs are deferred and recognised in the profit or loss over the period necessary to match them with the costs that they are intended to compensate.

New and amended standards adopted by the Group

The following new standards and amendments are mandatory for the financial year beginning on 1 January 2020.

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

The adoption of the above new standards and amendments did not have any significant impact on the preparation of these condensed consolidated interim financial information.

New and amended standards not yet adopted by the Group

The following new standards and amendments have been issued but are not effective for the financial year beginning on or after 1 January 2020 and have not been early adopted by the Group.

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
HKFRS 17	Insurance Contracts

The Group will apply the above new standards and amendments when they become effective. The Group anticipates that the application of the above new standards and amendments to existing standards have no material impact on the results and the financial position of the Group.





3. ACCOUNTING POLICIES (continued)

New and amended standards early adopted by the Group

The Group has early adopted *Amendment to HKFRS 16 — COVID-19-Related Rent Concessions* retrospectively from 1 January 2020. The amendment provides an optional practical expedient allowing lessees to elect not to assess whether a rent concession related to COVID-19 is a lease modification. Lessees adopting this election may account for qualifying rent concessions in the same way as they would if they were not lease modifications. The practical expedient only applies to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met: a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; b) any reduction in lease payments affects only payments due on or before 30 June 2021; and c) there is no substantive change to other terms and conditions of the lease.

The Group has applied the practical expedient to all qualifying COVID-19-related rent concessions. Rent concessions of approximately HK\$8,319,000 have been accounted for as negative variable lease payments and recognised in property rentals and related expenses in the consolidated statement of comprehensive income for the six months ended 30 June 2020, with a corresponding adjustment to the lease liability. There is no impact on the opening balance of equity at 1 January 2020.

A number of new or amended standards became applicable for the Period. Except for the Amendment to HKFRS 16 set out above, the Group did not change its accounting policies or make retrospective adjustments as a result of adopting these standards.

4. REVENUE AND SEGMENT INFORMATION

(a) Revenue

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

	Six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 <i>HK\$'000</i> (Unaudited)
Recognised at a point in time:		
Restaurant operations	401,832	512,493
Sale of food ingredients	2,402	7,525
	404,234	520,018



4. REVENUE AND SEGMENT INFORMATION (continued)

(b) Segment information

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

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

The Group has the following reporting segments:

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

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

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

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

The major operating entities of the Group are domiciled in Hong Kong. All of the Group's revenue are derived in Hong Kong. As at 30 June 2020 and 31 December 2019, all of non-current assets of the Group are located in Hong Kong.





4. REVENUE AND SEGMENT INFORMATION (continued)

(b) Segment information (continued)

(Unaudited)	For the six months ended 30 June 2019				
	Cantonese cuisine — self-owned brands HK\$'000	Asian cuisine — franchised brands HK\$'000	Asian cuisine — self-owned brands HK\$'000	Sale of food ingredients HK\$'000	Total HK\$'000
Segment revenue					
Revenue	101,919	283,432	127,142	67,914	580,407
Inter-segment revenue	—	—	—	(60,389)	(60,389)
External revenue	101,919	283,432	127,142	7,525	520,018
Segment profit	2,114	50,382	9,580	1,357	63,433
Segment profit includes					
Depreciation and amortisation	(3,909)	(11,489)	(6,159)	—	(21,557)
Depreciation of right-of-use assets	(9,618)	(22,489)	(11,128)	—	(43,235)
Provision for impairment	—	—	(1,243)	—	(1,243)
Segment profit					63,433
Unallocated depreciation and amortisation					(964)
Unallocated depreciation of right-of-use assets					(2,141)
Unallocated cost					(31,179)
Gain on disposal of subsidiaries					13,101
Unallocated finance income					2,340
Unallocated finance costs					(71)
Profit before taxation					44,519
	As at 31 December 2019				
Segment assets	30,982	211,644	126,837	90,501	459,964
Segment liabilities	(47,332)	(220,406)	(126,566)	(24,901)	(419,205)



**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 2020 HK\$'000 (Unaudited)	As at 31 December 2019 HK\$'000 (Audited)
Segment assets	377,749	459,964
Unallocated assets	343,242	282,251
	720,991	742,215

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

	As at 30 June 2020 HK\$'000 (Unaudited)	As at 31 December 2019 HK\$'000 (Audited)
Segment liabilities	351,495	419,205
Unallocated liabilities	70,968	48,737
	422,463	467,942

5. OTHER INCOME AND GAINS

	Six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Government grants	13,330	—
Net gain from lease modification	26,933	—
Promotion income from a credit card company	1,550	1,400
Sundry income	502	1,425
	42,315	2,825



6. FINANCE INCOME AND COSTS

	Six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 <i>HK\$'000</i> (Unaudited)
Interest income from bank deposits	1,795	2,419
Finance income on financial assets	789	—
Finance income	2,584	2,419
Finance costs paid for lease liabilities (<i>Note 11(b)</i>)	(2,804)	(3,097)

7. TAXATION

Hong Kong profits tax has been provided on the estimated assessable profits at a rate of 16.5% for the periods ended 30 June 2020 and 2019.

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

	Six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 <i>HK\$'000</i> (Unaudited)
Hong Kong profits tax		
Current income tax	4,259	7,718
Deferred income tax	(2,269)	(2,826)
	1,990	4,892





8. PROFIT BEFORE TAXATION

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

	Six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 <i>HK\$'000</i> (Unaudited)
Depreciation of property, plant and equipment	18,419	22,188
Depreciation of right-of-use assets	47,730	45,376
Depreciation of investment property	12	12
Amortisation of intangible assets	281	321
Lease payments under operating leases in respect of land and buildings:		
— Minimum lease payments	2,260	17,104
— Contingent rental	7,627	6,458
	9,887	23,562
Employee benefit expenses		
Wages and salaries	112,157	142,232
Discretionary bonuses	8,956	7,724
Retirement benefit scheme contributions	5,712	6,584
Staff welfare	1,886	3,414
(Reversal of)/provision for untaken annual leave	(802)	1,714
Provision for/(reversal of) long service payment	367	(87)
	128,276	161,581
Auditors' remuneration		
— Audit services	1,100	1,291
— Non-audit services	532	303



9. 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\$24,255,000 (period ended 30 June 2019: HK\$39,669,000) and the weighted average of approximately 800,000,000 ordinary shares in issue during the periods ended 30 June 2020 and 2019.

	Six months ended 30 June	
	2020 (Unaudited)	2019 (Unaudited)
Profit attributable to the Shareholders (HK\$'000)	24,255	39,669
Weighted average number of ordinary shares in issue ('000)	800,000	800,000
Earnings per share	HK3.03 cents	HK4.96 cents

(b) Diluted

Diluted earnings per share for the periods ended 30 June 2020 and 2019 are the same as the basic earnings per share as there were no potentially dilutive ordinary shares issued.

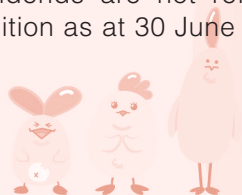
10. DIVIDEND

	Six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Final dividend in respect of previous year, declared — nil (2019: HK5.4 cents per share)	—	43,200

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

The Board did not propose an interim dividend for the Period.

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





11(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 2019							
Cost	68,343	150,440	109,179	9,918	2,321	4,253	344,454
Accumulated depreciation	(9,765)	(98,325)	(72,611)	(8,793)	(2,321)	(3,464)	(195,279)
Accumulated impairment	(1,689)	(12,765)	(7,756)	(255)	—	—	(22,465)
Net carrying amount	<u>56,889</u>	<u>39,350</u>	<u>28,812</u>	<u>870</u>	<u>—</u>	<u>789</u>	<u>126,710</u>
(Unaudited)							
Period ended 30 June 2020							
Opening net book amount	56,889	39,350	28,812	870	—	789	126,710
Additions	—	3,867	1,527	12	—	—	5,406
Depreciation	(1,049)	(10,020)	(6,848)	(300)	—	(202)	(18,419)
Provision for impairment	—	(5,496)	(3,560)	(55)	—	—	(9,111)
Closing net book amount	<u>55,840</u>	<u>27,701</u>	<u>19,931</u>	<u>527</u>	<u>—</u>	<u>587</u>	<u>104,586</u>
As at 30 June 2020							
Cost	68,343	154,309	110,706	9,929	2,321	4,253	349,861
Accumulated depreciation	(10,814)	(108,347)	(79,459)	(9,092)	(2,321)	(3,666)	(213,699)
Accumulated impairment	(1,689)	(18,261)	(11,316)	(310)	—	—	(31,576)
Net carrying amount	<u>55,840</u>	<u>27,701</u>	<u>19,931</u>	<u>527</u>	<u>—</u>	<u>587</u>	<u>104,586</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 2020, the Group’s management had considered the impact of COVID-19 outbreak for impairment assessment and estimated corresponding recoverable amounts of the property, plant and equipment 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 2020, the annual revenue growth used by each restaurant outlet in Hong Kong is ranging from -20% to 13% for the remaining lease period. The pre-tax discount rate used to determine the recoverable amounts is approximately 8.6%.

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 covering a period of the remaining lease term were lower than the carrying amounts of the CGUs. Accordingly, the Group recognised a provision for impairment of property, plant and equipment of approximately HK\$9,111,000 for the Period (Last Corresponding Period: HK\$1,243,000).



11(b).LEASES

(i) Amounts recognised in the balance sheet

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

	As at 30 June 2020 HK\$'000 (Unaudited)	As at 31 December 2019 HK\$'000 (Audited)
Right-of-use assets		
Restaurant outlets	157,698	218,143
Offices	6,427	8,572
Warehouse	440	616
	164,565	227,331

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

	As at 30 June 2020 HK\$'000 (Unaudited)	As at 31 December 2019 HK\$'000 (Audited)
Lease liabilities		
Current	94,764	131,472
Non-current	123,246	157,100
	218,010	288,572





11(b).LEASES (continued)

(ii) Amounts recognised in the unaudited condensed statement of profit or loss

	Six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 <i>HK\$'000</i> (Unaudited)
Depreciation charge of right-of-use assets	47,730	45,376
Finance costs	2,804	3,097
Expense relating to short-term leases (included in property rentals and related expenses)	2,260	17,104
Expense relating to variable lease payments not included in lease liabilities (included in property rentals and related expenses)	7,627	6,458
Provision for impairment of right-of-use assets	19,417	—

The total cash outflow for leases for the Period was approximately HK\$60,701,000.

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

The Group leases various offices, warehouses and restaurant outlets. 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.



11(b).LEASES (continued)

(iv) Variable lease payments

Some property leases contain variable payment terms that are linked to sales generated from a restaurant outlet. The basis of variable payment terms range from 10% to 15% of sales. Variable payment terms are used for a variety of reasons, including minimising the fixed costs base for newly established restaurant outlets. 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.

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

As at 30 June 2020, the Group's management had considered the impact of COVID-19 outbreak for impairment assessment 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 2020, the annual revenue growth used by each restaurant outlet in Hong Kong is ranging from -20% to 13% for the remaining lease period. The pre-tax discount rate used to determine the recoverable amounts is approximately 8.6%.

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 covering a period of the remaining lease term were lower than the carrying amounts of the CGUs. Accordingly, the Group recognised a provision for impairment of right-of-use assets of approximately HK\$19,417,000 for the Period (Last Corresponding Period: Nil).





12. TRADE AND OTHER RECEIVABLES

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

	As at 30 June 2020 HK\$'000 (Unaudited)	As at 31 December 2019 HK\$'000 (Audited)
External customers	5,419	6,156

An ageing analysis of the trade receivables as at 30 June 2020 and 31 December 2019, based on the invoice date, is as follows:

	As at 30 June 2020 HK\$'000 (Unaudited)	As at 31 December 2019 HK\$'000 (Audited)
Within 30 days	3,977	5,451
31–60 days	679	401
61–180 days	763	304
	5,419	6,156



12. 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 does not hold any collateral over these balances. No impairment loss was recognised by the Group as at 30 June 2020 and 31 December 2019.

	As at 30 June 2020 HK\$'000 (Unaudited)	As at 31 December 2019 HK\$'000 (Audited)
Prepayments	10,783	7,852
Rental and utilities deposits	54,508	52,549
Other receivables	2,082	1,667
	67,373	62,068
Less: non-current portion		
— Rental and utilities deposits	(47,139)	(43,216)
— Prepayments for property, plant and equipment	(2,728)	(575)
Current portion	17,506	18,277

As at 30 June 2020 and 31 December 2019, 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 2020 and 31 December 2019 was the carrying value of each class of receivable mentioned above. The Group did not hold any collateral as security.





13. SHARE CAPITAL

(a) **Authorised:**

	As at 30 June 2020		As at 31 December 2019	
	Number of shares	Nominal value HK\$'000	Number of shares	Nominal value HK\$'000
At beginning and end of the period/year	4,000,000,000	400,000	4,000,000,000	400,000

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

	As at 30 June 2020		As at 31 December 2019	
	Number of shares	Nominal value HK\$'000	Number of shares	Nominal value HK\$'000
At beginning and end of the period/year	800,000,000	80,000	800,000,000	80,000



14. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

An ageing analysis of the trade payables as at 30 June 2020 and 31 December 2019, based on the invoice date, is as follows:

	As at 30 June 2020 HK\$'000 (Unaudited)	As at 31 December 2019 HK\$'000 (Audited)
Within 30 days	27,552	28,452
31–60 days	19,817	16,150
61–180 days	96	45
Over 180 days	185	127
	47,650	44,774

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

	As at 30 June 2020 HK\$'000 (Unaudited)	As at 31 December 2019 HK\$'000 (Audited)
Rent payable	3,255	1,940
Accrued employee benefit expenses	22,313	19,731
Provision for long service payment	2,567	2,285
Provision for untaken annual leave	7,478	8,453
Provision for reinstatement costs	18,407	18,407
Deferred government grants	18,075	—
Other accrued expenses	25,317	26,236
Payables for purchase of property, plant and equipment	3,087	2,427
Other payables	632	632
	101,131	80,111
Less: non-current portion — Provision for reinstatement costs	(15,622)	(15,009)
Current portion	85,509	65,102





15. CAPITAL COMMITMENTS

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

	As at 30 June 2020 HK\$'000 (Unaudited)	As at 31 December 2019 HK\$'000 (Audited)
Capital expenditure Contracted but not provided for	4,335	73

16. 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	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Salaries and other short term employee benefits	3,315	4,349
Discretionary bonuses	2,011	1,753
Retirement benefit scheme contribution	24	69
	5,290	6,171