



LH GROUP

叙福楼集团

LH GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 1978

2023

ANNUAL REPORT



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Corporate Information

BOARD OF DIRECTORS

Executive Directors

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

Independent non-executive Directors

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

COMPANY SECRETARY

Ms. Chan Hiu Yi (ACG, HKACG)

AUDITOR

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

AUTHORISED REPRESENTATIVES

Ms. Chan Hiu Yi
Ms. Ko Sau Chee Grace

LEGAL ADVISER

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

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

HONG KONG BRANCH SHARE REGISTRAR

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

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANKERS

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

COMPANY WEBSITE

www.lhgroup.com.hk

STOCK CODE

1978

LISTING DATE

30 May 2018

Financial Highlights and Calendar

FINANCIAL HIGHLIGHTS

For the year ended 31 December

	2023	2022
	<i>HK\$ million</i>	<i>HK\$ million</i>
Revenue	1,276.8	1,063.2
Profit attributable to the shareholders of the Company	88.1	77.7
Earnings per share Basic and diluted (<i>HK cents</i>)	11.01	9.71
Interim dividend per share (<i>HK cents</i>)	4.75	—
Special dividend per share (<i>HK cents</i>)	12.50	—
(Proposed) final dividend per share (<i>HK cents</i>)	4.06	7.77

CALENDAR

Annual Results Announcement	26 March 2024
Closure periods of Register of Members	
For Annual General Meeting	3 June 2024–6 June 2024 (both dates inclusive)
For proposed final dividend	13 June 2024–17 June 2024 (both dates inclusive)
Annual General Meeting	6 June 2024
Payable date of final dividend	On or around 27 June 2024

Chairman's Statement

To all shareholders:

On behalf of the board (the “**Board**”) of directors (the “**Directors**”) of LH Group Limited (the “**Company**”, together with its subsidiaries, the “**Group**” or “**we**”, “**us**” or “**our**”), I am pleased to present to you the annual results of the Group for the year ended 31 December 2023.

Looking back at 2023, during such post-pandemic economic recovery period, we were facing unprecedented challenges. Although Hong Kong's tourism industry has gradually recovered due to the lifting of entry restrictions in February 2023, and the Hong Kong Government launched a new round of consumption voucher scheme in April and July 2023 to boost the economy, Hong Kong's business environment has undergone rapid changes, and customers' spending power has generally declined. This, coupled with the impact on Hong Kong's catering industry due to the northbound consumption boom in the second half of the year, has put pressure on our business. Despite these challenges, the Group has demonstrated strong adaptability, responding promptly to market changes and achieving outstanding results.

MULTI-BRAND STRATEGY

Our goal is to implement a successful multi-brand strategy and provide customers with a value-for-money and enjoyable dining experience across a variety of brands. We believe firmly in the philosophy of crisis create opportunities. The Group launched a total of five new restaurants during the year, and three of which are under the franchised café brand “The Matcha Tokyo” from Tokyo, Japan. As of the end of the year, we operated a total of 57 restaurants.

We are actively developing new brands and expanding our restaurant layout. In 2024, we will further accelerate the identification of strategic locations for new stores of various brands to meet diverse customer needs. We will launch a new restaurant under the franchise brand “Hikiniku To Come (挽肉と米)” in Central in the second quarter of 2024 to provide customers with a diversified dining experience and expand our presence in the fast casual dining sector. The Group also actively seizes development opportunities and launches new brands and innovative products through different cooperation modes. In March 2024, the Group took the lead in cooperating with a snack shop to launch new products, and leveraged the Group's membership network and brand awareness to widely promote local recommendable restaurants with an aim to create synergy effect with suitable industry peers amid the current sluggish economic environment. Regarding the existing brands, the Group plans to reshape some of its existing self-operated and franchised brands in the second half of 2024 to provide customers with a brand-new dining experience.

We adhere to the principle of value-for-money and continuously improve the quality of our food to ensure our competitiveness in the market. By constantly improving our menu, we are committed to meeting the needs of different customers and thereby attracting more customer groups.

LOOKING AHEAD TO 2024

It is expected that the Hong Kong catering industry market will be more challenging in 2024. As the local property market and stock market continue to slump and consumption power is weak, the catering industry is expected to continue to be affected. I, as the Chairman, will lead the Group to seize the opportunities arising from the downturn in 2024 and advance the Company's management into a stage of professional corporate management. The Group has established a professional management team during the year to strengthen our management in all aspects of operations, finance, marketing and information technology. Mr. Luk Ernest Man Chung ("**Mr. Luk**"), the Group's Chief Executive (Food & Beverage), has taken office for a year and has comprehensively led the whole management team to continuously strengthen our operation capacity in order to deal with upcoming challenges. The management team will utilise their professional knowledge and experience to enhance our internal workflow and marketing strategies to improve our operational efficiency and efficacy in formulating market response, which ensures that we can thrive in this uncertain era. Under the guidance of the management team, the Group will launch the next stage of development, focusing on reshaping its existing brands, launching new brands through different cooperation modes, expanding store networks, launching innovative products, as well as further institutionalising our workflow at the same time. Our goal is to strategically strengthen the foundation for management to prepare for the business rebound following the commencement of the interest rate-reduction cycle, and to maximise the room for capturing the rise in earnings that may occur at any time due to improved consumption power.

In this increasingly electronic world, we are also actively using information technology to improve work efficiency, which not only reduces costs but also improves our ability to respond quickly to market changes. The Group will launch a new customer relationship management system and a new membership application to understand our customers more effectively through data analysis, thereby providing more customised services. This will facilitate us to get closer to its customers and establish inseparable customer relationships. Building solid customer relationships will not only help set up a loyal customer base, but also be able to increase brand awareness and appeal.

SUSTAINABLE DEVELOPMENT

The Company chooses the word "Sustainable" as its cover for the year, which represents the society pays attention to sustainable development in recent years, I have always been in favor of the concept of sustainable development, and at the same time emphasized that sustainable development is imperative for enterprises. As such, we will continue to uphold the principle of sustainable development and engage in our business operation.

DIVIDEND

Over the past year, the Group has overcome various challenges and achieved outstanding business performance. We wish to share the fruitful results with all shareholders. After considering the economic outlook, the Group's financial position, its future expansion plans and other factors, the Board recommended the payment of a final dividend of HK4.06 cents per share (2022: HK7.77 cents per share). Together with a interim dividend of HK4.75 cents per share and a special dividend of HK12.50 cents per share paid for the year ended 31 December 2023, the total payment of dividends for the year amounted to HK21.31 cents per share, and the aggregate dividend payout ratio was approximately 194%.

APPRECIATION AND BLESSINGS

On behalf of the Board, I would like to express my sincere gratitude to all staff of the Group for their hard work and dedication over the past year. I would also like to thank our customers, vendors, landlords and professional parties for their unconditional support during this challenging period. To our shareholders, I am grateful for your continuous support and trust in the Group.

I wish you all the best of health and good fortune.

Wong Kit Lung Simon *Prof, BBS, JP*

Chairman

Hong Kong, 26 March 2024

Management Discussion and Analysis



日本焼肉専門店



日本涮涮鍋専門店



台灣火鍋
#HAP Taiwanese Hotpot



MouMouClub
all-you-can-eat shabu-shabu
牛涮鍋



WING WAH ALLDAY
— 源於1945香港 —



Management Discussion and Analysis

The Group's revenue recorded an increase by approximately 20.1% or approximately HK\$213.6 million to approximately HK\$1,276.8 million for the year ended 31 December 2023 as compared to the year ended 31 December 2022. Excluding significant incidental items i.e. government grants and subsidies, net gains from lease modification and provision for impairment of property, plant and equipment, right-of-use assets and intangible assets, the core profit before tax from operations for the year ended 31 December 2023 was approximately HK\$116.2 million, representing an increase by approximately 141.2% from approximately HK\$48.2 million for the year ended 31 December 2022, demonstrating a significant improvement in the profitability of the Group.

BUSINESS REVIEW

As at 31 December 2023, the Group operated 16 restaurants under self-owned brands "Mou Mou Club (牛涮鍋)", "Peace Cuisine (和平飯店)", "Wing Wah Allday (永華日常)", "Pot Master (煲仔王)" and "#HAP Taiwanese Hotpot (好呷台灣火鍋)", and 41 restaurants under franchised brands, "Gyu-Kaku (牛角)", "Gyu-Kaku Jinan-Bou (牛角次男坊)", "On-Yasai (溫野菜)" and "The Matcha Tokyo", which serve quality, value-for-money delicacies to diversified customer segments seeking a wide array of culinary experiences. We pride ourselves in the extensive market coverage of our brand portfolio, which allows us to tap into customer segments spanning across mid-to-high end markets to mass market with different culinary preferences.

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

	As at 31 December	
	2023	2022
Self-owned brands	16	16
Franchised brands	41	37
Total	57	53

FINANCIAL REVIEW

Revenue

As social distancing measures began to relax in late April 2022 with the lifting of entry restrictions taken place in February 2023, Hong Kong's tourism industry experienced a gradual recovery. Additionally, the Hong Kong Government launched new rounds of consumption voucher schemes in April 2023 and July 2023, which contributed to a general boost in the economy and drove a revenue growth of the Group during the post-epidemic period.

Compared to the results for the year ended 31 December 2022, which were significantly hit by the outbreak of the fifth wave of COVID-19 (the "**Pandemic**") in Hong Kong, the Group's revenue increased by approximately 20.1%, or approximately HK\$213.6 million, from approximately HK\$1,063.2 million for the year ended 31 December 2022 to approximately HK\$1,276.8 million for the year ended 31 December 2023. The increase in revenue was mainly due to (i) the strict social distancing measures from early January to late April 2022, which significantly affected the performance of the Group for the year ended 31 December 2022; and (ii) the increase in number of restaurants operated by the Group from 53 as at 31 December 2022 to 57 as at 31 December 2023.

The revenue from franchised brands increased by approximately HK\$143.2 million or approximately 18.2%, from approximately HK\$784.9 million for the year ended 31 December 2022 to approximately HK\$928.1 million for the year ended 31 December 2023. The increase in revenue was attributable to the increase in the number of restaurants under franchised brands from 37 as at 31 December 2022 to 41 as at 31 December 2023. The business of franchised brands remained as the main pillar of revenue, constituting approximately 72.7% of the total revenue of the Group for the year ended 31 December 2023 (2022: approximately 73.8%).

The revenue from self-owned brands increased by approximately HK\$68.5 million or approximately 25.1%, from approximately HK\$273.0 million for the year ended 31 December 2022 to approximately HK\$341.4 million for the year ended 31 December 2023.

Management Discussion and Analysis

Revenue by business segments is set out below:

	For the year ended 31 December			
	2023		2022	
	Revenue HK\$'000	% of total Revenue (%)	Revenue HK\$'000	% of total Revenue (%)
Self-owned brands	341,423	26.7	272,950	25.7
Franchised brands	928,060	72.7	784,898	73.8
Sub-total of restaurant operations	1,269,483	99.4	1,057,848	99.5
Sale of food ingredients and others	7,288	0.6	5,311	0.5
Total	1,276,771	100.0	1,063,159	100.0

Other income and gains

The Group's other income and gains decreased by approximately 80.0%, or approximately HK\$18.6 million, from approximately HK\$23.2 million for the year ended 31 December 2022 to approximately HK\$4.7 million for the year ended 31 December 2023.

The decrease was mainly due to a decrease in government subsidies of approximately HK\$17.8 million, from HK\$18.0 million for the year ended 31 December 2022 to approximately HK\$0.2 million for the year ended 31 December 2023. Other income and gains mainly consist of promotion income from a credit card company of approximately HK\$3.3 million for the year ended 31 December 2023 (2022: approximately HK\$3.3 million).

Cost of food and beverages

The Group's cost of food and beverages increased by approximately 16.9%, or approximately HK\$56.5 million, from approximately HK\$334.8 million for the year ended 31 December 2022 to approximately HK\$391.3 million for the year ended 31 December 2023. The increase was in line with the increase in revenue during the year ended 31 December 2023.

Despite the overall increase in the prices for food in the global supply chain, the Group managed to control the food costs through making bulk purchases, closely monitoring the prices and switching to similar or higher quality alternatives. As a result, the cost of food and beverages as a percentage of revenue decreased to approximately 30.6% for the year ended 31 December 2023 (2022: approximately 31.5%).

Staff costs

The Group's staff costs increased by approximately 28.1%, or approximately HK\$83.5 million, from approximately HK\$296.8 million for the year ended 31 December 2022 to approximately HK\$380.3 million for the year ended 31 December 2023. Apart from the increase in the demand of labours due to the expansion of restaurant network, the increase in staff cost was due to the absence of wage subsidy being received under the Employment Support Scheme of the Anti-Epidemic Fund set up by the Hong Kong Government for the year ended 31 December 2023, while the amount of relevant subsidies for the year ended 31 December 2022 was approximately HK\$29.7 million. If the wage subsidies for the year ended 31 December 2022 were excluded, wages and salaries increased by approximately HK\$53.8 million for the year ended 31 December 2023. Staff cost as a percentage of revenue increased by 1.9 percentage points from approximately 27.9 % for the year ended 31 December 2022 to approximately 29.8% for the year ended 31 December 2023. If the wage subsidies received during the year ended 31 December 2022 were excluded, staff cost as a percentage of revenue decreased by 0.9 percentage points from approximately 30.7% for the year ended 31 December 2022 to approximately 29.8% for the year ended 31 December 2023.

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

The Group's depreciation of right-of-use assets, rental and related expenses increased by approximately 12.8%, or approximately HK\$21.9 million, from approximately HK\$171.1 million for the year ended 31 December 2022 to approximately HK\$192.9 million for the year ended 31 December 2023. The increase in expenses was mainly due to the increase in the number of restaurants from 53 as at 31 December 2022 to 57 as at 31 December 2023.

Profit for the year

As a result of the foregoing, profit for the year ended 31 December 2023 increased by approximately 13.3%, or approximately HK\$10.4 million, from approximately HK\$77.7 million for the year ended 31 December 2022 to approximately HK\$88.1 million for the year ended 31 December 2023.

The increase in profit was mainly due to the fact that the Pandemic was under control in Hong Kong and the Hong Kong Government lifted dine-in restrictions and social distancing measures, which eliminated the negative impact on the Group's business for the year ended 31 December 2023. Since the social distancing measures began to relax in late April 2022, the restaurant operations of the Group had gradually resumed and the revenue had rebounded rapidly thereafter.

LIQUIDITY AND FINANCIAL RESOURCES 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 2023, the Group had short term bank deposits of approximately HK\$105.1 million (2022: approximately HK\$145.5 million) and cash and cash equivalents of approximately HK\$147.7 million (2022: approximately HK\$196.5 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 2023, the Group's total current assets and current liabilities were approximately HK\$325.2 million (2022: approximately HK\$428.2 million) and approximately HK\$293.7 million (2022: approximately HK\$288.1 million) respectively, while the current ratio was about 1.1 times (2022: about 1.5 times).

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

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 2023, 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 2023.

SIGNIFICANT INVESTMENTS

As at 31 December 2023, the Group did not hold any significant investments.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

The Group has no material acquisition or disposal of subsidiaries, associates or joint ventures during the year ended 31 December 2023. The Group has no plan for material investments or additions of capital assets up to the date of this report.

CHARGES ON GROUP ASSETS

As at 31 December 2023, the Group did not have any charges on assets.

EVENTS AFTER THE REPORTING YEAR

No significant events occurred since the end of the year ended 31 December 2023 and up to the date of this report which requires disclosure.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2023, the Group had 1,667 employees (2022: 1,768 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 2023. Since the date of adoption of the Share Option Scheme and up to 31 December 2023, 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 2023, the Group did not have any foreign exchange investment and did not engage in any currency hedging transactions or enter into any hedging instruments. The Board would monitor the exposure to fluctuations in exchange rates so that the related risk would be controlled at an acceptable level.

CONTINGENT LIABILITIES

As at 31 December 2023, the Group did not have any material contingent liabilities.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENT

As at the date of this report, the Group had not entered into any off-balance sheet transactions and had no capital commitments or any specific plans for material investments or capital assets as at 31 December 2023.

PROSPECTS

It is expected that the Hong Kong catering industry market will be more challenging in 2024. Due to the downturn of the local property market and stock market, together with the weak spending power, the catering industry is expected to remain under pressure. The Chairman will lead the Group to seize the opportunities arising out of the downturn in 2024 and advance the Company's management into a stage of professional corporate management. The Group has established a professional management team during the year to strengthen our management in all aspects of operations, finance, marketing and information technology. The Chief Executive (Food & Beverage), who has been in office for one year, has also comprehensively led the entire management team to strengthen the Group's operations and respond to upcoming challenges. To ensure that the Group can thrive in this uncertain era, the management team will utilise their professional knowledge and experience in improving the Group's operational efficiency and market responsiveness through optimising the Group's internal workflow and implementing effective operating and marketing strategies. Under the guidance of the management team, the Group will launch the next stage of development, focusing on reshaping its existing brands, launching new brands through different cooperation modes, expanding restaurant networks, launching innovative products, as well as further institutionalising our workflow at the same time. Our goal is to strategically strengthen the foundation for management to prepare for the business rebound following the commencement of the interest rate-reduction cycle, and to maximise the room for capturing the rise in earnings that may occur at any time upon the improvement in consumption demand.

In this increasingly digital world, the Group is also actively using information technology to improve work efficiency, which not only reduces costs but also quickly improves the Group's ability to respond to market changes. In addition, the Group gives priority to attract customers to visit frequently at our branches in order to maintain a stable source of income. The Group will launch a new customer relationship management system and a new App for members to understand the Group's customers more effectively through data analysis, thereby providing more customised services, facilitating the Group to get closer to its customers and establishing a more inseparable customer relationship. Building solid customer relationships will not only help set up a loyal customer base, but also increase brand awareness and attractiveness.

Management Discussion and Analysis

We are actively developing new brands and expanding our restaurant network. In 2024, we will further accelerate the identification of strategic locations for new restaurants of various brands to meet different and diversified customer needs. We will launch a new restaurant under the franchise brand “Hikiniku To Come (挽肉と米)” in Central in the second quarter of 2024 to provide customers with a diversified dining experience and expand our presence in the fast casual dining sector. In March 2024, the Group took the lead in cooperating with a local snack shop to launch new products, and leveraged the Group’s membership network and brand awareness to widely promote local recommendable restaurants with an aim to create synergy effect with suitable industry peers amid the current sluggish economic environment. Regarding the existing brands, the Group plans to rebrand some of its existing self-operated and franchised brands in the second half of 2024 to provide customers with a brand-new dining experience.

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

Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. WONG Kit Lung Simon (黃傑龍), *Prof, BBS, JP*, aged 50, was appointed as the Director on 20 June 2017 and was re-designated as executive Director on 8 August 2017. Mr. Wong is the Chairman and Chief Executive Officer of the Group and is the chairperson of the nomination committee of the Company (the “**Nomination Committee**”) and a member of the remuneration committee of the Company (the “**Remuneration Committee**”). He is a director of all subsidiaries of the Group. He is primarily responsible for the overall management, strategic planning, brand management, business development, public relations and cooperation of the Group. In carrying out his responsibilities, Mr. Wong has provided the Group with leadership, vision with reformation, marketing and public relations strategies. Mr. Wong has over 26 years of working and management experience in the engineering and restaurant management sectors.

Mr. Wong holds various public positions in Hong Kong, including:

Year of appointment	Organisation	Current position
2024	Town Planning Board	Member
2023	Community Care Fund	Vice Chairman
2023	Major Sports Events Committee	Member
2021	Environmental Campaign Committee	Chairman
2021	Environment and Conservation Fund Committee	Member
2020	Quality Tourism Services Association	Chairman
2019	Employees Retraining Board	Vice Chairman
2019	Hong Kong Tourism Board	Member
2018	Commission on Poverty	Member
2017	Catering Industry Training Advisory Committee	Chairman
2016	Hong Kong Japanese Food and Cuisine Association	Founding Chairman
2014	Institute of Dining Professionals	Honorary President
2012	Food Business and Related Services Task Force of the Business Facilitation Advisory Committee	Member

Mr. Wong became a member of the Institution of Highways & Transportation in the United Kingdom in September 1999. He was elected as a member and chartered professional engineer of the Institution of Engineers in Australia in April 2001. He was elected as a registered professional engineer in the civil practice area of the National Professional Engineers Register in Australia in April 2001. He was admitted as a member and chartered civil engineer of the Institution of Civil Engineers in the United Kingdom in December 2001, and he was subsequently registered by the Engineering Council in the United Kingdom in May 2002 to use the title of chartered engineer. Mr. Wong, who has satisfied the requirements under the Recognition of Prior Learning mechanism (Chinese Catering Industry), obtained a Statement of Attainment in Control Cost of Chinese Catering Organizations (Level 4) by the Vocational Training Council in Hong Kong in 28 December 2017.

Directors and Senior Management

Mr. Wong obtained his Bachelor of Engineering in Civil Engineering degree from the University of New South Wales in Australia in May 1997. He obtained his Master of Business Administration (Electronic Commerce) degree from Charles Sturt University in Australia (through long distance learning) in November 2001. Mr. Wong was elected as one of the Ten Outstanding Young Persons by the Junior Chamber International Hong Kong in October 2011. He was appointed as Justice of the Peace in July 2014. In January 2019, he was appointed as Adjunct Professor of College of Business of City University of Hong Kong. He has received the Bronze Bauhinia Star awarded by the HKSAR Government in 2021.

Ms. KO Sau Chee Grace (高秀芝), aged 58, was appointed as the Director on 20 June 2017 and was re-designated as executive Director on 8 August 2017. She is the vice chairperson of the Group.

Ms. Ko is a director of all subsidiaries of the Group. She is primarily responsible for the strategic planning, business development, system building and procurement matters of the Group. She is responsible for overlooking the implementation of corporate policies and strategies mainly in areas of procurement management, supply chain management, food quality and occupational safety control, together with human resources management. In carrying out her responsibilities, she has provided the Group with her passion, vision, leadership, innovation and insightfulness. Ms. Ko has over 28 years of working experience and extensive management experience in the Group.

Ms. Ko obtained her Master of Business Administration in Management degree from the Charter University in March 2014 in the United States of America (through long distance learning). Since 2018, Ms. Ko has been nominated as our representative of the Gender Focal Point Network set up by the Women's Commission.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. SIN Yat Kin (單日堅), *SBS, CSDSM, JP*, aged 66, has been appointed as the independent non-executive Director with effect from 30 May 2018. Mr. Sin is also the chairperson of the Remuneration Committee and a member of each of the Nomination Committee and the audit committee of the Company (the "**Audit Committee**"). Mr. Sin has more than 40 years of experience in public corporate governance.

Prior to joining the Group, from June 1979 to December 2014, Mr. Sin worked at the Hong Kong Correctional Services Department where his final position was the Commissioner of Correctional Services. From September 2016 to present, he has been the consultation council member of the Hong Kong Army Cadets Association. From April 2019 to present, he has been the council member of The Hong Kong Polytechnic University. From July 2021 to present, he has been the chairman of the Hong Kong Playground Association. Since January 2022, Mr. Sin has been the member of the Social Workers Registration Board, and the director of Hotel ICON. From April 2023 to present, Mr. Sin has been the member of the Hospital Governing Committee of Tung Wah Hospital & Tung Wah Eastern Hospital & TWGHs Fung Yiu King Hospital. Since August 2023, Mr. Sin has been the non-executive vice chairman of AMTD Group.

Mr. Sin obtained his Master of Social Sciences degree from The University of Hong Kong in December 2002. Mr. Sin was awarded a 2007 Hong Kong Correctional Services Medal for Distinguished Service. He was awarded a 2009 Chief Executive's Commendation for Government/Public Service and a 2014 Silver Bauhinia Star in Hong Kong. Since July 2021, he has been appointed as Justice of the Peace.

Directors and Senior Management

Ms. HUNG Lo Shan Lusan (熊璐珊), aged 57, was appointed as the independent non-executive Director with effect from 30 May 2018. Ms. Hung is also the chairperson of the Audit Committee and a member of the Remuneration Committee. Ms. Hung has over 37 years of experience in accounting, tax and strategic planning.

Prior to joining the Group, from March 1987 to March 1990, Ms. Hung worked as an accountant at Weston Woodley & Robertson. From May 1990 to June 1993, she worked at Ernst & Young where her last position was deputy manager of tax department. From November 1993 to April 2002, she worked with Grant Thornton where her final position was partner. During her tenure at Grant Thornton, she worked at Grant Thornton — Los Angeles as a manager on secondment from December 1995 to February 1997. From January 2003 to September 2005, she was a director of the Chartered Accountants Australia & New Zealand (formerly known as the Institute of Chartered Accountants in Australia). From 2013 to 2015, she was the president of the Association of Women Accountants in Hong Kong. From April 2002 to present, she has been an executive director of Higuma Consulting Limited. Ms. Hung was appointed as Head of Tax, Pacific Jade Tax Consultancy Limited from 3 October 2018 to 30 September 2020. Ms. Hung was appointed as the independent non-executive Director of China Coal Energy Company Limited (Stock code: 1898), the shares of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) with effect from 28 March 2023. She is also the chairperson of the Audit and Risk Management Committee and a member of the Remuneration Committee, Strategic Planning Committee and Nomination Committee. Ms. Hung was appointed as the independent non-executive Director of PetroChina Company Limited (Stock code: 857), the shares of which are listed on the Main Board of the Stock Exchange and Shanghai Stock Exchange (Stock Code: 601857), with effect from 8 June 2023. She is also the chairperson of the Audit Committee. She served as a member of the HKSAR Government Housing Authority — Finance Committee (2014–2019) and Subsidised Housing Committee (2014–2017). She served as a member of the HKSAR Government Housing Authority Internal Audit sub-committee (April 2018–March 2024), Business Facilitation Advisory Committee (January 2023–March 2024), Committee on the Promotion of Civic Education (April 2023–March 2024) and the Hong Kong Breast Cancer Foundation Audit Committee (March 2019–April 2024). Ms. Hung has been appointed as the Hong Kong representative of the Beijing Women’s Federation since 2014 and a member of executive committee since 2019, and a member of the Shandong Committee of the Chinese People’s Political Consultative Conference since 2018 and a member of the standing committee since 2023.

Ms. Hung was admitted to membership of the Chartered Accountants Australia and New Zealand in April 1990, and was admitted as a fellow member in June 2000. She was admitted as a member of the Hong Kong Society of Accountants in December 1991, and was subsequently admitted as a fellow of Hong Kong Institute of Certified Public Accountants (formerly known as the Hong Kong Society of Accountants) in November 1999. She was admitted as a fellow of the Taxation Institute of Hong Kong in September 2010, and was registered as a Certified Tax Adviser since September 2010 and a Chartered Tax Adviser since 2021.

Ms. Hung obtained her Bachelor of Commerce in Accounting from the University of New South Wales in Australia in April 1988. She completed the Women’s Directorship Programme at The University of Hong Kong in June 2013, and subsequently completed the Board Directorship Programme in July 2013.

Directors and Senior Management

Mr. Hung Wai Man (洪為民), *Prof, JP*, aged 55, was appointed as the independent non-executive Director of the Company in May 2018. He is also a member of each of the Audit Committee and the Nomination Committee. Prof. Hung has over 30 years of experience in management consulting, project management and outsourcing services.

Prof. Hung is the Director of Greater Bay Area Research Center of China Silk Road iValley Research Institute. He is also the Adjunct Professor of City University of Hong Kong and the Belt and Road Research Institute of Hainan University.

Prof. Hung is a seasoned ICT professional and angel investor. He has worked in the computer industry for over 30 years. A well-known figure in the industry, Prof. Hung has extensive experience in management consulting, project management and outsourcing services. Prof. Hung is a Chartered Information Technology Professional and a fellow of the British Computer Society, the Hong Kong Institute of Directors, the Hong Kong Computer Society and the Internet Professional Association. He has been appointed as the Global Council by the World Summit Awards.

Prof. Hung was a Deputy to the 13th National People's Congress. He is currently the Executive Chairman of Chinese Big Data Society, Honorary Commissioner of The Hong Kong Road Safety Patrol, Life Chairman Emeritus of The Y.Elites Association, President Emeritus of Internet Professional Association, Vice Chairman of the Monte Jade Science and Technology Association of Hong Kong and Secretary General of Hong Kong-ASEAN Economic Cooperation Foundation etc. In 2012 to 2014, he had served as an associate member of the Central Policy Unit of the HKSAR Government. In 2008, Prof. Hung was selected as one of the Ten Outstanding Young Persons of Hong Kong. He was a Standing Committee Member of the 11th All China Youth Federation. In 2015, he was appointed as a Justice of the Peace by the Hong Kong SAR Government. In 2016, he was given the Asia Social Innovation Leadership Award by CMO Asia.

Prof. Hung graduated from the Hong Kong Polytechnic University with a Higher Diploma in Maths, Statistics and Computing. He then obtained a BA(Hons) from the University of Bolton, MBA from the University of Hull and MA in Public and Comparative History from the Chinese University of Hong Kong. He also obtained a LLM and LLD from the Renmin University of China, a Master of Public Administration from Tsinghua University, a Master of Business Administration (Executive) from City University of Hong Kong and a PhD in Business Administration from Bulacan State University, the Philippines.

Prof. Hung currently is an independent non-executive director of Sino Hotels (Holdings) Limited (Stock Code: 1221), Sprocomm Intelligence Limited (Stock Code: 1401) and K Cash Corporation Limited (Stock code: 2483), the shares of all of the above companies are listed on the Main Board of the Stock Exchange. He was an independent non-executive director of VSTECS Holdings Limited (Stock Code: 856), the shares of which are listed on the Main Board of Stock Exchange, from 31 May 2016 to 25 May 2021.

Report of the Directors

The Directors present their report together with the audited financial statements of the Group for the year ended 31 December 2023 (the “**Reporting Year**”).

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Its subsidiaries are principally engaged as full-service restaurants operator serving Asian (in particular Japanese) and Cantonese cuisine in Hong Kong. Details of the principal activities of the Company’s major subsidiaries are set out in Note 30 to the financial statements.

BUSINESS REVIEW AND OTHER DISCLOSURES

The detailed business review of the Group’s performance for the Reporting Year with analysis using financial key performance indicators is set out on “Management Discussion and Analysis” section in this report.

There are certain risks involved in the Group’s operations, which may affect our business and results of operations.

- (i) The limited choices of commercially attractive locations, failure to renew existing leases, breach of lease agreements, or increase in rental expenses;
- (ii) We may not be able to implement and manage our growth strategies effectively;
- (iii) Uncertainties on obtaining or renewing the licenses and permits for our operations for factors beyond our control;
- (iv) Opening new restaurants could result in fluctuations in our financial performance, and sales of our existing restaurants may be negatively affected if new restaurants are opened nearby;
- (v) The Group’s success depends substantially on the market recognition of our brands, and any damage to our brands could materially affect our business and results of operations;
- (vi) If there is any adverse incident associated with the quality of food and services or if the hygiene standards of our restaurants fall below the relevant statutory requirements, our restaurant business and reputation could be affected;
- (vii) The operations are susceptible to fluctuation in the supply, quality or costs of food ingredients; and
- (viii) Difficulties in recruitment and retention of employees.

Further discussions and disclosures as required by schedule 5 to the Hong Kong Companies Ordinance (Chapter 622 of Laws of Hong Kong) is set out on “Management Discussion and Analysis” section in this report.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (“ESG”) POLICIES AND PERFORMANCES

The Group is committed to building a sustainable future. It assesses the materiality of various ESG issues and takes measures to control the environmental and social impacts during operations. All businesses are required to comply with all applicable ESG laws and regulations strictly. The Group strives to minimize its environmental impacts through effective air emissions control, enhancing water and energy efficiency, proper waste management and resources conservation. The Group also puts effort into creating positive social impacts by protecting labour right and maintaining integrity. Discussion on the Group’s ESG policies, initiatives, performance and applicable ESG laws and regulations can be found in the ESG Report on pages 52 to 96 of this report.

COMPLIANCE WITH LAWS AND REGULATIONS

As far as the Board is aware, the Group has in all material aspects complied with the relevant laws and regulations that may cause a significant impact on the business and operation of the Group during the Reporting Year.

RESULTS AND DIVIDENDS

The results of the Group for the Reporting Year and the state of affairs of the Group are set out in the consolidated financial statements on pages 102 to 170 of this report.

After considering the economic outlook and financial position of the Group, the Group hopes to share the results with all the Shareholders. The Directors recommended the payment of a final dividend of HK4.06 cents per share for the year ended 31 December 2023 (2022: HK7.77 cents per share), subject to the Shareholders’ approval at the forthcoming annual general meeting of the Company (the “**AGM**”) to be held on Thursday, 6 June 2024. Together with the interim dividend of HK4.75 cents per share and a special dividend of HK12.50 cents per share paid during the year ended 31 December 2023, the total dividend payout ratio was approximately 194%. If the resolution for the proposed final dividend is passed at the forthcoming AGM, the proposed final dividend will be payable on or around Thursday, 27 June 2024.

Details of dividends for the Reporting Year are set out in Note 11 to the financial statements.

DIVIDEND POLICY

The Company has adopted a dividend policy for declaration and payment of dividends by the Company. Pursuant to the dividend policy of the Company, the Board may declare the payment of dividend of the Company after considering the below factors:

- (a) the results of operations of the Group;
- (b) economic and market conditions that may have an impact on the business or financial performance and position of the Group;
- (c) cash available for distribution as dividends from subsidiaries;

Report of the Directors

- (d) restrictions under the Cayman Islands laws and the Company's amended and restated memorandum and articles of association (the "**Articles of Association**"), including approval of the Shareholders; and
- (e) any other factors that the Board deems relevant.

After considering the above factors, the Board intends to recommend dividends of no less than 50% of the profit and total comprehensive income after tax attributable to the Shareholders in a financial year. However, it should be noted that the dividend policy will be reviewed from time to time and there can be no assurance that a dividend or a certain percentage of the profit will be proposed or declared as dividend in any specific periods.

For the Reporting Year, together with the paid interim dividend, the proposed final dividend represented approximately 80% of profit and total comprehensive income after tax attributable to the Shareholders. If the special dividend of HK12.50 cents per share paid during the year ended 31 December 2023 is also taken into account, the total dividend payout ratio for the Reporting Year was approximately 194%.

The Board reviews the Company's dividend policy regularly to ensure that the policy is appropriate considering the Group's ongoing development plans.

SUMMARY FINANCIAL INFORMATION

A summary of the results, assets and liabilities of the Group for the past five financial years is set out on page 171 of this report.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Group during the Reporting Year are set out in Note 13(a) to the financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the Reporting Year are set out in Note 28 to the financial statements.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor its subsidiaries has purchased, sold or redeemed any of the Company's listed securities for the year ended 31 December 2023.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles of Association or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing Shareholders.

RESERVES

Movements in the reserves of the Group and the Company during the Reporting Year are set out in the consolidated statement of changes in equity on page 105 of this report and Notes 24 and 29(b) to the financial statements, respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2023, the distributable reserves of the Company, including the share premium account, calculated in accordance with the Companies Act (Cap. 22, Law 3 of 1961 as consolidated and revised) of the Cayman Islands, amounted to approximately HK\$321,320,000.

EQUITY-LINKED AGREEMENTS

Saved for the Share Option Scheme mentioned in this report, no equity-linked agreements were entered into by the Company during or at the end of the Reporting Year.

PENSION SCHEMES

Details of the pension schemes of the Group are set out in Note 32.15 to the financial statements under “Employees benefits” on page 165 of this annual report.

There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contribution. During the year, no forfeited contributions are available to reduce the contribution payable in future years.

CHARITABLE DONATIONS

During the Reporting Year, charitable donations made by the Group amounted to approximately HK\$128,000 (2022: approximately HK\$79,000). Details of the charity activities and donations are set out in the ESG Report on pages 52 to 96 of this report.

MAJOR CUSTOMERS AND SUPPLIERS

For the Reporting Year, the aggregate amount of revenue attributable to the Group’s five largest customers represented less than 30% of the Group’s total revenue.

The amount of purchases of the largest supplier represented 26.6% (2022: 27.6%) of the total purchases for the Reporting Year. The aggregate purchases attributable to the Group’s five largest suppliers represented 46.1% (2022: 47.7%) of the total purchases for the Reporting Year.

None of the Directors, their respective associates (as defined in the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”)) or any Shareholders, which to the best knowledge of the Directors, owns more than 5% of the Company’s issued share capital, has any interests in the share capital of any of the above five largest suppliers of the Group.

RELATIONSHIPS WITH EMPLOYEES, SUPPLIERS AND CUSTOMERS

The Group understands that employees are our valuable partners. The Group provides competitive remuneration package to attract and motivate the employees. The Group regularly reviews the remuneration package of employees and makes necessary adjustments to conform to the market standard.

The Group's business is built on a customer-oriented culture. The Group also understands that it is important to maintain good relationship with its suppliers and customers to fulfil its immediate and long-term goals. To maintain its market competitiveness within the industry, the Group aims at delivering constantly high standards of quality in the products and services to its customers. During the Reporting Year, there was no material and significant dispute between the Group and its suppliers and/or customers.

DIRECTORS

The Directors during the Reporting Year and up to the date of this report were:

Executive Directors

Mr. Wong Kit Lung Simon *Prof, BBS, JP (Chairman and Chief Executive Officer)*

Ms. Ko Sau Chee Grace *(Vice Chairperson)*

Independent non-executive Directors

Mr. Sin Yat Kin *SBS, CSDSM, JP*

Ms. Hung Lo Shan Lusan

Mr. Hung Wai Man *Prof, JP*

Pursuant to the Articles of Association, Ms. Ko Sau Chee Grace and Mr. Hung Wai Man shall retire by rotation at the forthcoming AGM. Both of them, being eligible, will offer themselves for re-election at the forthcoming AGM.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

The biographical details of the Directors and senior management of the Company are set out on pages 17 to 20 of this report.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors entered into a service agreement with the Company for a term of three years commencing from 30 May 2018, and such term was renewed for further three years from 30 May 2021. They are subject to retirement by rotation and re-election at the AGM under the Articles of Association. Either party may terminate the service agreement by giving the other party not less than one month notice in writing or by the payment of wages in lieu of the outstanding notice.

Each of the independent non-executive Directors entered into a letter of appointment with the Company for a term of three years commencing from 30 May 2018, and such term was renewed for further three years from 4 May 2021. They are subject to retirement by rotation and re-election at the AGM under the Articles of Association. Either party may terminate the letter of appointment by giving the other party not less than one month notice in writing or by the payment of wages in lieu of the outstanding notice.

None of the Directors proposed for re-election at the forthcoming AGM has a service agreement/letter of appointment with the Company and/or any of its subsidiaries, which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' REMUNERATION

Details of the remuneration of the Directors are set out in Note 31 to the financial statements, which are recommended by the Remuneration Committee by reference to the performance of the individual and the Company as well as market practice and conditions.

SENIOR MANAGEMENT'S REMUNERATION

The emoluments of senior management fell within the following bands:

	Number of senior management Year ended 31 December	
	2023	2022
Nil to HK\$1,000,000	—	—
HK\$1,000,001 to HK\$1,500,000	—	—
HK\$1,500,001 to HK\$2,000,000	—	—
	—	—

PERMITTED INDEMNITY PROVISION

Pursuant to the Articles of Association and subject to the applicable laws and regulations, every Director shall be indemnified and secured harmless out of the assets of the Company and against all losses or liabilities incurred or sustained by reason of any act done, concurred in or omitted in or about the execution of their duties. Such permitted indemnity provision has been in force throughout the Reporting Year. The Company has arranged for appropriate directors' and officers' liability insurance coverage for the Directors and officers of the Group.

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

No transactions, arrangements and contracts of significance in relation to the Group's business to which the Company's subsidiaries, fellow subsidiaries or its parent company was a party and in which a Director and the Director's connected party had a material interest, whether directly or indirectly, subsisted at any time during or at the end of the Reporting Year.

CONTROLLING SHAREHOLDERS' INTEREST IN CONTRACTS

None of the Company or any of its subsidiaries entered into contract of significance with the controlling shareholders or any of its subsidiaries other than the Group, nor was there any contract of significance between the Group and the controlling shareholders or any of its subsidiaries other than the Group in relation to provision of services.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during or at the end of the Reporting Year.

CHANGES IN DIRECTORS' INFORMATION UNDER RULE 13.51B(1) OF THE LISTING RULES

Prof. Hung, the independent non-executive Director, was appointed as an independent non-executive director of K Cash Corporation Limited with effect from 31 October 2023.

Save as disclosed above and in this annual report, 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 31 December 2023, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Appendix C3 to the Listing Rules (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 "**Takeover 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 31 December 2023, none of the Directors or chief executives of the Company had or was deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required to be recorded in the register to be kept by the Company pursuant to section 352 of the SFO, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in this report, at no time during the Reporting Year was the Company, its holding company or any of its subsidiaries, a party to any arrangements which enable the Directors and the chief executives of the Company to acquire benefits by means of an acquisition of Shares or debentures of the Company or any other body corporate; and none of the Directors, or their spouses or children under the age of 18, had any rights to subscribe for the securities of the Company, or had exercised any such right during the Reporting Year.

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

As at 31 December 2023, within the knowledge of the Directors, the following persons (other than the Directors or chief executive of the Company) had an interest or a short position in the Shares or underlying Shares which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

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

Report of the Directors

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 ("BVI") 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 Takeover 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 31 December 2023, the Directors are not aware of any other person (other than the Directors or chief executives of the Company) who had an interest or a short position in the Shares or underlying Shares as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained a sufficient public float of at least 25% of the issued shares during the Reporting Year and up to the date of this report.

DEED OF NON-COMPETITION

As set out in the Prospectus, the Company's controlling shareholders, namely LHG Holdings, 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 (the "**Covenantors**") entered into the deed of non-competition (the "**Deed of Non-competition**") in favour of the Company (for itself and as trustee for other members of the Group) on 4 May 2018.

Each of the Covenantors has provided to the Company a written confirmation in respect of his/her/its compliance with the Deed of Non-competition for the year ended 31 December 2023. The independent non-executive Directors of the Company have reviewed the written confirmations made by each of the Covenantors in respect of his/her/its compliance with the undertakings in the Deed of Non-competition and have confirmed that, as far as they can ascertain, there is no breach of any of the undertakings in the Deed of Non-competition given by the Covenantors.

SHARE OPTION SCHEME

On 4 May 2018, the Share Option Scheme was approved and adopted by the Shareholders. The purpose of the Share Option Scheme is to incentivize and recognise and acknowledge the employees or directors of members of the Group or associated companies of the Company (the “**Eligible Persons**”) for their contribution to the Group and attract and retain talent or otherwise maintain an on-going business relationship with them.

Pursuant to the Share Option Scheme, the Board (including any committee or delegate of the Board appointed by the Board to perform any of its functions pursuant to the rules of the Share Option Scheme) may, at its absolute discretion, offer to grant an option to subscribe for such number of Shares as the Board may determine to an Eligible Person.

The maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of the Company must not in aggregate exceed 10% of the total number of Shares in issue as at the listing date of the Company (the “**Listing Date**”), being 80,000,000 Shares (the “**Scheme Mandate Limit**”).

The total number of Shares which may be issued on the exercise of options granted and to be granted under the Share Option Scheme was 80,000,000 Shares as at 1 January 2023, 31 December 2023 and as the date of this report, respectively, representing 10% of the issued share capital of the Company as at each of the respective dates.

Options lapsed in accordance with the terms of the Share Option Scheme and any other scheme of the Company will not be counted for the purpose of calculating the Scheme Mandate Limit.

No options shall be granted to any Eligible Person under the Share Option Scheme and any other schemes of the Company which, if exercised, would result in such Eligible Person becoming entitled to subscribe for such number of Shares as, when aggregated with the total number of Shares already issued or to be issued to him under all options granted to him (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of offer of such options, exceeds 1% of the Shares in issue at such date. Where such Eligible Person is an independent non-executive Director or a substantial shareholder (or his/her/its associate), no options shall be granted to him/her/it under the Share Option Scheme which would result in such Eligible Person becoming entitled to subscribe for in aggregate in the 12 months period up to and including the date of grant exceeding 0.1% of the shares in issue on that date. Any further grant of options to an Eligible Person in excess of such limit shall be subject to the approval of the Shareholders in general meeting or other requirements under the Listing Rules with such Eligible Person and his close associates (or if such Eligible Person is a connected person of the Company, his associates) abstaining from voting.

Report of the Directors

The share options granted shall be open for acceptance before the acceptance date (as prescribed by the Company). An offer of share options not accepted within the said period shall be deemed irrevocably declined. An amount of HK\$1.00 is payable upon acceptance of the grant of the share options and such payment shall not be refundable and shall not be deemed to be a part payment of the exercise price. The period during which an option must be exercised shall be determined by the Board at its discretion, which must not be larger than 10 years from the date of grant.

The exercise price shall be such price as determined by the Board and notified to an option-holder, which shall not be less than the higher of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotation sheets on the date of offer of the option; (ii) the average of the closing price of the Shares as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of offer of the option; and (iii) the nominal value of the Shares.

The Share Option Scheme shall be valid and effective for a period of ten years commencing on the date of its adoption on 4 May 2018, and will lapse on 4 May 2028. Accordingly, as at 31 December 2023, the remaining life of the Share Option Scheme is approximately 4.5 years.

Subject to the requirements under the Listing Rules, any option may be vested on an option-holder upon his acceptance of the offer of options, provided that if any vesting schedule and/or conditions are specified by the Board in the offer of the option, such option shall only be vested on an option-holder according to such vesting schedule and/ or upon the fulfillment of the vesting conditions (as the case may be). Any vested option which has not lapsed and which conditions have been satisfied or waived by the Board in its sole discretion may be exercised during the exercise period. Any option which remain unexercised shall lapse upon the expiry of the option period, which period shall be determined by the Board and shall not exceed ten years from the offer date of the option.

No share options had been granted under the Share Option Scheme since its adoption (including the year ended 31 December 2023). There was no outstanding share options as at 31 December 2023.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the Reporting Year and up to the date of this report, none of the Directors had an interest in a business, which competes or may compete, either directly or indirectly, with the business of the Group.

RELATED PARTY TRANSACTIONS

Details of the related party transactions undertaken by the Group during the Reporting Year are set out in Note 19 to the financial statements. These related party transactions did not constitute connected transactions or continuing connected transactions under Chapter 14A of the Listing Rules. The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

CONNECTED TRANSACTIONS

During the Reporting Year, the Group did not enter into any connected transactions or continuing connected transactions which were required to be disclosed in this report under Chapter 14A of the Listing Rules.

EVENT AFTER THE REPORTING YEAR

No significant events occurred after 31 December 2023 and up to the date of this report.

AUDITOR

The consolidated financial statements for the Reporting Year have been audited by PricewaterhouseCoopers who will retire and, being eligible, offer themselves for re-appointment at the forthcoming AGM.

On behalf of the Board

Wong Kit Lung Simon *Prof, BBS, JP*
Chairman

Hong Kong, 26 March 2024

Corporate Governance Report

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 2023, save for the deviation from code provision C.2.1 of the CG Code regarding the separation of the roles of the chairman and the chief executive officer detailed in the paragraphs headed “Chairman and Chief Executive Officer” in this Corporation Governance Report, the Company had complied with all the code provisions of the CG Code and adopted most of the best practices set out therein.

The Company will continue to review and enhance its corporate governance practices to ensure compliance with the CG code.

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 the Directors, all Directors confirmed that they have complied with the required standard as set out in the Model Code for the year ended 31 December 2023.

BOARD OF DIRECTORS

The Board is responsible for the leadership and control of the Company. It is collectively responsible for promoting the success of the Company by directing and supervising its affairs. The Board takes decisions objectively in the interests of the Company. All Directors have carried out their duties in good faith, in compliance with applicable laws and regulations and in the interests of the Company and its Shareholders at all times.

The Board undertakes responsibility for decision making in major Company matters, including: approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions and other significant financial and operational matters.

Corporate Governance Report

The Board has delegated the authority and responsibility for the day-to-day management and operation of the Group to the management. The management is responsible for implementing the decisions of the Board, directing and coordinating operations, managing the Group in accordance with the strategies and plans as approved by the Board and formulating and monitoring the operation plans.

All Directors have full and timely access to all relevant information as well as the advice and services of the company secretary of the Company, with a view to ensuring that Board procedures and all applicable laws and regulations are followed. Each Director is normally able to seek independent professional advice in appropriate circumstances at the Company's expense, upon making request to the Board.

The Company has arranged for appropriate insurance coverage for Directors' and officers' liabilities in respect of legal actions against its Directors and senior management arising out of corporate activities.

The Board comprises five members, consisting of two executive Directors and three independent non-executive Directors. The executive Directors and independent non-executive Directors during the Reporting Year and up to the date of this report were as follows:

Executive Directors

Mr. Wong Kit Lung Simon *Prof, BBS, JP (Chairman and Chief Executive Officer)*

Ms. Ko Sau Chee Grace *(Vice Chairperson)*

Independent non-executive Directors

Mr. Sin Yat Kin *SBS, CSDSM, JP*

Ms. Hung Lo Shan Lusan

Mr. Hung Wai Man *Prof, JP*

Biographies and relationships among members of the Board are set out in the "Directors and Senior Management" section on pages 17 to 20 of this report. None of the Directors have any personal relationship (including financial, business, family or other material or relevant relationship) with any other Directors.

For the Reporting Year, the Board at all times met the requirements of Rules 3.10(1), 3.10(2) and 3.10A of the Listing Rules relating to the appointment of at least three independent non-executive Directors, representing at least one-third of the Board, with at least one independent non-executive Director possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received from each of the independent non-executive Directors (the "INEDs") an annual confirmation in writing of his/her independence. Furthermore, the Board is not aware of any relationship or circumstances which would interfere with the exercise of the independent judgment of the INEDs. Accordingly, the Company considers that all the INEDs are independent with reference to the independence criteria under Rule 3.13 of the Listing Rules.

Corporate Governance Report

During the Reporting Year, four regular Board meetings and one general meeting were held. The attendance records of the Directors at the Board meetings, Board committee meetings and AGM held during the Reporting Year are set out below:

	Number of meetings attended/held				AGM
	Board	Nomination Committee	Remuneration Committee	Audit Committee	held on 7 June 2023
Executive Directors					
Mr. Wong Kit Lung Simon <i>Prof, BBS, JP</i>	4/4	1/1	1/1	—	1/1
Ms. Ko Sau Chee Grace	4/4	—	—	—	1/1
Independent non-executive Directors					
Mr. Sin Yat Kin <i>SBS, CSDSM, JP</i>	3/4	1/1	1/1	1/2	1/1
Ms. Hung Lo Shan Lusan	4/4	—	1/1	2/2	1/1
Mr. Hung Wai Man <i>Prof, JP</i>	4/4	1/1	—	2/2	1/1

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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 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 Group and the Shareholders as a whole. The balance of power and authority is ensured by the operation of the senior management and the Board, which comprises experienced and high-calibre individuals. The Board currently comprises two executive Directors (including Mr. Wong) and three independent non-executive Directors and therefore has a fairly strong independence element in its composition.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each of the executive Directors entered into a service agreement with the Company for a term of three years commencing from 30 May 2018, and was renewed for further three years from 30 May 2021. They are subject to retirement by rotation and re-election at the AGM under the Articles of Association.

Each of the independent non-executive Directors entered into a letter of appointment with the Company for a term of three years commencing from 30 May 2018, and was renewed for further three years from 4 May 2021. They are subject to retirement by rotation and re-election at the AGM under the Articles of Association.

Pursuant to the Articles of Association, Ms. Ko Sau Chee Grace and Mr. Hung Wai Man shall retire by rotation at the forthcoming AGM. Both of them, being eligible, will offer themselves for re-election at the forthcoming AGM.

THE REMUNERATION POLICY OF DIRECTORS

Quality and committed staff are valuable assets contributing to the Group's success. To ensure the ability to attract and retain talents, the Group's remuneration policy of Directors is built upon the principles of providing equitable and market-competitive remuneration package that support the performance culture and enable the achievement of strategic business goals. The Group's remuneration policy of Directors is, therefore, aiming at providing competitive but not excessive remuneration package to the Directors.

The Directors' remuneration comprises fixed salary or service fee and variable components (such as bonus and share options), which is benchmarked against companies of comparable business or scale with reference to a mix of factors such as the prevailing market condition, the Company's performance and the qualifications, skills, experience and educational background of the Directors.

The Directors' remuneration is reviewed annually and is subject to Shareholders' approval.

BOARD DIVERSITY POLICY

The Board has adopted a board diversity policy (the "**Board Diversity Policy**") pursuant to requirement of the CG Code. The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance.

With a view to achieving a sustainable and balanced development, the Company considers increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development.

In designing the Board's composition, board diversity has been considered from a wide range of aspects, including but not limited to gender, age, cultural background and educational background, ethnicity, professional experience and qualifications, skills, knowledge and length of service, and any other factors that the Board may consider relevant and applicable from time to time. High emphasis is placed on ensuring a balanced composition of skills and experience at the Board level in order to provide a range of perspectives, insights and challenge that enable the Board to discharge its duties and responsibilities effectively, support good decision making in view of the core businesses and strategy of the Group, and support succession planning and development of the Board. For achieving an optimal board, additional measurable objectives/specific diversity targets may be set and reviewed from time to time to ensure their appropriateness.

Corporate Governance Report

Selection of candidates will be based on the Company's nomination policy and will take into account the Board Diversity Policy. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board, having due regard to the benefits of diversity on the Board and also the needs of the Board without focusing on a single diversity aspect.

The Board had reviewed the implementation and effectiveness of the Board Diversity Policy and was of the view that the Board Diversity Policy and its implementation was sufficient and effective.

Board Diversity

The Company is conscious of maintaining Board diversity with an appropriate level of female members on the Board. During the Reporting Year and as at the date of this report, the Board comprised five Directors, including three male Directors and two female Directors. The Board considered gender diversity and the measurable objective of at least having one female Board member has been achieved. While conscious efforts are being taken by the Company to fulfil its Board Diversity Policy, all appointments are ultimately made on a merit basis taking into account available and suitable candidates.

The Board would ensure that appropriate balance of gender diversity is achieved with reference to stakeholders' expectation and international and local recommended best practices, with the ultimate goal of bringing the Board to gender parity. The Board also aspires to having an appropriate proportion of Directors who have direct experience in the Group's core markets, with different ethnic backgrounds, and reflecting the Group's strategy.

The Nomination Committee will review the implementation of the Board Diversity Policy at least annually and make recommendation on any proposed changes to the Board for the Board's review and approval to ensure its continued appropriateness and effectiveness.

For recruiting potential successors to the Board to achieve Board diversity including gender diversity, the Board has prepared a list of desirable skills, experience, qualifications, gender or perspectives which the candidate should have. If the Board determines that an additional or replacement Director is required, it will deploy multiple channels for identifying suitable director candidates, including referral from Directors, Shareholders, management, advisors of the Company and external executive search firms.

Workforce Diversity

The Group strictly adheres to fair and appropriate employment practices and labour standards. With an anti-discriminatory and equal-opportunity policy in place, the Group provides job applicant and employees with equal opportunities of employment and promotion, and prohibits all forms of discrimination on gender, religion, race, disability or age.

As at 31 December 2023, the Group had a total of 1,667 employees. The gender composition of the employees was approximately 46.6% male employees and 53.4% female employees.

The Board considered that gender diversity of the workforce of the Group has been well maintained during the Reporting Year. As such, the plan for the Group in terms of gender diversity in workforce is to maintain the balance of gender diversity in the foreseeable future.

INDEPENDENCE VIEWS TO THE BOARD

The Board recognises Board independence is critical to good corporate governance. The Company has put in place the mechanisms to ensure a strong independence element on the Board, which are summarised below:

Board Composition

The Board endeavours to ensure the appointment of at least three independent non-executive Directors and at least one-third of the Board members being independent non-executive Directors (or such higher threshold as may be required by the Listing Rules from time to time).

Apart from complying with the requirements prescribed by the Listing Rules as to the composition of certain Board committees, independent non-executive Directors will be appointed to other Board committees as far as practicable to ensure independent views are available.

Independence Assessment

The Nomination Committee shall strictly adhere to the nomination policy and the independence assessment criteria as set out in the Listing Rules with regard to the nomination and appointment of independent non-executive Directors.

Each independent non-executive Director is also required to inform the Company as soon as practicable if there is any change in his/her own personal particulars that may materially affect his/her independence.

The Nomination Committee is mandated to assess annually the independence of all independent non-executive Directors by reference to the independence criteria as set out in the Listing Rules to ensure that they can continually exercise independent judgement.

Decision Making

All Directors (including independent non-executive Directors) are entitled to seek further information and documentation from the management on the matters to be discussed at board meetings. They can also seek assistance from the Company's company secretary and, where necessary, independent advice from external professional advisers at the Company's expense.

All Directors (including independent non-executive Directors) shall not vote or be counted in the quorum on any board resolution approving any contract or arrangement in which such Director or any of his/her close associates has a material interest.

The Board had made an annual review on the implementation of the abovementioned mechanisms and was of the view that the abovementioned mechanisms had been satisfactorily implemented.

Corporate Governance Report

The Company has adopted an anti-corruption policy to promote an ethical culture with the Company, to minimize the Group's operation risks and to protect the Company and Shareholders' interests as a whole. Such policy encourages all employees (including senior management) to report any suspicious fraudulent activities or misconducts through relevant procedures in accordance with the policy. Identities and information reported will be kept strictly confidential and whistle-blowers will be protected from potential retaliation, unfair termination or victimization. During the Reporting Year, the Company has provided anti-corruption training to all employees.

The Board has adopted the whistleblowing policy on 31 December 2021. The purpose of the whistleblowing policy is to (i) foster a culture of compliance, ethical behaviour and good corporate governance across the Group; and (ii) promote the importance of ethical behaviour and encourages the reporting of misconduct, unlawful and unethical behaviour.

CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS

During the Reporting Year, all Directors had participated in continuous professional development activities either by attending training courses, reading materials or attending seminars, conference and/or forums to develop and refresh their knowledge and skills on the roles and functions of a director of a listed corporation in compliance with code provision C.1.4 of the CG Code.

During the Reporting Year, a summary of the Directors' participation in continuous professional development is set out below:

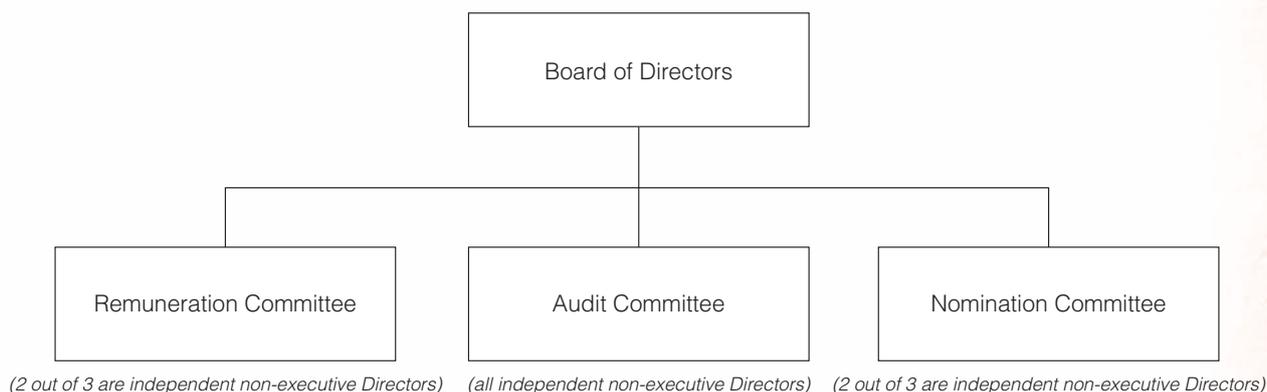
Directors	Type of training ^{Note}
Executive Directors	
Mr. Wong Kit Lung Simon <i>Prof, BBS, JP</i>	A,B
Ms. Ko Sau Chee Grace	A,B,C
Independent non-executive Directors	
Mr. Sin Yat Kin <i>SBS, CSDSM, JP</i>	A,B
Ms. Hung Lo Shan Lusan	A,B,C
Mr. Hung Wai Man <i>Prof, JP</i>	A,B

Notes:

- A: Attending seminars and/or conference and/or forums
- B: Reading relevant materials
- C: Attending relevant laws and regulations training

BOARD COMMITTEES

The Board has established three committees, namely, Nomination Committee, Remuneration Committee and Audit Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference. The terms of reference of the Board committees are posted on the Company's website and the Stock Exchange's website and are available to Shareholders upon request. The Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances at the Company's expense.



NOMINATION COMMITTEE

The Nomination Committee currently comprises the following three Directors, with two being independent non-executive Directors:

Executive Director:

Mr. Wong Kit Lung Simon *Prof, BBS, JP (Chairperson)*

Independent non-executive Directors:

Mr. Sin Yat Kin *SBS, CSDSM, JP*

Mr. Hung Wai Man *Prof, JP*

The Nomination Committee is primarily responsible for reviewing the structure, size, composition and diversity of the Board and to make recommendations on any proposed changes to the Board to complement the corporate strategy of the Company; making recommendations to the Board on the appointment and succession planning of Directors; and assessing the independence of independent non-executive Directors.

The Nomination Committee is delegated by the Board to review the Board Diversity Policy on a regular basis, make recommendations on measurable objectives for achieving diversity of the Board as appropriate and monitor the progress on achieving the objectives. The Nomination Committee has also adopted specific procedures for nomination and appointment of director to the Board.

The Nomination Committee held one meeting during the Reporting Year. All members of the Nomination Committee attended the meeting.

Corporate Governance Report

The terms of reference of the Nomination Committee is available on the websites of the Company and the Stock Exchange.

The work performed by the Nomination Committee during the Reporting Year is summarised below:

- (a) reviewed the structure, size, composition and diversity of the Board to ensure that it has a balance of expertise, skills and experience appropriate for the requirements of the business of the Company;
- (b) developed the criteria for identifying and assessing the qualifications of and evaluating candidates for directorship;
- (c) assessed the independence of independent non-executive Directors;
- (d) made recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors; and
- (e) reviewed the Board's diversity policy, the measurable objectives that the Board had set for implementing the Board's diversity policy and the progress of achieving the objectives.

Nomination criteria

Pursuant to the mandatory disclosure requirements under Appendix C1 to the Listing Rules, the Company should disclose its policy for nomination of directors in the summary of work performed by the Nomination Committee in its corporate governance report. In evaluating and selecting any candidate for the directorship, the following criteria should be considered:

- (i) character and integrity;
- (ii) qualifications including professional qualifications, skills, knowledge and experience, and diversity aspects under the Board Diversity Policy that are relevant to the Company's business and corporate strategy;
- (iii) any measurable objectives adopted for achieving diversity on the Board;
- (iv) for independent non-executive Directors, whether the candidate would be considered independent with reference to the independence guidelines set out in the Listing Rules;
- (v) any potential contributions the candidate can bring to the Board in terms of qualifications, skills, experience, independence and gender diversity;
- (vi) willingness and ability to devote adequate time to discharge duties as a member of the Board and/or Board committee(s) of the Company; and
- (vii) such other perspectives that are appropriate to the Company's business and succession plan and where applicable may be adopted and/or amended by the Board and/or the Nomination Committee from time to time for nomination of directors and succession planning.

Nomination Procedures

The Company has put in place the following director nomination procedures:

Appointment of New and Replacement Directors

- (i) If the Board determines that an additional or replacement Director is required, it will deploy multiple channels for identifying suitable director candidates, including referral from Directors, shareholders, management, advisors of the Company and external executive search firms.
- (ii) Upon compilation and interview of the list of potential candidates, the Nomination Committee will shortlist candidates for consideration by the Nomination Committee/Board based on the selection criteria and such other factors that it considers appropriate. The Board has the final authority on determining suitable director candidate for appointment.

Re-election of Directors and Nomination from Shareholders

- (i) Where a retiring Director, being eligible, offers himself/herself for re-election, the Board shall consider and, if consider appropriate, recommend such retiring Director to stand for re-election at a general meeting. A circular containing the requisite information on such retiring Director will be sent to Shareholders prior to a general meeting in accordance with the Listing Rules.
- (ii) Any Shareholder who wishes to nominate a person to stand for election as a Director at a general meeting must lodge with the company secretary of the Company within the lodgement period specified in the relevant shareholder circular (a) a written nomination of the candidate, (b) written confirmation from such nominated candidate of his/her willingness to stand for election, and (c) biographical details of such nominated candidate as required under the Listing Rules. Particulars of the candidate so proposed will be sent to all Shareholders for information by a supplementary circular.

REMUNERATION COMMITTEE

The Remuneration Committee consists of three Directors, two of whom are independent non-executive Directors:

Executive Director:

Mr. Wong Kit Lung Simon *Prof, BBS, JP*

Independent non-executive Directors:

Mr. Sin Yat Kin *SBS, CSDSM, JP (Chairperson)*

Ms. Hung Lo Shan Lusan

The primary duties of the Remuneration Committee include: (i) making recommendations to the Directors regarding our policy and structure for the remuneration of all our Directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policies; (ii) making recommendations to the Board on the remuneration packages of our Directors and senior management; (iii) reviewing and approving the management's remuneration proposals with reference to the Board's corporate goals and objectives; and (iv) reviewing and/or approving matters relating to share schemes under Chapter 17 of the Listing Rules.

Corporate Governance Report

The Remuneration Committee held one meeting during the Reporting Year. All members of the Remuneration Committee attended the meeting.

The terms of reference of the Remuneration Committee is available on the websites of the Company and the Stock Exchange.

The major work performed by the Remuneration Committee during the Reporting Year is summarised below:

- (a) made recommendations to the Board on the Company's policy and structure for remuneration of all Directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policy;
- (b) reviewed and approved the management's remuneration proposals with reference to the Board's corporate goals and objectives;
- (c) made recommendations to the Board on the remuneration packages of Directors and senior management;
- (d) considered salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group; and
- (e) ensured that no Director or any of his/her associates was involved in deciding his/her own remuneration.

AUDIT COMMITTEE

The Audit Committee consists of three independent non-executive Directors:

Ms. Hung Lo Shan Lusan (*Chairperson, with professional qualification in accountancy*)

Mr. Hung Wai Man *Prof, JP*

Mr. Sin Yat Kin *SBS, CSDSM, JP*

The Audit Committee is delegated with the authority from the Board primarily to make recommendations to the Board on the appointment, reappointment and removal of external auditor, review the financial statements and provide material advice in respect of financial reporting, oversee the financial reporting process, internal control, risk management systems and audit process of the Group and perform other duties and responsibilities assigned by the Board. The composition of the Audit Committee meets the requirements of Rule 3.21 of Listing Rules.

The Audit Committee held two meetings during the Reporting Year. The external auditors were also invited to attend the meetings. During the Reporting Year, the Audit Committee also met with the auditor in the absence of management to discuss any matters the auditor wish to raise.

The terms of reference of the Audit Committee is available on the websites of the Company and the Stock Exchange.

Corporate Governance Report

The major work performed by the Audit Committee during the Reporting Year is summarised below:

- (a) reviewed and monitored the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;
- (b) developed and implemented policy on engaging an external auditor to supply non-audit services;
- (c) monitored integrity of the Company's financial statements, the interim and annual report and reviewed significant financial reporting judgments contained in them;
- (d) reviewed the Company's financial controls, risk management and internal control systems;
- (e) discussed the risk management and internal control system with management to ensure that management has performed its duty to have effective systems;
- (f) considered major investigation findings on risk management and internal control matters as delegated by the Board or on its own initiative and management's response to these findings;
- (g) reviewed the Group's financial and accounting policies and practices;
- (h) reviewed the external auditor's management letter, any material queries raised by the auditor to management about accounting records, financial accounts or systems of control and management's response; and
- (i) acted as the key representative body for overseeing the Company's relations with the external auditor.

The Company's annual results for the Reporting Year have been reviewed by the Audit Committee.

CORPORATE GOVERNANCE FUNCTIONS

The Board recognises that corporate governance should be the collective responsibility of the Directors and their corporate governance duties include:

- (a) to develop and review the Company's policies and practices on corporate governance;
- (b) to review and monitor the training and continuous professional development of the Directors and senior management;
- (c) to review and monitor the policies and practices of the Company on compliance with legal and regulatory requirements;
- (d) to develop, review and monitor the code of conduct of employees and Directors; and
- (e) to review compliance with the CG Code and disclosure in the Corporate Governance Report.

During the Reporting Year, the above corporate governance function has been performed by the Board and the Board has reviewed the Company's compliance with the CG Code.

AUDITOR'S REMUNERATION

During the Reporting Year, the fees paid/payable to the auditor in respect of audit and non-audit services provided by the auditor of the Company were as follows:

	Fees paid/ payable <i>HK\$'000</i>
Audit services	2,205
Non-audit services	
— Taxation	645
— Consultancy	304
— Other Services	184
Total	<u>3,338</u>

COMPANY SECRETARY

During the Reporting Year, Ms. Yu Wing Sze (“**Ms. Yu**”) and Ms. Chan Hiu Yi (“**Ms. Chan**”) acted as jointly company secretary of the Company. Ms. Yu resigned as the joint company secretary of the Company with effect from 12 April 2024.

Following the resignation of Ms. Yu, Ms. Chan, the other joint company secretary of the Company who meets the requirements of a company secretary under Rule 3.28 of the Listing Rules, remained in office and act as the sole company secretary of the Company.

Ms. Chan has been with the Group since 2010. In addition to her role as company secretary, she also serves as our senior administration manager. She is primarily responsible for the overall administrative and company secretarial matters of the Group. Ms. Chan has more than 13 years of experience in the company secretarial position.

Ms. Chan is a Chartered Secretary, a Chartered Governance Professional and an Associate of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom. Ms. Chan holds a Bachelor of Arts in Travel and Tourism Management degree from the University of Northumbria in the United Kingdom (by long distance learning) and a Master of Corporate Governance degree from Hong Kong Metropolitan University (formerly known as The Open University of Hong Kong). Ms. Chan was also granted the following certificates by The Hong Kong Management Association in 2013:-

- (i) Certificate in Company Secretarial Practice — Part I: Company Secretarial Practice;
- (ii) Certificate in Company Secretarial Practice — Part II: Company Law; and
- (iii) Certificate in Company Secretarial Practice — Part III: Public and Listed Companies.

During the Reporting Year, Ms. Chan and Ms. Yu had confirmed that they respectively undertook no less than 15 hours of relevant professional trainings to update the skills and knowledge in compliance with Rule 3.29 of the Listing Rules.

SHAREHOLDERS' RIGHTS

Procedures for Shareholders to Convene an Extraordinary General Meeting (“EGM”)

Pursuant to article 64 of the Articles of Association, extraordinary general meetings shall be convened on the requisition of one or more Shareholders holding, at the date of deposit of the requisition, not less than one tenth of the voting rights on a one vote per share basis in the share capital of the Company at general meetings. Such requisition shall be made in writing to the Board or the Secretary for the purpose of requiring an EGM to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitioner(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitioner(s) as a result of the failure of the Board shall be reimbursed to the requisitioner(s) by the Company.

Procedures for Raising Enquiries

Shareholders may send their enquiries or comments to the following:

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

Email: ir.lhgroup@lhg.com.hk

Procedures for Putting Forward Proposals at Shareholders' Meetings

There are no provisions allowing Shareholders to move new resolutions at the general meetings under the Companies Law (Revised) of Cayman Islands. However, pursuant to the Articles of Association, Shareholders who wish to move a resolution may by means of requisition convene an EGM following the procedures set out above.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company also recognises the importance of transparency and timely disclosure of corporate information, which will enable Shareholders and investors to make the best investment decisions.

The general meetings of the Company provide a forum for communication between the Board and the Shareholders. The Chairman of the Board as well as chairmen of the Nomination Committee, Remuneration Committee and Audit Committee or, in their absence, other members of the respective committees are available to answer questions at general meetings.

The AGM will be held on Thursday, 6 June 2024. The notice of AGM will be sent to Shareholders at least 21 days before the AGM.

To promote effective communication, the Company maintains a website at www.lhgroup.com.hk where up-to-date information and updates on the Company's financial information, corporate governance practices and other information are posted.

The Shareholders' Communication Policy

The Company has adopted a shareholders' communication policy, details of which is summarised below:

Shareholders' Meetings

- The annual general meetings and other general meetings of the Company are the primary communication forum between the Company and the Shareholders. Shareholders are encouraged to participate in general meetings physically or to appoint proxies to attend and vote at such meetings for and on their behalf if they are unable to attend.
- Notices of the general meetings, related circulars and forms of proxy are provided within a prescribed time prior to the general meetings on Stock Exchange's website (www.hkexnews.hk) and the Company's website (www.lhgroup.com.hk) and by post to the Shareholders who have elected to receive printed copies.
- The Directors, in particular, the chairman of the Board committees or their delegates, appropriate senior executives and external auditor will attend the general meetings to answer the Shareholders' questions.
- The chairman of the general meetings will propose to vote the resolutions (except resolutions which relate purely to procedural or administrative matters) by poll in accordance with the Articles of Association. Scrutineer will be appointed for the vote-taking at the general meetings and the voting results will be published on the Stock Exchange's website (www.hkexnews.hk) and the Company's website (www.lhgroup.com.hk) subsequent to the close of the general meetings.

Corporate Communications

- The Company will send (by post or by electronic means as permitted by the Articles of Association or the Listing Rules) corporate communications of the Company, which include annual reports, interim reports, notices of shareholders' meeting, listing documents, circulars, and proxy forms, to the Shareholders.
- Pursuant to Rule 2.07A of the Listing Rules and the Articles of Association, the Company will disseminate the future corporate communications of the Company (including financial reports and circulars) to Shareholders electronically and only send corporate communications in printed form to the Shareholders upon request. Details of the arrangements (i) for dissemination of Corporate Communications and (ii) for requesting printed copy of Corporate Communications are published under the section "Investor Relations" in the Company's website (www.lhgroup.com.hk).
- Shareholders are encouraged to provide their up-to-date contact details (including electronic contact details) to the Hong Kong branch share registrar of the Company in order to facilitate timely and effective communications.

Company's Website

- The Company's website (www.lhgroup.com.hk) provides the Shareholders with corporate information on the Group. It also provides information on corporate governance of the Group and the compositions and functions of the Board and the committees of the Board.
- In addition to the "Investor Relations" section in which corporate communications of the Company are posted as soon as practicable following their release on the Stock Exchange's website (www.hkexnews.hk), press releases and newsletters issued by the Company from time to time are also available on the Company's website to facilitate communication between the Company, Shareholders and investment community.
- Information on the Company's website is updated on a regular basis.

Communication with the Company

Shareholders may raise questions, request for publicly available information and provide comments and suggestions to the Directors and management of the Company. Such questions, requests, comments and suggestions can be addressed to the Company by post to Unit 03, L22, Tower 1, Enterprise Square Five, 38 Wang Chiu Road, Kowloon Bay, Hong Kong or by email to the address at ir.lhgroup@lhg.com.hk.

Shareholders may at any time make a request for the Company's information to the extent such information is publicly available.

The Company highly values the view and comment by the Shareholders' and relevant stakeholders to the Company and would invite the Shareholders' and relevant stakeholders to communicate with the Company by employing the abovementioned means. In view of the above shareholders' communication means and measures adopted by the Company, the Board is of the view that the shareholders' communication policy implemented during the Reporting Year was sufficient and effective.

CONSTITUTIONAL DOCUMENTS

The Company has amended its memorandum and articles of association on 7 June 2023 to incorporate the changes brought under the enactment of core shareholder protection standards under Appendix A1 to the Listing Rules. A latest version of the memorandum and articles of association of the Company is available on the Company's website and the Stock Exchange's website.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board has overall responsibility for the establishment, maintenance and review of the Group's risk management and internal control system to safeguard shareholder investments and the assets of the Group. The risk management and internal control system of the Group aims to facilitate effective and efficient operation which in turn minimises the risks to which the Group is exposed. The system can only provide reasonable but not absolute assurance against misstatement or losses.

The Audit Committee, acting on behalf of the Board, reviews the effectiveness of the Company's risk management and internal control systems on an on-going basis and reports to the Board. Such review would be done at least on an annual basis for each financial year. The Board has considered the advice from the Audit Committee, and has discussed and reviewed the effectiveness of the risk management and internal control system of the Group for the year ended 31 December 2023, which included the implemented system and procedures, covering financial, operational and legal compliance controls and risk management functions. The Directors consider that the Group has implemented appropriate procedures safeguarding the Group's assets against unauthorised use or misappropriation, maintaining proper accounting records, execution with appropriate authority and compliance of the relevant laws and regulations.

Upon the recommendation of the Audit Committee, the Board considered that the risk management and internal control system of the Group is adequate and effective. The Group recognises that good risk management is essential for the long-term development on the Group's business. Management is responsible for establishing, implementing, reviewing and evaluating the sound and effective internal control system underpinning the risk management framework. The management has formulated the risk management and control framework. All employees are committed to implementing the risk management framework into the daily operation.

The Group acknowledges its responsibilities under the provisions of Part XIVA of SFO and the Listing Rules relating to the disclosure of inside information to the public. Policies, procedures and internal controls had been set out for the handling and dissemination of inside information to ensure inside information is kept confidential and disseminated to the public in a timely manner.

The Company does not have an internal audit function and is currently of the view that there is no immediate need to set up an internal audit function within the Group in light of the size, nature and complexity of the Group's business. It was decided that the Board would be directly responsible for risk management and internal control of the Group and for reviewing its effectiveness. The Company has also engaged an external professional advisor to conduct an independent internal control review and to assist the management to improve the internal control system of the Group.

OBJECTIVES OF RISK MANAGEMENT AND INTERNAL CONTROL

The Group has adopted a three-tier risk management approach to identify, assess, mitigate and handle risks. At the first line of defence, business units are responsible for identifying, assessing and monitoring risks associated with each business or deal. The management, as the second line of defence, defines rule sets and models, provides technical support, develops new systems and oversees portfolio management. It ensures that risks are within the acceptable range and that the first line of defence is effective. As the final line of defence, the Audit Committee ensures that the first and second lines of defence are effective through constant inspection and monitoring.

In order to be consistent with other major risks, the Group adopts the same risk management procedures to manage ESG risks, including identifying ESG risks, risk assessment and monitoring measures taken, as well as consulting and reporting processes, etc. For details, please refer to the “Environmental, Social and Governance Report” in this annual report.

DIRECTORS’ RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for preparing the financial statements of the Group for the year ended 31 December 2023. The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Group’s ability to continue as a going concern.

The statement of the independent auditors of the Group about their reporting responsibilities on the financial statements is set out in the “Independent Auditor’s Report” on pages 97 to 101 of this report.

There is no disagreement between the Board and the Audit Committee regarding the selection, appointment, resignation or dismissal of external auditors.

Environmental, Social and Governance Report

ABOUT THIS REPORT

The Group is pleased to present its ESG report to all of its stakeholders. The content contained herein focuses on providing an overview of the ESG performance of our major operations in Hong Kong for the Reporting Year. It helps us to keep a close eye on our current ESG performance as well as the opportunities to improve our ESG performance in the future.

Scope of the Report

This report has been prepared in accordance with the “Environmental, Social and Governance Reporting Guide” in Appendix C2 to the Listing Rules on the Stock Exchange. The two ESG subject areas, namely Environmental and Social, are disclosed separately, highlighting the impacts of the operations of the Group in Hong Kong from 1 January 2023 to 31 December 2023.

The content of this report has been determined and summarized by the principles of Materiality, Quantitative, Balance and Consistency. The four principles are intended to underlie all aspects of the disclosed ESG information as required in the ESG Guide, and their meaningful application can facilitate the ESG report presented by the Group to constitute an objective, transportation and accurate embodiment of the Group’s ESG management and sustainable development during the Reporting Year.

Materiality:

The Group identified our reporting boundary by applying the principle of Materiality, and pinpointing the significant ESG issues that may have impact on the Group’s operations through materiality assessment. More information regarding the reporting boundary, stakeholder engagement and materiality assessment can be found in the corresponding sections.

Quantitative:

The data package with descriptive information and statistics regarding the Group’s ESG key performance indicators (“KPIs”) during the Reporting Year. Information on the methodologies, assumptions and conversion factors used are clearly stated under the corresponding performance tables.

Balance:

This report portrays an unbiased picture of the Group’s ESG performance during the Reporting Year. To facilitate informed decisions of stakeholders, the Group avoids selections or omissions of any positive or potentially negative data, so as to address both positive and negative sides that may influence the decision or judgement of the report reader.

Consistency:

In order to have meaningful comparison of ESG data over time, the Group adopted consistent methodologies for data collection, organization and calculation during the preparation of this report and sticking to the high-level of consistency the reporting approach and framework that has been set in previous years.

The data and information used in this report are referenced from our archived documents, records, statistics and research. Financial data are extracted from or calculated based on the Group’s audited annual financial statements for the year ended 31 December 2023.

Information and Feedback

For the details in relation to our financial performance and corporate governance, please visit our website on <http://www.lhgroup.com.hk/> and our Annual Report. We also treasure your feedback and comments on our sustainability performance, please send your feedback and other sustainability enquiries to us at esg@lhg.com.hk.

SUSTAINABILITY GOVERNANCE

Governance Structure

The Board of Directors is the highest governance body of the Group, responsible for directing our business and sustainability, and overseeing the Group's risk management, including risks related to sustainable development. The Board of Directors is also responsible for monitoring and evaluating the Group's sustainability-related issues.

Executive Directors, senior executives and heads of various departments of the Group regularly review matters regarding environmental, social and governance, allowing each department to implement relevant measures, policies and action plans, and regularly review the duties and responsibilities of relevant departments to ensure that they are in line with the sustainability strategies of the Group.

To implement sustainability strategies which apply to all levels of management and staff of the Group, the top-down approach for governance is adopted for the following sustainability strategies:

1. To achieve environmental sustainability
2. To respect human rights and social culture
3. To support our employees
4. To sustain local communities

OUR STAKEHOLDERS

We actively strive to better understand and engage our stakeholders to ensure continuous ESG improvements. We strongly believe that our stakeholders play a crucial role in sustaining the success of our business in the challenging catering market.

Stakeholders	Probable issues of concern	Communication and responses
HKEx	Compliance with Listing Rules, timely and accurate announcements.	Meetings, training, roadshows, workshops, programs, website updates and announcements.
Government	Compliance with laws and regulations.	Interaction and visits, government inspections, tax returns, and annual returns.
Suppliers	Payment schedule and stable demand.	Site visits.
Shareholders/Investors	Corporate governance mechanism, business strategies and performance, and investment returns.	Organizing and participating in seminars, interviews, shareholders' meetings, issue of financial reports and/or operation reports for investors, media and analysts.
Media & Public	Corporate governance, environmental protection, and human right.	Issue of newsletters on the Company's website.
Customers	Food and service quality, delivery time, reasonable prices, sanitary condition of restaurants and labour protection.	Issue of newsletters on the Company's website.
Employees	Employee rights and benefits, employee compensation, training and development, work hours, and working environment and industrial safety.	Union activities, training, employee satisfaction survey, interviews with employees, employee handbooks, internal memos, and employee suggestion boxes.
Community	Community environment, employment and community development, and charitable donations.	Community activities, employee voluntary activities, community welfare subsidies and charitable donations.

Environmental, Social and Governance Report

The Group recognizes its responsibility to be accountable to all its stakeholders, including customers, Shareholders and potential investors, employees, suppliers, non-governmental organizations (“**NGOs**”) and the local community, etc. Understanding the needs and expectations of its stakeholders is the key to the Group’s success. As each stakeholder requires a different engagement approach, the Group has established a tailor-made communication method in order to better meet each stakeholder’s expectations.

Within the Group, we place a huge emphasis on monitoring the risks and exploring potential opportunities. For the sake of striking a balance among business needs, social demands and environmental impacts, we are committed to continuously monitoring the risks and opportunities which exist in our daily operations, and embracing transparent corporate culture to ensure that our sustainability strategies are well communicated to our employees, customers, suppliers, the communities and other stakeholders.

SUSTAINABILITY BLUEPRINT

Our Vision and Mission

We continuously adapt to the culinary tastes of our customers and set culinary trends through a spirit of innovation, paving the way for diversification and internationalization of our cuisine offering, and plan to integrate the vision and mission with the goals and objectives that prioritize sustainable development.

Aligned with the United Nations Sustainable Development Goals

The United Nations has called for global action through the “2030 Agenda for Sustainable Development” to eradicate poverty, protect the planet, and ensure that by 2030, all people can enjoy prosperity, peace and stability. For the Reporting Year, the Group identifies the issues that may have significant impacts on the following items: energy saving, food waste reduction, promotion of diversity at workspace, food safety, and community investment. We categorize relevant issues into the following five directions: high-quality ingredients, people-oriented, efficient operations, environmental protection and caring the community. Please refer to the relevant sections for details. Four of these directions are closely related to the United Nations Sustainable Development Goals.







HIGH-QUALITY INGREDIENTS

Food quality and safety

We work our best to ensure that our customers can consistently enjoy good quality food. We provide our chefs with standard recipes and relevant standard cooking time, allowing our chefs to prepare each dish on the recipes in an accurate way.

Storage Quality Control

- The shelf life of different food ingredients vary, according to the risk level of different food, we formulate secondary shelf life of food to ensure food safety.
- We keep record of the delivery and expiry dates of each batch of food ingredients, conduct monthly inventory count and monitor the quality of inventory to ensure that the food ingredients are used well before their expiry dates.

Logistics Quality Control

- We deliver food ingredients with our own trucks from our central processing and logistic centre to our restaurants on demand to ensure their freshness.
- We have formulated requirements of the hygienic condition and temperature of the refrigerated trucks.

Restaurant Quality Control

- We have formulated standard recipes and cooking procedures for our dishes.
- We conduct spot-checks of our restaurants with respect to their ambience, service quality, food quality and restaurant management.
- We hold performance evaluation meetings regularly as for food and service quality.
- We have engaged an independent consulting company to send secret customers to evaluate our restaurants' ambience, service quality, food quality and restaurant management.

Striving to Ensure Food Safety

A substantial portion of the processed food ingredients used in our restaurants is initially delivered to our central processing and logistic centre in Yau Tong. Our quality and safety department oversees the quality of food during the transportation process from the central processing and logistic centre to our restaurants and that stored at our restaurants.

Quality and safety department is responsible for handling and addressing food quality and safety issues, formulating and reviewing food safety policies and guidelines, and managing our central processing and logistic centre to ensure our compliance with ISO 9001, HACCP and ISO 22000 standards, and provide food safety training to our employees.

We comply with all relevant laws and regulations regarding food safety that have a significant impact on us, including but not limited to, “Food Safety Ordinance” in Hong Kong.

Personal Hygiene

Personal hygiene is the key requirement for all our employees especially for those who are responsible to handle food directly. We stipulate operating procedures on personal hygiene for employees to understand the importance of personal hygiene, by which we ensure that we can provide our customers with assurance of the quality of meals served in our restaurants.

Hand hygiene is the primary measure proven to be effective in preventing the spread of antimicrobial resistance. In this regard, every frontline staff member has been well trained with the proper hand washing procedures.

Food Processing

We have stipulated an internal quality control procedures and requirements for frontline staff to follow when handling food. For instance, staff are told to use particular chopping boards, knives and disposable gloves for handling raw meat, vegetable and instant food respectively to avoid cross-contamination.

To ensure preservation of food safety, we look into each piece of equipment and appliances used. Regular cleaning of refrigerators, chopping boards, meat chopper machines and ice-cream machines etc. is done in order to attain a high food safety standard. Regular monitoring of the temperature of the refrigerators is made for ensuring that food is kept in good condition under a constant temperature range. Equipment is routinely checked with proper records kept to ensure proper functioning of the relevant equipment.

With all the effort spent, we got an average score of 99.7 (2022: 93.4) out of 100 for all the food safety inspections done by independent third party for our restaurants.

Food nutrition and health

Low-carbon Meal

We partner with organizations such as GreenMonday to offer vegetarian dishes in all of our restaurants in Hong Kong. By offering vegetarian options for the customers who care for the earth and animals, we hope that low-carbon food culture can be promoted amongst the friends and relatives. Along the way, we take a big leap forward to practice environmental protection. For the Group, a vegetarian menu can attract new customer bases. For customer, our restaurants can provide another healthy food choice, achieving a win-win situation.

Some meals use plant-based “Omnipork” and “Omnibeef”, among which “Omnipork”’s unique vegan protein formula comprises mainly of elements such as peas, non-genetically modified soybeans, mushrooms and rice which are rich in amino acids that are important to the human health.

Responsible food sourcing

Supply Chain Management

The Group places great emphasis on supply chain management. We support the purchases of environmentally-friendly and socially responsible products to minimize the environmental impact caused by our business operations, and thus enhance our service quality and performance standard. During the Reporting Year, we had cooperated with approximately 205 (2022: 288) Hong Kong based suppliers.

Environmentally Responsible

Environmental costs, eco-feature and eco-performance are taken into consideration by management prior to each of our purchase transactions. To achieve sustainable procurements, various measures are implemented:

In respect of purchasing food ingredients, we select food ingredients according to cost, organic, fresh, locally-produced, sustainable, hydroponic and environmentally-certified.

When purchasing cleaning supplies, we consider whether the detergent container uses environmentally-friendly materials, whether the towels are made of organic cotton, and whether the tissue paper are green tissue paper.

When purchasing catering equipment, catering equipment with eco-labels (including but not limited to Green Specifications specified by the Environmental Protection Department and Energy Efficiency Labels issued by the Electrical and Mechanical Services Department) will be considered.

Socially Responsible

We cooperate closely with our suppliers to ensure the quality of our products and services provided to our customers and to fulfil our social responsibility. We have been purchasing from socially responsible suppliers who comply with the requirements of ISO 22000 “Food Safety Management System” to uphold the food safety standard along the supply chain.

Besides, annual appraisal of our major suppliers is done to ensure the abovementioned quality performance, and in this regard, we request the suppliers to provide documents for verifying the sources of supplies, such as certificates of origin.

Before accepting deliveries of supplies, we conduct quality inspection in accordance with our standards for different ingredients. If there is any discrepancy found, we will return them to the suppliers and request re-delivery, failing which we will take further actions as appropriate.

Risk assessment on suppliers

We review regulatory updates and announcements from the Government, read news and pay special attention on environmental, food safety, and information about suppliers we are cooperating with regularly. We also attend seminars and exhibition to receive industry updates, and communicate with our suppliers regularly to get the most updated information they had regarding the products they provided. When we identify any environmental or social risks along the supply chain, we inform the management about the potential risks, assess the likelihood and impact of the risks and discuss in meetings. We then take follow up actions if necessary, including but not limited to stop using the products and find alternatives.

Traceable Food Sourcing

Apart from the vendor assessment as mentioned above, we also trace the source of food to ensure its quality. To uphold a high hygienic standard of food, certificate of country of origin is obtained from our vendors with the certificate issued by the relevant issuing authority of the country of origin which accompanies the imports for certifying that the food products concerned are fit for human consumption. Inspectors also keep track of the expiry dates of food to ensure that our customers are served with fresh food in respect of which it is safe to eat.

Core Pillar	United Nations Sustainable Development Goals	Our actions
High-quality Ingredients	 <p>2. ZERO HUNGER</p>	<p>2. Zero hunger, achieve food security and improved nutrition.</p> <p>Monitor food quality through the Food Safety Department and Quality and Safety Department</p> <p>Utilize various quality controls to ensure food safety and quality</p>
	 <p>3. GOOD HEALTH AND WELL-BEING</p>	<p>3. Ensure healthy lives and promote well-being for all at all ages.</p> <p>Provide low-carbon dishes option to promote a healthy lifestyle</p>

PEOPLE-ORIENTED

Customer experience

The Group is innovative to explore and develop different means in order to enhance customer experience of our customers in different sectors. By launching the “Kabu App”, we are dedicated to connecting with our customers and delivering to them a pleasant dining experience.

	i-Queue Use your mobile phone to pick up tickets anytime and anywhere, while physical presence is not required.
	Booking Secure your table in our restaurants for the preferred time from 2 hours up to 60 days in advance without waiting.
	Member Area Get your exclusive discounts and e-coupons without bringing your physical card.
	Latest News Keep you updated with our latest promotion and menu.

Customer satisfaction

Customers’ opinions and feedback help to drive continuous improvement and are vital to our pursuit of excellence. Various communication channels such as emails, facebook and customer service hotline have been established with the aim to better address our customers’ concerns. During the Reporting Year, we have received 76 complaints and 898 compliments through various channels. Upon receipt of a complaint, customer service staff obtain preliminary information from the customer and fill in the “Customer Opinion Report Form”. The customer service staff forward the “Customer Opinion Report Form” to the responsible personnel, investigate into the matter and take appropriate remedy actions in a timely manner. If the complaint is unsubstantiated, no actions will be taken. No matter the complaint is substantiated or not, the investigation results will be communicated to the customer.

We encourage our customers to complement our employees whenever they appreciate the services delivered by our employees. In this respect, a card with personal email address and Facebook page link of the Chairman is placed on every table in our restaurants. This allows customers to express their appreciation of our employees’ services. In this way, we aspire to increase our employees’ job satisfaction and sense of achievement.

Many businesses consider employees as their “most valuable assets”. However, the Company considers employees as our “partners”. In LH Group, we strive to create an organisation culture in which appreciation and positive energy are the norms.

Employee health and well-being

Staff Meals

As the old saying — “A well-fed team is a happy team” goes, we understand the importance of making our employees happy. In this respect, we care our employees, and by offering staff meal or meal allowances and staff discounted meals, we strive to treat our employees well and bring everyone within the Company together as a team.

Education Sponsorship for Children of Employees

Children are the pillars of the society. Accordingly, we believe that investing in children is one of the most effective means of facilitating and sustaining community development. We aspire to support children’s education via offering education sponsorship for the children of our employees. Ultimately, we wish to ease part of the financial burden of our employees.

Flexible Working Hours

We value the well-being of our employees. Therefore, we strive to offer greater autonomy of employees over their work so as to improve work-life balance and cater for their needs. In LH Group, employees are allowed to flexibly arrange their working hours within a specific schedule, both office and frontline employees have the rights to decide whether to work on a part time or full time basis.

We will also discuss with our employees and consider to change their working basis from part time to full time, based on their needs, allowing them to strike a balance between work and personal or family affairs.

Care About Well-being of Employees

No record of work-related fatality was recorded in the last three years.

We assist employees to perform their jobs in good physical and mental health conditions. Not only do we care about our employees' physical health and safety, but we also pay attention to their mental well-being.

Physical Well-being

We focus on creating a team of healthy and well-motivated employees. Therefore, we made every effort to improve the physical well-being of our employees.

To enhance employee protection, the Group proactively provides an annual free flu vaccination program. The Group also publishes personal protective hygiene measures in monthly electronic bulletins and posts them in a conspicuous position on the information board. Every colleague must attend online courses to prevent different types of infections. In order to protect our employees, we purchase medical insurance including dental and body check-up services for employees.

During the Reporting Year, there were 19 reported injuries and a loss of 785 days due to the work injuries. Occupational health and safety are high priorities in the Group, we wish to avoid any work-related injuries. Written guidelines and training sessions related to occupational health and safety are provided to our employees to make sure that they fully understand the risk factors involved and the corresponding protective measures. Various protective accessories such as protective gloves and goggles, and allowances for safety shoes are provided to our employees. We also post reminders in the workplace to remind employees to wear such accessories at work.

Our goal is to maintain zero work-related fatalities and achieve a decline in the number of work-related injuries per every million consumer transactions in the coming year.

- Fire escape route map is posted in prominent position.
- Suitable kits should be used to prevent burns when touching hot objects.
- When carrying out high-risk duties such as using meat planers and burners, operators are reminded to pay special attention to industrial safety.
- Before cleaning and inspection of the kitchen machines, power should be switched off to ensure occupational safety.
- When carrying/transferring loads heavier than five kg, another employee/other employees should be present for offering assistance.
- When lifting objects to a position above eye level, ladder should be used.
- When handling chemicals including bleach and detergent, appropriate safety goggles and gloves should be used.

Mental Well-being

LH Group and Kabushikigaisha Limited were awarded the “Happiness at Work 10+” by the Promoting Happiness Index Foundation for the tenth consecutive year. A happy workplace and environment can ensure positive mental well-being among our employees. By this way, we would like to attract and retain more talents to join us together to build this happy and motivative atmosphere inside the Group. Besides, we have signed the Joyful@Healthy Workplace Charter organised by Occupational Safety and Health Council to undertake that we will take actions in promoting healthy diet, physical activity and mental well-being within the Group.

During the year, the Group provides a chilled environment so that colleagues can conduct work-related activities in a more relaxed environment. To relieve employees’ stress from their daily life, we not only provide festive snacks and after-work interest classes, but also regularly published mental health information through the Company’s electronic publications and set up an online advice collection channel to help employees sort out their emotions and work efficiently.

Diversity and equal opportunities

Re-employment of Retirees

We consider re-employment of retirees as a mutually beneficial scheme to both of our employees and us. Therefore, we allow our employees to work beyond their retirement age until the age of 70 after evaluation.

Promoting Diversity at Workplace

During the Reporting Year, we were awarded with “Partner Employer Award 5+”. The award commends our efforts in building an inclusive society and promoting corporate social responsibilities.

We believe that a diversified team is helpful to the success of our business. We strive to ensure that our recruitment process is fair and without any discrimination. Equal opportunities are offered to disabled and rehabilitated persons. As such, we aspire to promote disability inclusion, and demonstrate care and acceptance to enable rehabilitated people to reintegrate themselves into the society.

Moreover, we strive to promote gender equality in the workplace. To arouse awareness of gender-related issues, we have joined the Network of Gender Focal Point established by the Government and Women’s Commission. Our executive Director, Ms. Ko Sau Chee Grace, has been nominated as our representative of Gender Focal Point Network of the Women’s Commission since 2018, who serves as the contact person for coordination of gender-related matters between the Government and us.

Participate in the “Promotion of Qualifications Framework” charter for catering industry

The Group and the industry jointly signed the “Promoting Qualifications Framework” charter at the Auditorium, East Wing Central Government Offices on 14 April 2023, committing to promote the professionalization of the industry through the qualifications framework. Through the platform of the Qualifications Framework, more training and internship opportunities are provided to help young people create a clear path for advancement.

Employee appreciation

During the post-pandemic economic recovery period, our frontline employees stood fast at their positions and upheld its unchanging service motto to create sensation. This exceeds the expectation of customers and leads to high praises from customers, tiding over this difficult time hand-in-hand. To reward the outstanding employees and restaurants, the Group held the Appreciation Award Ceremony 2022–23. Awards were presented to a total of 9 employees and 16 restaurants in the ceremony, including the new special awards. Under the witness and applause of over 200 employees, they received their awards, which recognize and acknowledge the services and performance of our frontline employees and restaurants, allowing us to establish a culture that praises quality service.

Employee training and development

Enhancing Bonding Among the Team

Team bonding is vital in cultivating cohesive organizational culture and nurturing a positive work attitude which is crucial to employee engagement. Thus, we are devoted to enhancing trust and cohesion among our employees.

Since 2019, the Group has actively participated in the HKRMA Service Talent Award to commend frontline staff with outstanding service, thereby improving service standards, broadening horizons and enhancing cohesion. In 2023, five service elites from the Yue Man Square branch of Gyu-Kaku Buffet competed in the competition adhering high-quality service culture of company. Our staff performed well and won 5 different awards, including Junior Frontline — STA New Participating Brands — Gold Award, Supervisory — STA New Participating Brands — Gold Award, Excellent Service Star, The Potential Brand Award — Gold Award and Top 10 Flagship Service Stores. As the society resumes normalcy, the Group will participate in various tournaments and trainings to further optimize and improve its services, providing customers with more tailored services and unexpected dining experience, so that tourists would be touched by our services and visit Hong Kong again.

Motivating and Retaining Talents

For effective personnel management, we offer rewards to our employees based on their performance in different key aspects. By this approach, we hope to motivate staff and boost morale. To appreciate the hard work of our employees, we offer monthly target bonus with reference to multiple perspectives such as monthly revenue, operating costs, hygiene condition, feedback from secret customers, and the number of cases of work-related injury.

Developing Talent

We consider employees as our partners. Thus, we place great emphasis on personal development of our employees. A wide range of training programs are provided to our employees to enhance their knowledge and capabilities. During the Reporting Year, approximately 10,083 hours (2022: approximately 4,939 hours) of training were recorded.

100% of employees had attended trainings during the Reporting Year. The average training hours completed per employee by gender and employee category for the Reporting Year is as follows:

	Male	Female
Frontline staff	7.2 hours	4.7 hours
Office staff	8.1 hours	9.0 hours

Our employees have the expertise and vast experience in their positions with adequate training provided. Meat planer operators must be trained and they have to obtain relevant certificate to prove that they are qualified and capable of operating the meat planer machines in order to ensure that the food quality is maintained.

The online training platform (LMS) has been established and launched, in order to provide more non-face-to-face training and more interactive learning mode for employees during the pandemic period. More than 40 online courses are currently available, covering company culture and service philosophy, professional knowledge and skills of frontline employees, occupational and food safety, anti-corruption and good faith training and character and management philosophy etc, which will be updated regularly.

Employee compensation and welfare

We review our welfare package to employees on a regular basis. During the Reporting Year, we have currently offered different kinds of paid leave to eligible employees, including but not limited to the following, of which work anniversary leave and exam leave are newly offered and extended the marriage leave to 10 days:



Paid Birthday Leave

Birthday is a key milestone in a person's life. For this reason, birthday leave is granted to our employees for their celebration on these big days.



Paid Volunteer Leave

We deeply understand the importance of giving back to the society. Therefore, we encourage our employees to actively take part in community services so as to contribute to a more sustainable society. Actions always speak louder than words. That's why we offer our employees paid volunteer leaves, as a means of motivating them to participate in voluntary work.



5-day Full-paid Paternity Leave

Since March 2013, we already granted a 5-day full-paid paternity leave to all of our eligible employees. This is better than the statutory 5-day paternity leave which is paid four fifths.



Marriage Leave

To express the Company's support towards an employee's recent marriage and allow them to fully focus on this significant milestone in their life and enjoy the happiness of newlywed bliss. We granted 10 days marriage leave to all of our eligible employees.



Work Anniversary Leave

Thank you to the employees who have grown together with the company. We appreciate having employees along the way, and let's celebrate your work anniversary together. We granted 1 day work anniversary leave to those who complete 1 year working period at the office.



Exam Leave

Encourage employees to continuously pursue further education and enhance themselves in order to improve their current job skills or to prepare for of new responsibilities. We granted 3 days exam leave to all of our eligible employees.

Prevention of child labour and forced labour

As a responsible employer, we comply with all relevant employment laws and regulations that have a significant impact on us, including but not limited to “Employment Ordinance”, “Mandatory Provident Fund Schemes Ordinance”, “Minimum Wage Ordinance”, “Sex Discrimination Ordinance” and “Employees’ Compensation Ordinance” in Hong Kong. We also arrange training on regulations in connection with induction, resignation and termination of employment, in order to provide a clear picture of employment regulations to our staff.

To avoid forced and child labour, Human Resources Department performs detailed interview screening procedures for each candidate. A thorough background check is conducted to verify the personal data stated on the application forms by examining the applicants’ original identity card and making detailed inquiries to ensure that we do not employ child labour.

Forced labour is strictly prohibited by the Group with zero tolerance. We are serious about child labour and no child labour will be employed.

Occupational safety and health

“Cool” Kitchen

Kitchen is commonly perceived as a place full of hidden hazards. We strive to minimize potential kitchen hazards and make kitchen a “cool” place to work in. No record of work-related fatality was recorded in the last three years.

Meat Slicer Training are provided to our newly recruited meat slicers. Upon completion of the training, “Authorized Slicer Certification” would be granted to the relevant employees. Moreover, the name of our “Certified Meat Slicers” are displayed on every Meat Slicing Machine. With this precautionary measure, we ensure that only the staff holding the certification are allowed to operate the Meat Slicers.

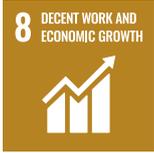
We have made use of various “Green Energy-Efficient Catering Equipment”. The equipment offers a number of features, which helps make our kitchen “cool”.

- *Pre-mix Burner*
Minimizes heat loss and noise level for achieving a more comfortable working environment.
- *Preinstalled Flame Failure Device, “Hybrid Flame Ionization Detection” (HFID)*
Offers fast response cut-off time, which further enhances occupational safety.

Moreover, we have adopted the use of dishwashers and mesh belt cleaners to automate the work processes of dishwashing and mesh-cleaning. Through the application of automation of some kitchen work processes, we aim to reduce employee workload and ease employees’ burden at workplace.

Compliance

We are dedicated to providing a pleasant and safe working environment for all of our employees. Occupational health and safety of our employees are of our top priority. We strictly comply with all relevant laws and regulations regarding workplace safety that have a significant impact on us, including but not limited to “Occupational Safety and Health Ordinance” and “Factories and Industrial Undertakings Ordinance”.

Core Pillar	United Nations Sustainable Development Goals	Our actions
People-oriented	 <p>4. Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all.</p>	<p>Help employees in need with education sponsorship for the children of our employees</p> <p>Provide adequate workplace training to protect employees’ occupational safety and health</p>
	 <p>5. Achieve gender equality and empower all women and girls.</p>	<p>Promote gender equality in the workplace and establish a diversity at workplace</p>
	 <p>8. Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.</p>	<p>Provide free vaccinations to prevent the spread of disease</p>

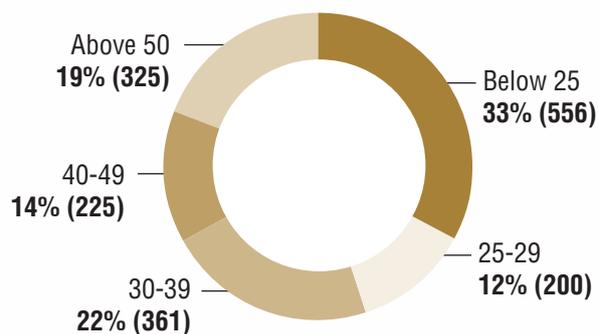
Other employee information

As at 31 December 2023, the Group had 1,667 (2022: 1,768) employees all based in Hong Kong. The details by gender, employment type and age group shown as follows.

BY GENDER



BY AGE GROUP



BY EMPLOYMENT TYPE



Environmental, Social and Governance Report

During the Reporting Year, a total of 1,855 (2022: 1,503) members of staff resigned or dismissed from their positions in Hong Kong. The statistics for staff turnover rates is as follows.

	Age Group					Gender	
	Below 25	25–29	30–39	40–49	Above 50	Male	Female
	Average monthly turnover rate						
2023	14%	8%	6%	7%	6%	10%	9%
2022	12%	5%	4%	5%	4%	8%	7%

Average monthly turnover rate is the number of leavers of each category of the year divided by the number of employees of that category at the end of the year, and divided by 12 months.

ENVIRONMENT PROTECTION

We are committed to promoting environmental protection and conservation and we have been undertaking various initiatives in this respect.

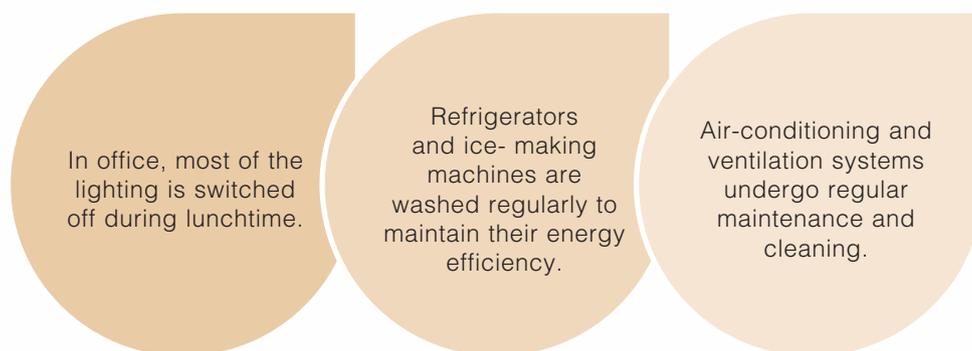
Act Green

In response to the “Sustainable Development Goals” proposed by the United Nations and the rapid changes on a global climate change and resource scarcity, we are committed to contribute to the sustainable development of the world. We have joined the “Partnership for Sustainability Leadership in Business” initiated by the Centre for Civil Society and Governance of The University of Hong Kong and supported by The Hongkong and Shanghai Banking Corporation Limited (HSBC). We pledge not only to adhere to the principles of sustainable development in our strategic management and operations work, but also work closely with SMEs to provide resources and guidance to build a cooperative ecosystem in the pursuit of sustainable development.

Energy management

Energy Saving

Together with our employees, we have been enhancing our environmental awareness by means of strengthening education on ESG good practice and encouraging our employees to make commitment towards building a healthier environment. We promote energy reduction and conservation by launching relevant environmental protection policies outlined below:



Knowing that natural resources is limited, we utilize natural resources in a more energy efficient way so as to sustain energy use for present and future operation. We cooperate with The Hong Kong and China Gas Company Limited to promote the use of a series of energy efficient kitchen appliances, ranging from food steamers, steam cabinets, wok to dishwashers.

Environmental, Social and Governance Report

By utilizing the exhaust heat, less fuel is consumed to produce heat energy, whilst the steaming effect of food steamer is further improved with the reduction of energy consumption by nearly 30%. This kind of heat recovery system is not only energy-saving, but also environmentally friendly. The indoor temperature of the kitchen is reduced by about 2 degrees Celsius due to the functioning of the heat recovery system which indirectly saves the electricity required for the air-conditioning.

We also implemented an intelligent air conditioning blower control system in restaurants to adjust temperature and fan speed automatically. The fans can also be used under the mode of preset time that appropriate adjustments would be made during peak hours, non-peak hours or specific hours, reducing the electricity consumption by 15% to 30% in average.

Our restaurants adopt LED lighting and motion sensor lighting. The life span of a LED light bulb can last up to 15,000 hours so as to reduce frequent light bulb replacements and minimise the generation of waste. Moreover, using LED technology can save energy up to the level of 80% more than the case of traditional lighting, which, in turn, can reduce the greenhouse gas (“GHG”) emissions from purchased electricity.

Since 2022, all of our restaurants have been using energy saving dishwashers. The dishwashers make use of heat recovery techniques which preserve the heat from the steam and maintain the temperature. This can reduce the electricity consumption by about 64% in average.

Our self-owned brand “#HAP Taiwanese Hotpot” is the pioneer in the sector introducing an “Internet of Things-based intelligent control hotpot induction cooker system”, which allows the control of power and time switches through a specialized mobile application to reduce energy consumption. Besides, branches of “#HAP Taiwanese Hotpot” have also been installed with ammeters to monitor the electricity consumption of each restaurant in real time for a better understanding and analysis of our power consumption pattern; thereby optimizing our daily operations and enhancing our energy efficiency.

Electricity Consumption

	Unit	2023	2022
Electricity consumption	kWh	10,582,358 ⁽¹⁾	9,670,982 ⁽¹⁾
Electricity consumption intensity	kWh/HK\$ million revenue	8,396	9,097
Total GHGs emissions	Kilograms	6,118,376 ⁽²⁾	5,466,688 ⁽²⁾
Total GHGs emissions intensity	Kilograms/HK\$ million revenue	4,854	5,142

(1) The effect of electricity produced by renewable energy purchased from CLP Power Hong Kong Limited/the Hongkong Electric Co. Ltd, was excluded.

(2) Included the effect of the amount of electricity produced by renewable energy purchased from CLP Power Hong Kong Limited/the Hongkong Electric Co. Ltd which reduce GHGs emissions.

We target to maintain the total GHGs emissions intensity from electricity consumption at approximately 4,800 kilograms/HK\$ million revenue in the coming year.

Water resources management

Water Consumption

	<i>Unit</i>	2023	2022
Water consumption	<i>Cubic metres</i>	277,490	252,231
Water consumption intensity	<i>Cubic metres/HK\$ million revenue</i>	220	237

The water consumption increased by 25,259 cubic metres compared with previous year to 277,490 cubic metres for the Reporting Year. The average water consumption per HK\$ million revenue decreased by approximately 7% for the Reporting Year.

With the “Environmental Code” implemented in all of our outlets, we utilize water resources wisely. Although we do not have any issue in sourcing water and the existing supply of water does meet our daily operational needs, we still strive to reduce water usage and increase overall water usage efficiency. We plan to maintain the water consumption intensity at below 220 cubic meters per HK\$ million revenue in the coming year.

Water is used in a wide variety of areas such as washing, dishwashing and ice-making. To avoid unnecessary use of water, defrosting of the ice from the inner wall of the refrigerator is adopted regularly to keep the temperature in the refrigerator at a sufficiently low level so that the bacterial growth is relatively low and the shelf life of food can also increase as a result. Some of our restaurants started using energy saving dishwashers which consumes about 2.2 litre less water than other dishwashers in the market for each usage. We have also installed water flow controllers in some of our restaurants to control the water flow to avoid excessive water flow.

We monitor water usage on a monthly basis, and will continue to implement above practices to more restaurants and explore practical and feasible ways to reduce water consumption.

Packaging material management

Since May 2019, no plastic straws have been distributed to our customers. We provide paper straws only upon request by the customers. No disposable tableware sets were provided to customers proactively for takeaways. Request for each tableware set is subject to surcharge of HK\$2. We aim to create greater incentives for customers to reduce not only the use of plastic materials, but also reduce solid waste.

Generation of Packaging Materials

Source	Unit	2023	2022
Takeaway supplies	<i>Kilograms</i>	57,606	64,200
Plastic bags	<i>Kilograms</i>	13,637	11,046
Paper bags	<i>Kilograms</i>	2,458	2,214

Packaging materials for takeaways had increased significantly since the epidemic in 2020, especially when restrictions on dine-in hours were in place. While the increase in takeaway is unavoidable, we hope to be more environmentally friendly. We offer an extra 5% off for customers who bring their own containers for takeaway. To safeguard the hygiene of the food and avoid cross-contamination, restaurant staff present the food on the table and customers put the food into their own containers themselves. Even when takeaway boxes are required, most of our takeaway boxes are reusable, in a hope that customers will reuse them. We hope we can arouse citizens' awareness to reducing disposables and develop the habit of bringing own containers when ordering takeaway.

Food waste management

Food Waste Reduction

	<i>Unit</i>	2023
Food waste from customers	<i>Kilograms</i>	121,924
Food waste from kitchen (“Inactivated” food remains from kitchen)	<i>Kilograms</i>	30,967
Total food waste	<i>Kilograms</i>	152,891
Food waste intensity	<i>Kilograms/HK\$ million revenue</i>	195.2
“Activated” food remains from kitchen	<i>Kilograms</i>	40,110
% of “activated” food remains from kitchen	<i>Percentage</i>	56.4%

The food remains from kitchen mainly arises from the slicing of meat especially beef. We promote the idea of “food has life” and try to better utilize the remains of meat to make dishes such as minced meat and use as ingredients for soup base, so some of the food remains from kitchen are “activated” and not wasted. We will continue to invent new dishes which can “activate” more types of food remains to reduce the food waste from kitchen. We target to maintain the % of “activated” food remains from kitchen at approximately 55% in the coming year.

To reduce food waste from customers, coupons would be given to wise eaters at all-you-can-eat shops including “Mou Mou Club”, “Gyu-Kaku” and “Gyu-Kaku Buffet”, “On-Yasai” and “#HAP Taiwanese Hotpot”, etc. By finishing all food in the plates, customers will be awarded a coupon for their next visit, and we will donate HK\$5 to the World Green Organization for “Mou Mou Club” and World Wide Fund for Nature (WWF) for restaurants other than “Mou Mou Club” to support environmental conservation.

In addition, some of our restaurants have been cooperating with the shopping malls that are installed with food waste processors which could recycle food waste into fertilizers, therefore, not only reducing land pollution, but also improving effectiveness of farming.

Raw material management

Discourage the Use of Disposable Tableware

No disposable tableware sets were provided to customers proactively for takeaway. Request for each tableware set is subject to surcharge of HK\$2. We aim to encourage customers to reduce the use of plastic disposables and develop the habit of using reusable tableware even when ordering takeaway.

Discourage the Use of Straws

No straws were distributed to customers proactively. We provide paper straws only upon request by the customers. We aim to reduce the use of plastic materials, as well as the generation of solid waste.

Carbon emissions management

Gaseous Fuel Consumption

	<i>Unit</i>	2023	2022
Consumption	<i>Kilograms</i>	4,545,295	4,227,795
Consumption intensity	<i>Kilograms/HK\$ million revenue</i>	3,606	3,977
Nitrogen oxides emissions	<i>Kilograms</i>	136	100
Sulphur oxides emissions	<i>Kilograms</i>	1	1
Direct GHGs emissions	<i>Kilograms</i>	12,913,613	12,166,416
Indirect GHGs emissions	<i>Kilograms</i>	395,699	291,440
Total GHGs emissions	<i>Kilograms</i>	13,309,311	12,457,856
Total GHGs emissions intensity	<i>Kilograms/HK\$ million revenue</i>	10,559	11,718

During the Reporting Year, the total GHGs emissions amounted to approximately 13,309,000 kilograms, representing an increase of approximately 851,000 kilograms as compared to the previous year. The average GHGs emission per HK\$ million revenue during the Reporting Year decreased by approximately 10% compared to 2022.

We target to reduce the total GHGs emissions intensity from gaseous fuel consumption further by 5% in the coming year.

Compliance

We comply with all relevant laws and regulations that relate to environmental protection in Hong Kong, including, but not limited to, “Air Pollution Control Ordinance”, “Waste Disposal Ordinance” and “Water Pollution Control Ordinance”, which have a significant impact on us.

Drive Green

Motor vehicle gas emissions are the major source of roadside pollution in Hong Kong. To improve roadside air quality, more stringent requirements for the quality of motor vehicles fuels should be adopted. During the Reporting Year, we introduced Euro VI vehicles, and our logistics fleet used both Euro V and Euro VI vehicles, continuing our efforts towards low emissions.

During the Reporting Year, we owned a fleet consist of 9 (2022: 9) vehicles mainly for the delivery and transportation of food ingredients and other supplies from the central processing and logistic centre to our restaurants.

Use of Vehicles, Emissions and GHGs Emissions

Source	Unit	2023	2022
Total mileage travelled	<i>Kilometers</i>	228,406	231,167
Total fuel consumed	<i>Liters</i>	40,234	40,251
Nitrogen oxides emissions	<i>Grams</i>	366,190	365,828
Sulphur oxides emissions	<i>Grams</i>	645	645
Particulate matter	<i>Grams</i>	35,229	35,133
GHGs emissions ⁽¹⁾	<i>Kilograms</i>	109,087	109,251

(1) Greenhouse gases include carbon dioxide, methane and nitrous oxide.

Recycling and reduction

We set out an “Environmental Code” for all our staff, with some of the rules highlighted as follows:

Recycling

- Appropriate signage is placed on the recycling box stating what type of wastes or recyclable materials should be put into the box.
- Staff are encouraged to sort the waste before putting it into the appropriate recycling boxes.

Printing Practices

- Staff are encouraged to circulate documents through electronic means such as emails or encrypted universal serial buses.
- For any paper that has been used for single-sided printing, it should be reused when there is no confidential information shown on the printed side of the paper.
- Staff conduct meetings by circulating meeting materials through iPad to achieve paperless office environment.

Wastes Trimming

- Filtered water dispenser is used while bottled water is not used in office to reduce the generation of plastic waste.

Waste Cooking Oil Recycling

Proper recycling of waste cooking oil can not only convert it into industrial product such as biodiesel, and soap etc., but also avoid environmental pollution resulting from its improper handling; thereby, protecting the environment and, at the same time, preventing the waste cooking oil from re-entering the food chain. During the Reporting Year, we collected and recycled 21,110 (2022: 16,660) litres of cooking oil.

Core Pillar	United Nations Sustainable Development Goals	Our actions
Environment Protection	 <p>7 AFFORDABLE AND CLEAN ENERGY</p>	<p>7. Ensure access to affordable, reliable, sustainable and modern energy for all</p> <p>Continuously reduce energy consumption intensity</p> <p>Apply equipment with lower energy consumption</p> <p>Purchase renewable energy</p>
	 <p>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</p>	<p>12. Ensure sustainable consumption and production patterns</p> <p>Continuously reduce food waste and increase the percentage of “activated” food remains from kitchen</p> <p>Reduce disposable tableware</p>

Addressing climate change

The Group acknowledges that climate change may have a significant impact on our business. We are committed to enhancing our business’s adaptability to climate change. By referring to the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), the Group has planned to analyze various climate-related risks and opportunities related to our operations, and plan to enhance our sustainable development performance by managing climate-related matters in the future, and will make more detailed disclosures in the future.

EFFICIENT OPERATION

Business ethics

Anti-corruption

The Group has formulated work ethics and corruption prevention codes in the “Staff Handbook”, which stipulates regulations on offering/receiving benefits, conflicts of interest, hospitality and lending, etc., in order to maintain a high standard of business ethics.

An anti-corruption training is provided to our Directors and staff through the LMS system. The training lasts for an hour and all staff are required to complete the training and pass the test. The anti-corruption training consisted of video sharing on topics including monitoring of money, receiving of benefits, inventory management, contact with suppliers and purchases decision. In addition, we have specially invited ICAC mentors to carry out themed seminars and training for the management of the entire Group through physical and online forms this year. We hope to emphasize the importance of anti-corruption in the Group through the training.

Corporate Integrity

We comply with all relevant laws and regulations that have a significant impact on us including but not limited to the “Prevention of Bribery Ordinance”. During the Reporting Year, no concluded legal cases regarding corrupt practices brought against the Group or our employees were noted.

The Group does not tolerate any form of corruption (including the giving and receiving of bribes) and we take the most serious view of any attempt to commit corrupt practices by members of staff, contractors, agents and business partners. Cases of suspected corruption will be properly investigated and appropriate actions, including disciplinary measures, reporting to the appropriate authorities, prosecution and active pursuit of recovery will be taken.

Internal communication and whistleblowing mechanism

We encourage all management and employees to report violations or suspected violations to the Group when they have serious concerns about possible improprieties in the matters of finance and accounting or other matters of suspected irregularities in the Group.

The whistleblowing mechanism encourages all employees (including senior management) to report any suspicious fraudulent activities or misconducts through relevant procedures in accordance with the policy. Identities and information reported will be kept strictly confidential and whistle-blowers will be protected from potential retaliation, unfair termination or victimization.

The Board of Directors has adopted the whistleblowing policy on 31 December 2021. The purpose of the whistleblowing policy is to (i) foster a culture of compliance, ethical behaviour and good corporate governance across the Group; and (ii) promote the importance of ethical behaviour and encourages the reporting of misconduct, unlawful and unethical behaviour.

Responsible marketing and promotion

The Group strictly complies with the relevant laws and regulations relating to product responsibility that have a significant impact on us, including but not limited to the “Trade Descriptions Ordinance” and “Sale of Goods Ordinance” in Hong Kong. All photos of the menu are captured from the original dishes to avoid misinterpretation, and descriptions are detailed on the menu regarding the components of food.

The Group strictly complies with the advertising requirements. All kinds of advertisements shown on leaflets or company websites are carefully drafted to avoid the use of false or misleading descriptions. All final drafts of the advertisements must be approved by our management before their bulk printing or uploading on websites.

Smart dining

Mobile ordering system is used in most of our restaurants, allowing customers to place orders using their own mobile devices, reducing the chances of missed orders, and enhancing customer experience through digitalization.

In addition, we are committed to utilizing technology by introducing “collection robots” to assist staff in collecting trays and utensils. We have a total of 47 collection robots serving in our restaurants, improving cleanliness efficiency and allowing colleagues to work more easily and healthily.

Intellectual property protection

We have registered trademarks which are important to our business. We regularly monitor our trademarks to prevent them from being infringed. We are committed to protecting intellectual property rights with great care during our daily operations, while we carry on our business operations.

The Group has stipulated in the “Staff Handbook” that employees must abide by copyright laws and prohibit employees from copying or modifying the Group’s computer software or using it for personal purposes without the Group’s approval to ensure the protection of intellectual property rights.

Customer privacy and data security

Striving to Enhance Customer Privacy

We have launched “Kabu Pass” to recruit members of Kabushikigaisha Limited in order to build customer trust and loyalty. In this respect, we strictly comply with all laws and regulations regarding data privacy and protection, including but not limited to “Personal Data (Privacy) Ordinance” in Hong Kong.

We handle members’ personal information with great care. Accordingly, measures have been established to reduce the risk of leaking confidential information to outsiders. Members’ data are stored in a separate server which is protected by firewall. Proper authorization is needed for any access to the server, and regular data backup is done to protect the members’ data.

Core Pillar	United Nations Sustainable Development Goals	Our actions
Efficient Operation	 <p>16. Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels</p>	<p>Provide regular anti-corruption training</p> <p>Formulate codes of business ethics and conduct in the “Staff Handbook”</p>

CARING COMMUNITY

Serving people in need

Cooperating with “Commission on Poverty (扶貧委員會)”

The Group has been engaging in charitable and social work activities to help the young and underprivileged. Our staff acted as mentors in the “Strive and Rise programme”, organized visits to our restaurants and introduction to our work, in order to provide inspiration and advice to the younger generation, particularly junior secondary students, to help them improve their life skills, enhance their exposure, strengthen their confidence, establish a positive view of life and develop a vision for their future to strive for excellence.

Participating in charitable activities

Supporting “Orbis World Sight Day”

The Group acted as the “Darkness to Go Action Partner” in supporting “Orbis World Sight Day 2023” to focus global attention on blindness and visual impairment. To show our support in this meaningful event, we donated HK\$30,000 to Orbis during the Reporting Year.

Participating in “Oxfam Trailwalker”

The Group participated in and donated to “Oxfam Trailwalker”, Hong Kong’s largest hiking fundraising event, to support Oxfam’s poverty alleviation and disaster relief and advocacy work in Hong Kong, Mainland China, Africa and other parts of Asia.

10 Years Plus Caring Company

This year, we are honoured to be nominated by a charitable organization. According to the rules of the program, each nomination shall be made through recommendation by a nominating body, and the corporations or institutions being nominated shall fulfil at least two criteria of each assessment scope, including but not limited to encouraging voluntary work, being willing to make donation to the community, teaching expertise and skills, and assisting employment of disadvantaged groups.

In terms of encouraging voluntary work, we have organized industry talks and on-site interviews for students of Foundation Certificate in Barista Training by such charitable organization free of charge, aiming to introduce development and opportunities of the industry and provide free consulting services at the same time, in order to provide those students with a better understanding of the catering industry, as well as enhancing their employment opportunities.

In terms of assisting the employment of disadvantaged groups, we have been proactively participating in and promoting courses and services offered by such charitable organization through employing students who have completed retraining courses of such charitable organization. We are committed to providing them with employment and development opportunities, hoping to help them achieve their personal and career goals.

In terms of being willing to make donation to the community, the Group has made gift donations, such as stationary, umbrellas and other items, to the charitable organisation. Through such donations, students and teaching staff of the charitable organization in need are supported by being gifted the daily life necessities.

Environmental, Social and Governance Report

During the Reporting Year, the Group's charitable donations and participation in charitable activities:

	2023	2022
Charitable donations (in HK\$)	128,000	79,000
Corporate charitable activities:		
Aggregate hours spent on charitable activities by employee volunteers	300	—
Number of employee volunteers	60	—

Note:

No corporate charitable activities were held in 2022 due to the outbreak of COVID-19.

Community engagement

Acted as Corporate Partner for University Projects

The Group acted as a corporate partner for the Company Consultancy Projects for marketing final year students of the City University of Hong Kong. Students were given different topics based on real business situation and they had to conduct marketing research and provide business solutions for the company. Our marketing colleagues acted as advisers and provide feedback to the students' proposals. It was a great learning opportunity for both our colleagues and the students. Students had a chance to work for a real business case, which enhance their business acumen and prepare them for the future career challenges. At the same time, the students provided creative ideas and valuable insights for attaining a win-win situation in return.

Local environmental protection

Support Environmental Protection by Waste Reduction and Recycling

The Group promotes green work and life through various measures. In 2023, we participated in the Lai See Reuse and Recycle Program organized by Greeners Action. We also participated in plastic waste recycle activity held by shopping malls. Plastic waste collected will be transformed to green floor tiles through special treatment and used in the malls.

Gaining Social Recognition for 2023

Awards	Brand	Organizers
Service Talent Award 2023 Supervisory — STA New Participating Brands — Gold Award	Gyu-Kaku Buffet	The Hong Kong Retail Management Association
Service Talent Award 2023 Junior Frontline — STA New Participating Brands — Gold Award	Gyu-Kaku Buffet	The Hong Kong Retail Management Association
Service Talent Award 2023 The Potential Brand Award — Gold Award	Gyu-Kaku Buffet	The Hong Kong Retail Management Association
Service Talent Award 2023 Top 10 Flagship Service Stores	Gyu-Kaku Buffet	The Hong Kong Retail Management Association
Service Talent Award 2023 Excellent Service Star	Gyu-Kaku Buffet	The Hong Kong Retail Management Association
HK PRO ID Award Design Grand Prize	#HAP Taiwanese Hotpot	Hong Kong Professional Interior Designer Association
Hong Kong Awards for Environmental Excellence — Certificate of Appreciation		Environmental Campaign Committee
Pastic-free takeaway, use reusable tableware — Certificate of Appreciation		Environmental Protection Department
Sustainable Value Chains Commitment — Gold Award		The Centre for Civil Society and Governance, The University of Hong Kong

Environmental, Social and Governance Report

Awards	Brand	Organizers
Strive and Rise Programme Supporting Organisation Award		Hong Kong Children & Youth Services
Happiness at work 10+		Promoting Happiness Index Foundation
Partner Employer Award 2023 (5 Years)		The Hong Kong General Chamber of Small and Medium Business
Certificate of Retainment of the retirement Staff Award 2023		The Hong Kong General Chamber of Small and Medium Business
Certificate of Employment of additional full-time/part-time personnel Award 2023		The Hong Kong General Chamber of Small and Medium Business
Tiptop Service Award — Persistently Outstanding Service Company		Tiptop Consultants Ltd
Tiptop Service Award — Persistently Outstanding Service Outlet	On-Yasai	Tiptop Consultants Ltd
Tiptop Service Award — Outlet of the Quarter	Gyu-Kaku, Gyu-Kaku Buffet and On-Yasai	Tiptop Consultants Ltd
10 Years Plus Caring Company		The Hong Kong Council of Social Service
Good MPF Employer Award		Mandatory Provident Fund Schemes Authority
e-Contribution Award		Mandatory Provident Fund Schemes Authority
MPF Support Award		Mandatory Provident Fund Schemes Authority
Favorite Food Awards 2023: — Favorite Japanese Hotpot — Favorite Japanese Style	Mou Mou Club Gyu-Kaku	U Magazine
Best Ever Dining Awards 2023: — Best Hotpot Restaurant	#HAP Taiwanese Hotpot	Weekend Weekly

HKEX Environmental, Social and Governance Guide Content Index

Aspect	Description	Chapter
A1 Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Environment Protection – Compliance
KPI A1.1	The types of emissions and respective emissions data.	Environment Protection – Carbon emissions management
KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Environment Protection – Carbon emissions management
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Not Applicable
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Environment Protection – Food waste management
KPI A1.5	Description of emission target(s) set and steps taken to achieve them.	Environment Protection
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	Environment Protection – Food waste management

Aspect	Description	Chapter
A2 Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Environment Protection
KPI A2.1	Direct and/ or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Environment Protection – Energy management Environment Protection – Carbon emissions management
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Environment Protection – Water resources management
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Environment Protection – Energy management Environment Protection – Carbon emissions management
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	Environment Protection – Water resources management
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Environment Protection – Packaging material management
A3 The Environment and Natural Resources		
General Disclosure	Policies on minimizing the issuer's significant impact on the environment and natural resources.	Environment Protection
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Environment Protection

Aspect	Description	Chapter
A4 Climate Change		
General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	Environment Protection – Addressing climate change
KPI A4.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Environment Protection – Addressing climate change
B1 Employment		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	People-oriented – Employee compensation and welfare
KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	People-oriented – Other employee information
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	People-oriented – Other employee information

Aspect	Description	Chapter
B2 Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	People-oriented – Occupational safety and health
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	People-oriented – Employee health and well-being
KPI B2.2	Lost days due to work injury.	People-oriented – Employee health and well-being
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	People-oriented – Employee health and well-being
B3 Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	People-oriented – Employee training and development
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	People-oriented – Employee training and development
KPI B3.2	The average training hours completed per employee by gender and employee category.	People-oriented – Employee training and development

Aspect	Description	Chapter
B4 Labour Standards		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	People-oriented – Prevention of child labour and forced labour
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	People-oriented – Prevention of child labour and forced labour
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	People-oriented – Prevention of child labour and forced labour
B5 Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	High-quality Ingredients – Responsible food sourcing
KPI B5.1	Number of suppliers by geographical region.	High-quality Ingredients – Responsible food sourcing
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	High-quality Ingredients – Responsible food sourcing
KPI B5.3	Description of practice used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	High-quality Ingredients – Risk assessment on suppliers
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	High-quality Ingredients – Responsible food sourcing

Aspect	Description	Chapter
B6 Product Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	High-quality Ingredients – Food quality and safety Efficient Operation – Responsible marketing and promotion Efficient Operation – Customer privacy and data security
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Not applicable
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	People-oriented – Customer experience
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Efficient Operation – Intellectual property protection
KPI B6.4	Description of quality assurance process and recall procedures.	High-quality Ingredients – Food quality and safety
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Efficient Operation – Customer privacy and data security

Aspect	Description	Chapter
B7 Anti-corruption		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Efficient Operation – Business ethics
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Efficient Operation – Business ethics
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Efficient Operation – Business ethics
KPI B7.3	Description of anti-corruption training provided to directors and staff.	Efficient Operation – Business ethics
B8 Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Caring Community
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Caring Community
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	Caring Community

Independent Auditor's Report

To the Shareholders of LH Group Limited

(incorporated in the Cayman Islands with limited liability)

OPINION

What we have audited

The consolidated financial statements of LH Group Limited (the “**Company**”) and its subsidiaries (the “**Group**”), which are set out on pages 102 to 170, comprise:

- the consolidated statement of financial position as at 31 December 2023;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing (“**HKSAs**”) issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (“**the Code**”), and we have fulfilled our other ethical responsibilities in accordance with the Code.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter identified in our audit is related to revenue recognition in respect of restaurant operations.

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Revenue recognition in respect of restaurant operations</p> <p>Refer to Note 5(a) to the consolidated financial statements for the Group's accounting policy on revenue recognition and notes on revenue, respectively.</p> <p>For the year ended 31 December 2023, revenue of restaurant operations amounted to HK\$1,269.5 million (2022: HK\$1,057.8 million).</p> <p>Revenue recognition in respect of restaurant operations is identified as a key audit matter as revenue is one of the key performance indicators of the Group. The recording of revenue involves high volume of small transactions through various information technology systems, any errors may have a significant impact to the consolidated financial statements. Therefore it required significant time and resource to audit this area.</p>	<p>In respect of revenue recognition for the restaurant operations, we carried out the following audit procedures:</p> <ul style="list-style-type: none">• obtained an understanding of management's key internal controls over the revenue recognition process;• evaluated and validated the operating effectiveness of management's key internal controls over the revenue recognition process and assessed the inherent risk of material misstatement by considering the inherent risk factors such as the complexity of the information technology systems and susceptibility to management bias;• involved Information Technology specialists to evaluate the design of the key controls (including automated controls) over revenue recognition and validated the operating effectiveness of those controls; and• tested the occurrence of revenue from the operation of restaurants on a sample basis by tracing to bank receipts. <p>Based on our audit procedures performed, we found that revenue recognition in respect of restaurant operations is supportable by evidence obtained.</p>

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Audit Committee is responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

Independent Auditor's Report

As part of an audit in accordance with HKSAAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

Independent Auditor's Report

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Chan Kai Bun.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 26 March 2024

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2023

	Notes	2023 HK\$'000	2022 HK\$'000
Revenue	5(a)	1,276,771	1,063,159
Other income and gain	6	4,650	23,200
Cost of food and beverages		(391,325)	(334,819)
Staff costs	9	(380,290)	(296,786)
Depreciation and amortisation		(37,538)	(40,504)
Depreciation of right-of-use assets, rental and related expenses	13(b)	(192,936)	(171,074)
Fuel and utility expenses		(30,451)	(24,817)
Advertising and marketing expenses		(7,645)	(7,549)
Other operating expenses		(124,730)	(109,618)
Provision for impairment of property, plant and equipment	13(a)	(5,011)	(4,121)
Provision for impairment of right-of-use assets	13(b)	(6,281)	(6,570)
Provision for impairment of intangible assets	15	(734)	(609)
Finance income	7	10,708	2,824
Finance costs	7	(10,746)	(8,276)
Profit before taxation	8	104,442	84,440
Income tax expense	10	(16,377)	(6,735)
Profit and total comprehensive income for the year		88,065	77,705
Attributable to: Shareholders of the Company		88,065	77,705
Basic and diluted earnings per share (HK cents)	12	11.01	9.71

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position

As at 31 December 2023

	Notes	2023 HK\$'000	2022 HK\$'000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	13(a)	96,753	109,461
Right-of-use assets	13(b)	239,197	211,118
Investment properties	14	12,215	12,733
Intangible assets	15	2,570	3,921
Rental and utilities deposits	18	50,242	46,578
Prepayments for purchase of property, plant and equipment	18	471	4,400
Deferred income tax assets	23	32,998	30,192
		434,446	418,403
CURRENT ASSETS			
Inventories	16	19,981	37,508
Trade receivables	17	10,174	8,538
Prepayments, deposits and other receivables	18	41,988	38,502
Tax recoverable		340	1,728
Short term bank deposits	20	105,065	145,451
Cash and cash equivalents	20	147,657	196,462
		325,205	428,189
Total assets		759,651	846,592
EQUITY AND LIABILITIES			
Equity attributable to shareholders of the Company			
Share capital	28	80,000	80,000
Share premium	24	122,781	122,781
Reserves	24	94,626	206,721
Total equity		297,407	409,502
NON-CURRENT LIABILITIES			
Provision for reinstatement costs	22	17,067	15,654
Lease liabilities	13(b)	146,115	127,250
Deferred income tax liabilities	23	5,334	6,121
		168,516	149,025

Consolidated Statement of Financial Position

As at 31 December 2023

	Notes	2023 HK\$'000	2022 HK\$'000
CURRENT LIABILITIES			
Trade payables	21	45,479	58,310
Other payables and accruals	22	90,044	85,861
Contract liabilities	22	36,541	43,755
Tax payable		12,596	3,730
Lease liabilities	13(b)	109,068	96,409
		293,728	288,065
Total liabilities		462,244	437,090
Total equity and liabilities		759,651	846,592

The consolidated financial statements on pages 102 to 170 were approved by the Board of Directors on 26 March 2024 and were signed on its behalf.

Wong Kit Lung Simon
 Chairman

Ko Sau Chee Grace
 Vice Chairperson

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2023

	Attributable to shareholders of the Company		
	Share capital (Note 28) HK\$'000	Reserves (Note 24) HK\$'000	Total HK\$'000
At 1 January 2022	80,000	300,197	380,197
Profit and total comprehensive income for the year	—	77,705	77,705
Transactions with shareholders			
Dividends (Note 11)	—	(48,400)	(48,400)
At 31 December 2022 and 1 January 2023	80,000	329,502	409,502
Profit and total comprehensive income for the year	—	88,065	88,065
Transactions with shareholders			
Dividends (Note 11)	—	(200,160)	(200,160)
At 31 December 2023	80,000	217,407	297,407

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows

For the year ended 31 December 2023

	Notes	2023 HK\$'000	2022 HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	25(a)	259,047	225,098
Interest received		2,229	333
Hong Kong profits tax paid, net		(9,253)	(17,996)
Net cash flows generated from operating activities		252,023	207,435
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property, plant and equipment		(20,051)	(36,968)
Proceed from disposal of property, plant and equipment		212	—
Interest received		8,479	2,491
Decrease/(increase) in short term bank deposits		40,386	(62,037)
Net cash flows generated from/(used in) investing activities		29,026	(96,514)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid	11	(200,160)	(48,400)
Principal elements of lease payments, net of COVID-19-related rent concessions	25(b)	(129,694)	(108,006)
Net cash flows used in financing activities		(329,854)	(156,406)
NET DECREASE IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at the beginning of the year		196,462	241,947
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR			
	20	147,657	196,462

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the Consolidated 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 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.

These consolidated financial statements are presented in Hong Kong Dollar (“**HK\$**”), unless otherwise stated.

2 BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with the Hong Kong Financial Reporting Standards (“**HKFRSs**”) 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.

HKFRSs comprise the following authoritative literature:

- Hong Kong Financial Reporting Standards
- Hong Kong Accounting Standards
- Interpretations developed by the Hong Kong Institute of Certified Public Accountants

The preparation of these consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to these consolidated financial statements are disclosed in Note 4.

2 BASIS OF PREPARATION (continued)

(a) New and amended standards adopted by the Group

The Group has applied the following new and amended standards for its annual reporting period commencing 1 January 2023:

HKFRS 17	Insurance Contracts
HKAS 8 (Amendments)	Definition of Accounting Estimates
HKAS 12 (Amendments)	International Tax Reform — Pillar Two Model Rules
HKAS 12 (Amendments)	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
HKAS 1 and HKFRS Practice Statement 2 (Amendments)	Disclosure of Accounting Policies

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(b) Amendments to standards and interpretations not yet adopted

		Effective for annual periods beginning on or after
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current	1 January 2024
HKAS 1 (Amendments)	Non-current Liabilities with Covenants	1 January 2024
HKFRS 16 (Amendments)	Lease Liability in a Sale and Leaseback	1 January 2024
HKAS 7 and HKFRS 7 (Amendments)	Supplier Finance Arrangements	1 January 2024
Hong Kong Interpretation 5 (Revised)	Presentation of Financial Statements — Classification by Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2024
HKAS 21 (Amendments)	Lack of Exchangeability	1 January 2025
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

Certain amendments to accounting standards and interpretation have been published that are not mandatory for 31 December 2023 reporting periods and have not been early adopted by the Group. These amendments and interpretations are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to variety financial risks: market risk (cash flow and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner. Because of the simplicity of the financial structure and the current operations of the Group, no hedging activities are undertaken by management.

(a) *Interest rate risk*

The Group has no significant interest-bearing assets except for bank deposits, which are at variable interest rate and subject to cash flow interest rate risk. Fixed deposits are subject to fixed rates which expose the Group to fair value interest rate risk.

As at 31 December 2023, if interest rates on all interest-bearing bank deposits had been 100 basis-points higher/lower with all other variables held constant, profit after taxation would have increased/decreased by approximately HK\$1,151,000 (2022: HK\$2,050,000) respectively, mainly as a result of higher/lower interest income on variable rate bank deposits.

(b) *Credit risk*

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group. The Group's exposure to credit risk mainly arises from granting credit to customers in the ordinary course of its operations.

The credit risk of the Group's financial assets, which mainly comprise cash and cash equivalents, short term bank deposits, trade receivables and deposits and other receivables, arises from potential default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

All of the Group's trade and other receivables have no collateral. The Group assessed the credit quality of the counterparties by taking into account their financial position, credit history, forward looking information and other factors. Management also regularly reviews the recoverability of these receivables and follow up the disputes or amounts overdue, if any.

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

Cash and cash equivalents and short term bank deposits

As at 31 December 2023, the credit risk on cash at banks and short term bank deposits is limited because the counterparties are reputable and creditworthy banks, which management believes are of high-credit-quality without significant credit risk.

Trade receivables

The Group applies the simplified approach to providing for expected credited losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics.

Trade receivables mainly represent receivables from reputable and creditworthy financial institutions in relation to the payment settled by credit cards by customers of which the settlement is normally within 3 days from transaction date. For the remaining customers in relation to sale of food ingredients, credit quality of the customers is assessed based on their historical settlement record. There is no concentration of credit risk as these are receivables from various counterparties.

For the trade receivables from financial institutions, the counterparties primarily reputable and creditworthy financial institutions and has strong financial position and management considers the credit risk is not high.

For trade receivables from sale of food ingredients, the Group maintains frequent communications with the counterparties. Management has closely monitored the credit qualities and the collectability of these receivables and consider that the expected credit risks of them are minimal in view of the history of cooperation with them and forward looking information.

The expected credit loss from these trade receivables is considered as immaterial and loss allowance provision recognised for these balances for the year is close to zero.

Deposits and other receivables

The directors of the Group consider the probability of default upon initial recognition of asset and whether there has been significant increase in credit risk on an ongoing basis. To assess whether there is a significant increase in credit risk the Group compares risk of a default occurring on the assets as at 31 December 2023 with the risk of default as at the date of initial recognition. Especially the following indicators are incorporated.

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

Deposits and other receivables (continued)

- actual or expected significant adverse changes in business, financial economic conditions that are expected to cause a significant change to the company's ability to meet its obligations;
- actual or expected significant changes in the operating results of the company;
- significant changes in the expected performance and behavior of the company, including changes in the payment status of the third party.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment/repayable demanded.

A default on a financial asset is when the counterparty fails to make contractual payments/repayable demanded within 90 days of when they fail due.

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. The Group categorises a loan or receivable for write off when a debtor fails to make contractual payments/repayable demanded greater than 365 days past due. Where financial assets have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss. The Group reviews regularly the recoverable amount of each individual receivable to ensure that adequate impairment losses are made for irrecoverable amounts. Over the term of the financial assets, the Group accounts for its credit risk by appropriately providing for expected credit losses on a timely basis. In calculating the expected credit loss rates, the Group considers historical loss rates for each category of debtors, and adjusts for forward looking macroeconomic data.

As at 31 December 2023, management considers deposits and other receivables as low credit risk as counterparties have a strong capacity to meet its contractual cash flow obligations in the near term. The Group has assessed that the expected credit losses for these deposits and other receivables are immaterial under 12 months expected losses method. Thus, the loss allowance provision recognised for the year for these balances is immaterial.

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(c) Liquidity risk

The Group's policy is to maintain sufficient cash to meet its liquidity and working capital requirements.

Management monitors rolling forecasts of the Group's liquidity reserve which comprises cash and cash equivalents (Note 20) on the basis of expected cash flows. The Group's policy is to regularly monitor current and expected liquidity requirements, to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Contractual maturities of financial liabilities	At 31 December 2023				Total contractual undiscounted cash flows HK\$'000
	Less than one year HK\$'000	Between one and two years HK\$'000	Between two and five years HK\$'000		
Trade payables	45,479	—	—		45,479
Other payables and accruals	37,108	—	—		37,108
Lease liabilities	117,468	92,611	58,348		268,427
	200,055	92,611	58,348		351,014

Contractual maturities of financial liabilities	At 31 December 2022				Total contractual undiscounted cash flows HK\$'000
	Less than one year HK\$'000	Between one and two years HK\$'000	Between two and five years HK\$'000		
Trade payables	58,310	—	—		58,310
Other payables and accruals	65,751	—	—		65,751
Lease liabilities	109,942	74,806	59,529		244,277
	234,003	74,806	59,529		368,338

3 FINANCIAL RISK MANAGEMENT (continued)

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

3.3 Fair value estimation

The carrying values of the Group's financial assets, including trade receivables, deposits and other receivables, short term bank deposits and cash and cash equivalents, and financial liabilities, including trade payables, other payables and accruals and lease liabilities, approximate to their fair values due to their short-term maturities. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments, unless the discounting effect is insignificant.

3.4 Offsetting financial assets and financial liabilities

There is no material offsetting, enforceable master netting arrangement and similar agreements as at 31 December 2023.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Impairment of non-financial assets

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date. These calculations require the use of judgements and estimates.

Management judgement is required in the area of asset impairment particularly in assessing: (i) whether an event has occurred that may indicate that the related asset values may not be recoverable; (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs to sell or net present value of future cash flows which are estimated based upon the continued use of the asset in the business; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management in assessing impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test and as a result affect the Group's financial position and results of operations.

The Group has material operational assets (including property, plant and equipment, right-of-use assets and intangible assets) used in the restaurants which are subject to impairment test in the event of financial performance is below expectation. An asset impairment assessment was carried out against the underperforming restaurants and an impairment charge of property, plant and equipment of approximately HK\$5,011,000, right-of-use assets of approximately HK\$6,281,000 and intangible asset of approximately HK\$734,000 were recognised for the year ended 31 December 2023. Management has performed discounted cash flow analysis on the restaurants with impairment indicator and the recoverable amounts were determined based on the higher of fair value less costs to sell and value-in-use calculations of these restaurants. Assumptions used in the calculations include the revenue growth rates, operating costs and discount rate.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(b) Impairment of financial assets

The Group follows the guidance of HKFRS 9 to determine when financial assets are impaired. This determination requires significant judgement and estimation based on assumptions about risk of default and expected loss rates. In making this judgement and estimation, the Group evaluates, among other factors, the duration of receivables and the financial health and collection history of individual debtors and expected future change of credit risks, including the consideration of factors such as general economy measure, changes in macroeconomic indicators etc.

(c) Current income taxes and deferred income taxes

Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current income tax and deferred tax provisions in the period in which such determination is made.

Deferred income tax assets relating to certain temporary differences and tax losses are recognised as management considers it is likely that future taxable profits will be available against which the temporary differences or tax losses can be utilised. Where the expectation is different from the original estimates, such differences will impact the recognition of deferred income tax assets and income tax charges in the period in which such estimates are changed.

(d) Contract liabilities of customer loyalty programme

The membership fee from dining income in respect of the coupons, discount element, loyalty points and renewal membership element are deferred and recognised as contract liabilities at the year end.

Significant management judgement is required in determining the fair value and expected redemption rate of loyalty points, coupons and discount and the fair value of each membership and expected renewal rate. Changing the assumptions selected by management in assessing the utilisation of membership elements may affect the Group's financial position and results of operations.

(e) Provision for reinstatement costs

Provision for reinstatement costs is estimated and reassessed at the end of each reporting period with reference to the recent actual reinstatement cost incurred for restaurant outlets of similar attributes and latest available quotation from independent contractors. Estimation based on current market information may vary over time and could differ from the actual reinstatement cost upon closures or relocation of existing premises.

5 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:

	2023 HK\$'000	2022 HK\$'000
Recognised at a point in time:		
Restaurant operations	1,269,483	1,057,848
Sale of food ingredients and others	7,288	5,311
	1,276,771	1,063,159

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts, returns and value added taxes. If contracts involve the sale of multiple services, the transaction price will be allocated to each performance obligation based on their relative stand-alone selling prices. If the stand-alone selling prices are not directly observable, they are estimated based on expected cost plus a margin or adjusted market assessment approach, depending on the availability of observable information.

Revenues are recognised when or as the control of the goods is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the goods or service may be transferred over time or at a point in time. Control of the goods or service is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the asset. Specific criteria where revenue is recognised are described below.

5 REVENUE AND SEGMENT INFORMATION (continued)

(a) Revenue (continued)

(1) Restaurant operations

(i) Sale of catering services

The Group operates a chain of restaurants. Sales is recognised at a point in time when catering services have been provided to the customers. Payment of the transaction price is due immediately after dining.

(ii) Sale of membership

As part of the Group's ordinary activities, memberships (which is a package with coupons and future discount) are sold to customers in its Asian cuisine restaurants. The receipts in respect of the coupon element are deferred and recognised as "contract liabilities" in the consolidated statement of financial position based on the expected future redemption as at year end. The Group implements a contractual expiry policy for the membership under which any unutilised coupons are fully recognised as revenue in the consolidated statement of comprehensive income upon their expiry. The receipts in respect of the discount element are recognised as revenue in the consolidated statement of comprehensive income over the term of the membership.

(2) Sale of food ingredients

Sales is recognised on the transfer of risks and rewards of ownership, being when the products are delivered to the customer. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer. A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

(3) Interest income

Interest income is recognised using the effective interest method, on a time-proportion basis.

5 REVENUE AND SEGMENT INFORMATION (continued)

(a) Revenue (continued)

Customer loyalty programme

Sales of catering services that result in award credits for customers, under the customer membership programme of the Group, are accounted for as multiple element revenue transaction and the fair value of the consideration received or receivable is allocated between the catering services provided and the awards for which they could be redeemed/entitled. Such consideration is not recognised as revenue at the time of the initial sales transaction, but is deferred and recognised as revenue when the awards are redeemed or the Group's obligations have been fulfilled.

(b) Segment information

The Directors, who are the chief operating decision-maker (the “**CODM**”) 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 by major cuisine and sale of food ingredients which the Group operates under 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 “ <i>Mou Mou Club</i> ”, “ <i>Peace Cuisine</i> ”, “ <i>Wing Wah Allday</i> ”, “ <i>Pot Master</i> ” and “ <i>#HAP Taiwanese Hotpot</i> ” |
| (b) | Franchised brands | Operation of restaurants under the franchised “ <i>Gyu-Kaku</i> ”, “ <i>On-Yasai</i> ”, “ <i>Gyu-Kaku Jinan-Bou</i> ”, “ <i>Yoogane</i> ” and “ <i>The Matcha Tokyo</i> ” brands |
| (c) | Sale of food ingredients and others | Sale of food ingredients to related parties and external third parties and other businesses |

5 REVENUE AND SEGMENT INFORMATION (continued)

(b) Segment information (continued)

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 before tax except that finance costs and income and unallocated cost were excluded from this measurement.

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

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

All operating entities of the Group were domiciled in Hong Kong. All revenue of the Group was derived in Hong Kong. As at 31 December 2023 and 2022, all non-current assets of the Group were located in Hong Kong.

5 REVENUE AND SEGMENT INFORMATION (continued)

(b) Segment information (continued)

An analysis of the Group's revenue, profit before taxation, depreciation and amortisation, depreciation of right-of-use assets and provision for impairment for the years ended 31 December 2023 and 2022 and segment assets and liabilities as at 31 December 2023 and 2022 are as follows:

	For the year ended 31 December 2023			
	Self-owned brands HK\$'000	Franchised brands HK\$'000	Sale of food ingredients and others HK\$'000	Total HK\$'000
Segment revenue				
Revenue	341,423	928,060	113,436	1,382,919
Inter-segment revenue	—	—	(106,148)	(106,148)
External revenue	341,423	928,060	7,288	1,276,771
Segment profit/(loss)	30,625	131,846	(1,399)	161,072
Depreciation and amortisation	(7,541)	(27,530)	(1,280)	(36,351)
Depreciation of right-of-use assets	(31,909)	(81,104)	—	(113,013)
Provision for impairment	(2,523)	(9,503)	—	(12,026)
Segment profit				161,072
Unallocated depreciation and amortisation				(1,187)
Unallocated depreciation of right-of-use assets				(4,040)
Unallocated costs				(61,395)
Unallocated finance income				10,381
Unallocated finance costs				(389)
Profit before taxation				104,442
Segment assets	110,108	295,324	64,590	470,022
Segment liabilities	(95,119)	(270,258)	(10,178)	(375,555)

5 REVENUE AND SEGMENT INFORMATION (continued)

(b) Segment information (continued)

	For the year ended 31 December 2022			Total HK\$'000
	Self-owned brands HK\$'000	Franchised brands HK\$'000	Sale of food ingredients and others HK\$'000	
Segment revenue				
Revenue	272,950	784,898	110,283	1,168,131
Inter-segment revenue	—	—	(104,972)	(104,972)
External revenue	272,950	784,898	5,311	1,063,159
Segment profit/(loss)	8,136	104,219	(1,163)	111,192
Depreciation and amortisation	(7,655)	(30,197)	(1,381)	(39,233)
Depreciation of right-of-use assets	(31,889)	(70,702)	—	(102,591)
Provision for impairment	(11,300)	—	—	(11,300)
Segment profit				111,192
Unallocated depreciation and amortisation				(1,271)
Unallocated depreciation of right-of-use assets				(4,031)
Unallocated costs				(23,483)
Unallocated finance income				2,559
Unallocated finance costs				(526)
Profit before taxation				84,440
Segment assets	124,304	275,509	95,829	495,642
Segment liabilities	(105,776)	(251,423)	(15,482)	(372,681)

5 REVENUE AND SEGMENT INFORMATION (continued)

(b) Segment information (continued)

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Segment assets	470,022	495,642
Unallocated assets	289,629	350,950
	759,651	846,592

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Segment liabilities	375,555	372,681
Unallocated liabilities	86,689	64,409
	462,244	437,090

(c) Contract liabilities

The Group recognised the following revenue-related contract liabilities:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Advances from customers	613	292
Contract liabilities	35,928	43,463
Total contract liabilities	36,541	43,755

Advances from customers represents 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 end.

5 REVENUE AND SEGMENT INFORMATION (continued)

(c) Contract liabilities (continued)

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

	2023 HK\$'000	2022 HK\$'000
Restaurant operations	43,755	34,785

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

6 OTHER INCOME AND GAIN

	2023 HK\$'000	2022 HK\$'000
Other income:		
Government grants (<i>Note (a)</i>)	249	17,966
Promotion income from a credit card company	3,300	3,300
Rental income	359	141
Sponsorship income	—	707
Sundry income	565	1,086
	4,473	23,200
Other gain:		
Gain on disposal of property, plant and equipment	177	—
	177	—
Total other income and gain	4,650	23,200

Note:

- (a) During the year ended 31 December 2022, Government subsidies of approximately HK\$17,400,000 were granted from the one-off Food Licence Holders Subsidy Scheme under Anti-Epidemic Fund launched by the Government of the Hong Kong Special Administrative Region (“**HKSAR Government**”). The Group has fulfilled with all attached conditions and they are recognised in profit or loss in “other income and gain”.

7 FINANCE INCOME AND COSTS

	2023 HK\$'000	2022 HK\$'000
Interest income from bank deposits	10,708	2,824
Finance cost on lease liabilities (<i>Note 13(b)</i>)	(9,923)	(7,229)
Finance cost on financial assets	(823)	(1,047)
	(10,746)	(8,276)

8 PROFIT BEFORE TAXATION

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

	<i>Notes</i>	2023 HK\$'000	2022 HK\$'000
Depreciation of property, plant and equipment	13(a)	36,403	39,454
Depreciation of right-of-use assets	13(b)	117,053	106,622
Depreciation of investment properties	14	518	354
Amortisation of intangible assets	15	617	696
COVID-19-related rent concessions	13(b)	—	(6,817)
Lease payments under operating leases in respect of land and buildings:			
— Short term lease payments	13(b)	6,892	6,295
— Contingent rental	13(b)	18,292	20,082
		25,184	26,377
Auditors' remuneration:			
— Audit services		2,205	2,450
— Non-audit services		1,133	1,260

9 STAFF COSTS

	2023 HK\$'000	2022 HK\$'000
Wages and salaries (Note (a))	337,228	247,995
Discretionary bonuses	11,950	17,316
Directors' remuneration (Note 31)	8,666	9,140
Retirement benefit scheme contributions	15,555	13,797
Staff welfare	6,487	8,755
Provision for/(reversal of provision for) untaken annual leave	554	(373)
(Reversal of provision for)/provision for long service payment	(150)	156
	380,290	296,786

(a) Wage subsidies of HK\$29,720,000 granted from the Employment Support Scheme under the Anti-Epidemic Fund launched by the HKSAR Government have been received during the year ended 31 December 2022. The Group has complied with all attached conditions before 31 December 2022. The amounts were recognised and offset against "staff costs". No wage subsidies were granted for the year ended 31 December 2023.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group include two (2022: two) directors whose emoluments are reflected in Note 31. The emoluments payable to the remaining three (2022: three) individuals are as follows:

	2023 HK\$'000	2022 HK\$'000
Salaries, allowances and benefits in kind	4,447	2,898
Discretionary bonuses	835	347
Retirement benefit scheme contribution	54	54
	5,336	3,299

The emoluments of the remaining individuals fell within the following band:

	2023	2022
HK\$1,000,001 to HK\$1,500,000	2	3
HK\$2,500,001 to HK\$3,000,000	1	—

10 INCOME TAX EXPENSE

Hong Kong profits tax has been provided on the estimated assessable profits at a rate of 16.5% for the year ended 31 December 2023 (2022: 16.5%).

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

	2023 HK\$'000	2022 HK\$'000
Hong Kong profits tax		
Current income tax	19,903	10,191
Under provision in prior year	67	177
Deferred income tax (<i>Note 23</i>)	(3,593)	(3,633)
Total tax charge for the year	16,377	6,735

The tax on the Group's profit before taxation differs from the theoretical amount that would arise using the tax rate of Hong Kong as follows:

	2023 HK\$'000	2022 HK\$'000
Profit before taxation	104,442	84,440
Tax at the statutory tax rates of 16.5%	17,233	13,933
Income not subject to tax	(1,898)	(8,297)
Expenses not deductible for tax	664	780
Under provision in prior year	67	177
Tax losses not recognised	392	475
Tax rebate	(81)	(333)
Income tax expense	16,377	6,735

The tax expense for the year comprises current and deferred tax. Tax is recognised in the profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

11 DIVIDENDS

	2023 HK\$'000	2022 HK\$'000
Final dividend for the year ended 31 December 2022 of HK7.77 cents (2021 final, HK6.05 cents) per fully paid share	62,160	48,400
Interim dividend for the year ended 31 December 2023 of HK4.75 cents (2022 interim, Nil) per fully paid share	38,000	—
Special dividend for the year ended 31 December 2023 of HK12.50 cents (2022 special, Nil) per fully paid share	100,000	—
	200,160	48,400

Note:

A final dividend in respect of the year ended 31 December 2023 of HK4.06 cents per ordinary share, totalling HK\$32,480,000 was proposed by the Board on 26 March 2024 which is subject to the approval of shareholders at the forthcoming annual general meeting of the Company ("AGM"). The proposed dividend is not reflected as dividend payable in the consolidated statement of financial position.

12 EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

(a) Basic

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

	2023	2022
Profit attributable to Shareholders (HK\$'000)	88,065	77,705
Weighted average number of shares in issue	800,000,000	800,000,000
Basic earnings per share (HK cents)	11.01	9.71

(b) Diluted

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

13(a) PROPERTY, PLANT AND EQUIPMENT

	Land and buildings HK\$'000	Leasehold improvements HK\$'000	Restaurant and kitchen equipment HK\$'000	Furniture and fixtures HK\$'000	Office equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
At 1 January 2022							
Cost	66,654	149,094	125,631	9,600	2,321	4,592	357,892
Accumulated depreciation	(13,961)	(110,554)	(88,024)	(9,026)	(2,321)	(4,285)	(228,171)
Accumulated impairment	—	(4,696)	(3,228)	(103)	—	—	(8,027)
Net carrying amount	52,693	33,844	34,379	471	—	307	121,694
Year ended 31 December 2022							
Opening net carrying amount	52,693	33,844	34,379	471	—	307	121,694
Additions	—	22,083	20,792	288	—	621	43,784
Transfer to investment properties	(12,442)	—	—	—	—	—	(12,442)
Depreciation	(1,768)	(18,294)	(18,900)	(352)	—	(140)	(39,454)
Provision for impairment (Note 13(c))	—	(1,931)	(2,166)	(24)	—	—	(4,121)
Closing net carrying amount	38,483	35,702	34,105	383	—	788	109,461
At 31 December 2022							
Cost	51,452	168,359	144,343	9,843	2,046	4,938	380,981
Accumulated depreciation	(12,969)	(127,702)	(106,079)	(9,359)	(2,046)	(4,150)	(262,305)
Accumulated impairment	—	(4,955)	(4,159)	(101)	—	—	(9,215)
Net carrying amount	38,483	35,702	34,105	383	—	788	109,461

13(a) PROPERTY, PLANT AND EQUIPMENT (continued)

	Land and buildings HK\$'000	Leasehold improvements HK\$'000	Restaurant and kitchen equipment HK\$'000	Furniture and fixtures HK\$'000	Office equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
Year ended 31 December 2023							
Opening net carrying amount	38,483	35,702	34,105	383	—	788	109,461
Additions	—	13,158	14,160	382	398	650	28,748
Depreciation	(1,604)	(16,836)	(17,230)	(247)	(125)	(361)	(36,403)
Disposal	—	—	(42)	—	—	—	(42)
Provision for impairment (Note 13(c))	—	(2,754)	(2,221)	(36)	—	—	(5,011)
Closing net carrying amount	36,879	29,270	28,772	482	273	1,077	96,753
At 31 December 2023							
Cost	51,452	178,889	157,095	9,828	2,444	5,064	404,772
Accumulated depreciation	(14,573)	(141,910)	(122,064)	(9,209)	(2,171)	(3,987)	(293,914)
Accumulated impairment	—	(7,709)	(6,259)	(137)	—	—	(14,105)
Net carrying amount	36,879	29,270	28,772	482	273	1,077	96,753

13(b) LEASES

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

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

	2023 HK\$'000	2022 HK\$'000
Right-of-use assets		
Restaurant outlets	231,134	198,771
Offices	8,063	12,095
Warehouse	—	252
	239,197	211,118

Additions to the right-of-use assets during the year ended 31 December 2023 were HK\$152,904,000 (2022: HK\$149,738,000).

There were depreciation charge of right-of-use assets of approximately HK\$887,000 being capitalised into the cost of the leasehold improvement as costs directly attributable to being the assets to the condition necessary for it to be capable of operating as a restaurant outlet during the year ended 31 December 2023 (2022: HK\$1,901,000).

There were write off of right-of-use assets of approximately HK\$1,491,000 due to modification of a lease during the year ended 31 December 2023 (2022: Nil).

During the year, the Group made provision for impairment of right-of-use assets of approximately HK\$6,281,000 (2022: HK\$6,570,000). As at 31 December 2023, the provision for impairment of right-of-use assets amounted to approximately HK\$17,258,000 (2022: HK\$11,277,000).

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

	2023 HK\$'000	2022 HK\$'000
Lease liabilities		
Current	109,068	96,409
Non-current	146,115	127,250
	255,183	223,659

13(b) LEASES (continued)

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

The consolidated statement of comprehensive income shows the following amounts relating to leases:

	2023 HK\$'000	2022 HK\$'000
Depreciation charge of right-of-use assets		
Restaurant outlets	112,770	102,254
Offices	4,031	4,031
Warehouse	252	337
	<u>117,053</u>	<u>106,622</u>
Property rentals and related expenses		
Expense relating to short-term leases (included in property rentals and related expenses)	6,892	6,295
Expense relating to variable lease payments not included in lease liabilities (included in property rentals and related expenses)	18,292	20,082
COVID-19-related rent concessions (included in property rentals and related expenses)	—	(6,817)
Building management fee and rates	50,699	44,892
	<u>75,883</u>	<u>64,452</u>
Depreciation of right-of-use assets, rental and related expenses	<u>192,936</u>	<u>171,074</u>
Finance costs	9,923	7,229
Provision for impairment of right-of-use assets (Note 13(c))	6,281	6,570

The total cash outflow for leases in 2023 was approximately HK\$154,878,000 (2022: HK\$134,383,000)

13(b) LEASES (continued)

(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 6 years (2022: 2 to 5 years).

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

(iv) Variable lease payments

Some property leases contain variable payment terms that are linked to sales generated from a restaurant outlet. For all the restaurants, up to 53.0% (2022: 51.2%) of lease payments are on the basis of variable payment. Percentages per variable lease payment terms are ranging from 6% to 15% (2022: 6% 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.

13(c) IMPAIRMENT OF NON-FINANCIAL ASSETS

Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

The Group operates restaurant outlets on leased properties with lease terms ranging from 2 to 6 years. The Group regards each individual restaurant outlet as a separately identifiable cash-generating-unit ("CGU") and performed impairment assessments on each of the CGUs with impairment indicators by considering the recoverable amount of such assets at restaurant outlet level. As at 31 December 2023, the Group's management identified impairment indicators in certain restaurant outlets, which were loss making, and estimated the corresponding recoverable amounts of their property, plant and equipment and right-of-use assets.

13(c) IMPAIRMENT OF NON-FINANCIAL ASSETS (continued)

The recoverable amounts of the CGUs are determined based on value-in-use calculations, which are higher than the fair value less costs to sell calculations. The value-in-use calculations covering a period of the remaining lease term were lower than the carrying amounts of the CGUs. Management adopted the expected cash flow approach to incorporate possible variations in the amount or timing of future cash flows. Accordingly, the Group recognised an impairment charge of property, plant and equipment of HK\$5,011,000 (2022: HK\$4,121,000), right-of-use assets of HK\$6,281,000 (2022: HK\$6,570,000) and intangible assets of HK\$734,000 (2022: HK\$609,000) for the year ended 31 December 2023.

As at 31 December 2023, the provision for impairment of property, plant and equipment, right-of-use assets and intangible assets amounted to HK\$14,105,000 (2022: HK\$9,215,000), HK\$17,258,000 (2022: HK\$11,277,000) and HK\$1,343,000 (2022: HK\$609,000), respectively.

Key inputs to the determination of the recoverable amount over the remaining lease period includes annual revenue growth, operating costs and pre-tax discount rate. As at 31 December 2023, the annual revenue growth used for restaurant outlets in the impairment assessment is ranging from -15% to 19% (2022: 0% to 35%) for the remaining lease period. Operating costs used for restaurant outlets in the impairment assessment is set based on actual financial performance in 2023 taking into account of annual inflation rate of 2%. The pre-tax discount rate used to determine the recoverable amounts is approximately 13% (2022: 14%).

The Group performs sensitivity analysis to assess the impact to profit after tax of changes in key inputs. If annual revenue growth rate decreases by 3%, profit after tax for the year ended 31 December 2023 would decrease by approximately HK\$3,320,000. If operating costs increase by 3%, profit after tax for the year ended 31 December 2023 would decrease by approximately HK\$2,867,000. If pre-tax discount rate increases by 1%, profit after tax for the year ended 31 December 2023 would increase by approximately HK\$27,000.

14 INVESTMENT PROPERTIES

	Land and buildings <i>HK\$'000</i>
At 1 January 2022	
Cost	1,005
Accumulated depreciation	(360)
Net carrying amount	645
Year ended 31 December 2022	
Opening net carrying amount	645
Transfer from property, plant and equipment	12,442
Depreciation	(354)
Closing net carrying amount	12,733
At 31 December 2022	
Cost	13,447
Accumulated depreciation	(714)
Net carrying amount	12,733
Year ended 31 December 2023	
Opening net carrying amount	12,733
Depreciation	(518)
Closing net carrying amount	12,215
At 31 December 2023	
Cost	13,447
Accumulated depreciation	(1,232)
Net carrying amount	12,215

14 INVESTMENT PROPERTIES (continued)

- (a) Amounts recognised in the consolidated statement of comprehensive income for investment properties

	2023 HK\$'000	2022 HK\$'000
Rental income from operating leases	359	132
Direct operating expenses from properties that generated rental income	(70)	(16)
	291	116

- (b) The Group had no unprovided contractual obligations for future repairs and maintenance.
- (c) The investment properties are leased to tenants under operating leases with rentals payable monthly in 2023. There are no other variable lease payments that depend on an index or rate.
- (d) The Group's investment properties were valued at 31 December 2023 by management of the Company using the direct comparison approach with reference to market price per square foot of comparable properties in close proximity.

The following table summarises the quantitative information about the significant unobservable inputs used in recurring level 3 fair value measurements:

Description	Fair value at		Unobservable inputs	Range of inputs		Relationship of unobservable inputs to fair value
	2023 HK\$'000	2022 HK\$'000		2023 HK\$'000	2022 HK\$'000	
Investment properties	16,845	17,845	Price per square foot	7-18	10-18	The higher the price per square feet, the higher the fair value

15 INTANGIBLE ASSETS

	Franchises HK\$'000	Tradename HK\$'000	Total HK\$'000
At 1 January 2022			
Cost	4,000	3,945	7,945
Accumulated amortisation	(965)	(1,185)	(2,150)
Accumulated impairment	(569)	—	(569)
Net carrying amount	2,466	2,760	5,226
Year ended 31 December 2022			
Opening net carrying amount	2,466	2,760	5,226
Amortisation	(302)	(394)	(696)
Provision for impairment (Note 13 (c))	—	(609)	(609)
Closing net carrying amount	2,164	1,757	3,921
At 31 December 2022			
Cost	4,000	3,945	7,945
Accumulated amortisation	(1,267)	(1,579)	(2,846)
Accumulated impairment	(569)	(609)	(1,178)
Net carrying amount	2,164	1,757	3,921
Year ended 31 December 2023			
Opening net carrying amount	2,164	1,757	3,921
Amortisation	(324)	(293)	(617)
Provision for impairment (Note 13 (c))	—	(734)	(734)
Closing net carrying amount	1,840	730	2,570
At 31 December 2023			
Cost	4,000	3,945	7,945
Accumulated amortisation	(1,591)	(1,872)	(3,463)
Accumulated impairment	(569)	(1,343)	(1,912)
Net carrying amount	1,840	730	2,570

16 INVENTORIES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Food and consumables for restaurant operations and sale of food ingredients	19,981	37,508

The cost of food and consumables for restaurant operations and sale of food ingredients recognised as expense and included in cost of food and beverages amounted to approximately HK\$391,325,000 (2022: HK\$334,819,000) for the year ended 31 December 2023.

17 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 2023, based on the invoice date, is as follows:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Within 30 days	9,162	7,747
31–60 days	543	223
61–180 days	469	568
	10,174	8,538

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 credit period of 30 days is granted by the Group, and therefore are all classified as current.

The maximum exposure to credit risk at 31 December 2023 and 2022 is the carrying value of trade receivables mentioned above. The Group does not hold any collateral as security.

18 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Prepayments	15,150	15,974
Rental and utilities deposits	74,865	70,284
Other receivables	2,686	3,222
	92,701	89,480
Less: non-current portion		
— Rental and utilities deposits	(50,242)	(46,578)
— Prepayments for purchase of property, plant and equipment	(471)	(4,400)
Current portion	41,988	38,502

Note 3.1 sets out information about the impairment of financial assets and the Group's exposure to credit risk. The maximum exposure to credit risk as at 31 December 2023 and 2022 was the carrying value of each class of receivable mentioned above. The Group did not hold any collateral as security. The carrying amounts of deposits and other receivables approximate to their fair values and are denominated in HK\$.

19 RELATED PARTY TRANSACTIONS

(a) Related party transactions

During the year, there was no related party transaction (2022: Nil).

(b) Key management compensation

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

Compensation of key management personnel of the Group, including directors' remuneration as disclosed in Note 31 to these consolidated financial statements, is as follows:

	2023 HK\$'000	2022 HK\$'000
Salaries and other short-term employee benefits	6,245	6,469
Discretionary bonuses	1,665	2,592
Retirement benefit scheme contribution	36	42
	7,946	9,103

20 CASH AND CASH EQUIVALENTS AND SHORT TERM BANK DEPOSITS

	2023 HK\$'000	2022 HK\$'000
Cash on hand	1,550	1,500
Cash at banks	146,107	194,962
Cash and cash equivalents	147,657	196,462
Short term bank deposits — time deposits with initial maturity period over three months	105,065	145,451

All of the Group's cash and cash equivalent are solely denominated in HK\$.

The maximum exposure to credit risk of the Group is cash at banks and short term bank deposits totalling to HK\$251,172,000 (2022: HK\$340,413,000).

Cash at banks and short term bank deposit earn interest at floating rates based on daily bank deposit rates. The balances are deposited with creditworthy banks with no recent history of default.

21 TRADE PAYABLES

	2023 HK\$'000	2022 HK\$'000
External suppliers	45,479	58,310

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

	2023 HK\$'000	2022 HK\$'000
Within 30 days	34,622	37,727
31–60 days	10,517	20,208
61–180 days	39	55
Over 180 days	301	320
	45,479	58,310

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

22 CONTRACT LIABILITIES, OTHER PAYABLES AND ACCRUALS

	2023 HK\$'000	2022 HK\$'000
Rent payable	2,617	4,515
Accrued employee benefit expenses	33,254	29,469
Provision for long service payment	1,903	2,143
Provision for untaken annual leave	11,042	10,498
Provision for reinstatement costs (<i>Note (a)</i>)	23,804	23,123
Contract liabilities	36,541	43,755
Other accrued expenses	30,059	27,353
Payables for purchase of property, plant and equipment	3,800	3,782
Other payables	632	632
	143,652	145,270
Less: non-current portion		
— Provision for reinstatement costs	(17,067)	(15,654)
Current portion	126,585	129,616

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

(a) Provision for reinstatement costs

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

	2023 HK\$'000	2022 HK\$'000
At the beginning of the year	23,123	20,745
Additional provision during the year	1,005	2,721
Settlement	(324)	(343)
At the end of the year	23,804	23,123

23 DEFERRED INCOME TAX

The movement in the deferred income tax account is as follows:

	2023 HK\$'000	2022 HK\$'000
At the beginning of the year	24,071	20,438
Credited to the consolidated statement of comprehensive income (<i>Note 10</i>)	3,593	3,633
At the end of the year	27,664	24,071

The movements in deferred income tax assets and liabilities for each of the years ended 31 December 2023 and 2022 take into consideration the offsetting of balances arose from right-of-use assets and lease liabilities within the same jurisdiction, are as follows:

Deferred income tax assets

	Lease assets* HK\$'000	Decelerated tax depreciation HK\$'000	Tax losses HK\$'000	Total HK\$'000
At 1 January 2022	1,694	8,575	17,057	27,326
(Debited)/credited to the consolidated statement of comprehensive income	(70)	2,055	881	2,866
At 31 December 2022	1,624	10,630	17,938	30,192
Credited to the consolidated statement of comprehensive income	313	1,972	521	2,806
At 31 December 2023	1,937	12,602	18,459	32,998

* The balance included impact from the impairment of leased assets.

23 DEFERRED INCOME TAX (continued)**Deferred income tax liabilities**

	Accelerated tax depreciation <i>HK\$'000</i>
At 1 January 2022	6,888
Credited to the consolidated statement of comprehensive income	<u>(767)</u>
At 31 December 2022	6,121
Credited to the consolidated statement of comprehensive income	<u>(787)</u>
At 31 December 2023	5,334

Deferred income tax assets are recognised for tax loss carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group has unrecognised tax losses of approximately HK\$5,255,000 (2022: HK\$2,880,000) to carry forward against future taxable income. Deferred income tax assets are recognised for tax loss carry-forwards to the extent that realisation of the related tax benefit through future taxable profits is probable. The Group's tax losses, which have no expiry date, are subject to approval by Hong Kong Inland Revenue Department.

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated statements of financial position. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

23 DEFERRED INCOME TAX (continued)

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

24 RESERVES

	Share premium <i>HK\$'000</i>	Retained earnings <i>HK\$'000</i>	Other reserves <i>(Note a)</i> <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2022	122,781	149,797	27,619	300,197
Profit and total comprehensive income for the year	—	77,705	—	77,705
Dividends <i>(Note 11)</i>	—	(48,400)	—	(48,400)
At 31 December 2022	122,781	179,102	27,619	329,502
Profit and total comprehensive income for the year	—	88,065	—	88,065
Dividends <i>(Note 11)</i>	—	(200,160)	—	(200,160)
At 31 December 2023	122,781	67,007	27,619	217,407

- (a) As at 31 December 2023 and 2022, other reserves mainly represented the excess of the aggregated capital of the companies now comprising the Group over the deemed distribution in respect of the non-controlling interest acquired during the reorganisation in prior years.

25 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Cash generated from operations

	<i>Notes</i>	2023 HK\$'000	2022 <i>HK\$'000</i>
Profit before taxation		104,442	84,440
Adjustments for:			
Depreciation of property, plant and equipment	13(a)	36,403	39,454
Depreciation of right-of-use assets	13(b)	117,053	106,622
Depreciation of investment properties	14	518	354
Provision for impairment of property, plant and equipment	13(a)	5,011	4,121
Provision for impairment of right-of-use assets	13(b)	6,281	6,570
Provision for impairment of intangible assets	15	734	609
Amortisation of intangible assets	15	617	696
Gain on disposal of property, plant and equipment	6	(177)	—
COVID-19-related rent concessions	13(b)	—	(6,817)
Finance costs	7	10,746	8,276
Finance income	7	(10,708)	(2,824)
		270,920	241,501
Changes in working capital:			
Inventories		17,527	12,211
Trade receivables		(1,636)	(2,180)
Prepayments, deposits and other receivables		(8,444)	(15,704)
Trade payables		(12,831)	(18,549)
Contract liabilities, other payables and accruals		(6,489)	7,819
Cash generated from operations		259,047	225,098

25 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

(b) Reconciliation of liabilities arising from financing activities is as follows:

	Lease liabilities	
	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
At the beginning of the year	223,659	179,294
Addition	152,786	148,918
Lease modification	(1,491)	3,041
Principal elements of lease payments, net of COVID-19-related rent concessions	(129,694)	(108,006)
COVID-19-related rent concessions	—	(6,817)
Finance cost on lease liabilities	9,923	7,229
At the end of the year	255,183	223,659

26 COMMITMENTS

(a) Capital commitments

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Leasehold improvements Contracted but not provided for	1,942	4,967

(b) Committed leases not yet commenced

As at 31 December 2023, the total future cash outflows for leases committed but not yet commenced were payable as follows:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Leases		
Within 1 year	—	2,882
After 1 year but within 5 years	34,717	52,093
After 5 years	—	325
	34,717	55,300

27 FINANCIAL INSTRUMENTS BY CATEGORY

	2023 HK\$'000	2022 HK\$'000
Assets as per consolidated statement of financial position		
Financial assets at amortised cost:		
— Trade receivables	10,174	8,538
— Deposits and other receivables	77,551	73,506
— Short term bank deposits	105,065	145,451
— Cash and cash equivalents	147,657	196,462
Total	<u>340,447</u>	<u>423,957</u>
Liabilities as per consolidated statement of financial position		
Financial liabilities at amortised cost:		
— Trade payables	45,479	58,310
— Other payables and accruals	37,108	65,751
— Lease liabilities	255,183	223,659
Total	<u>337,770</u>	<u>347,720</u>

28 SHARE CAPITAL

(a) Authorised:

	2023		2022	
	Number of shares	Nominal value HK\$'000	Number of shares	Nominal value HK\$'000
At the beginning and the end of the year	4,000,000,000	400,000	4,000,000,000	400,000

(b) Issued and fully paid:

	2023		2022	
	Number of shares	Nominal value HK\$'000	Number of shares	Nominal value HK\$'000
At the beginning and the end of the year	800,000,000	80,000	800,000,000	80,000

29 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

(a) Statement of financial position of the Company

	<i>Note</i>	2023 HK\$'000	2022 HK\$'000
ASSETS			
NON-CURRENT ASSETS			
Investments in subsidiaries		93	93
Amounts due from subsidiaries	30(b)	395,973	157,275
		396,066	157,368
CURRENT ASSETS			
Prepayment		234	475
Short term bank deposits		4,533	145,451
Cash and cash equivalents		496	62,168
Total assets		401,329	365,462
EQUITY AND LIABILITIES			
Equity attributable to shareholders of the Company			
Share capital		80,000	80,000
Share premium		122,781	122,781
Retained earnings		39,272	3,222
Capital reserve		159,267	159,267
Total equity		401,320	365,270
CURRENT LIABILITIES			
Accruals and other payables		9	192
Total liabilities		9	192
Total equity and liabilities		401,329	365,462

The statement of financial position of the Company was approved by the Board of Directors on 26 March 2024 and were signed on its behalf.

Wong Kit Lung Simon
Chairman

Ko Sau Chee Grace
Vice Chairperson

29 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (continued)

(b) Reserve movement of the Company

	Share premium <i>HK\$'000</i>	Retained earnings <i>HK\$'000</i>	Capital reserve <i>(Note (i))</i> <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2022	122,781	50,492	159,267	332,540
Profit and total comprehensive income for the year	—	1,130	—	1,130
Dividends (<i>Note 11</i>)	—	(48,400)	—	(48,400)
At 31 December 2022 and 1 January 2023	122,781	3,222	159,267	285,270
Profit and total comprehensive income for the year	—	236,210	—	236,210
Dividends (<i>Note 11</i>)	—	(200,160)	—	(200,160)
At 31 December 2023	122,781	39,272	159,267	321,320

Note:

- (i) Capital reserve of the Company represents the excess of the aggregate net assets values of the subsidiaries acquired by the Company over the nominal consideration payable by the Group for the acquisition pursuant to the Reorganisation netting off of the dividend distribution.

30 SUBSIDIARIES

(a) Subsidiaries

Details of the principal subsidiaries as at 31 December 2023 are as follows:

Name	Place of incorporation and kind of legal entity	Issued and fully paid share capital	Effective interest held as at		Principal activities and place of operation
			2023	2022	
Directly held subsidiaries:					
KABUSHIKIGAISHA HOLDINGS LIMITED	BVI, limited liability company	US\$11,990	100%	100%	Investment holding
LHG CHINESE CATERING LIMITED	BVI, limited liability company	US\$1	100%	100%	Investment holding
LHG MANAGEMENT LIMITED	BVI, limited liability company	US\$1	100%	100%	Investment holding
LHG PROCUREMENT LIMITED	BVI, limited liability company	US\$1	100%	100%	Investment holding
Indirectly held subsidiaries:					
AB CATERING LIMITED	BVI, limited liability company	US\$1	100%	100%	Investment holding
BEING TOGETHER LIMITED	Hong Kong, limited liability company	HK\$1	100%	100%	Inactive
BRIDGE CEDAR LIMITED	Hong Kong, limited liability company	HK\$1	100%	100%	Restaurant operation in Hong Kong
BRIDGE PINE LIMITED	Hong Kong, limited liability company	HK\$1,000,000	100%	100%	Restaurant operation in Hong Kong
CARBON YAKINIKU LIMITED	Hong Kong, limited liability company	HK\$1	100%	100%	Inactive
CHILLAXATION LIMITED	Hong Kong, limited liability company	HK\$1	100%	100%	Restaurant operation in Hong Kong
DREAMS NOT LIMITED (NOTE)	Hong Kong, limited liability company	HK\$1	100%	—	Restaurant operation in Hong Kong

30 SUBSIDIARIES (continued)

(a) Subsidiaries (continued)

Name	Place of incorporation and kind of legal entity	Issued and fully paid share capital	Effective interest held as at		Principal activities and place of operation
			2023	2022	
EAT CONNECTION LIMITED	Hong Kong, limited liability company	HK\$1	100%	100%	Restaurant operation in Hong Kong
FIRST BENEFIT (SHA TIN) LIMITED	Hong Kong, limited liability company	HK\$500,000	100%	100%	Restaurant operation in Hong Kong
FUGAKU LIMITED	Hong Kong, limited liability company	HK\$1	100%	100%	Restaurant operation in Hong Kong
FULLY GROWN LIMITED	Hong Kong, limited liability company	HK\$1	100%	100%	Restaurant operation in Hong Kong
GOAL YIELD LIMITED	Hong Kong, limited liability company	HK\$1	100%	100%	Restaurant operation in Hong Kong
HERITAGE CAPITAL LIMITED	Hong Kong, limited liability company	HK\$1	100%	100%	Restaurant operation in Hong Kong
HONG KONG FOOD CULTURE LIMITED	Hong Kong, limited liability company	HK\$1	100%	100%	Restaurant operation in Hong Kong
HOTPOT PNP HOLDINGS LIMITED	BVI, limited liability company	US\$1	100%	100%	Investment holding
IGABLE LIMITED	Hong Kong, limited liability company	HK\$1	100%	100%	Restaurant operation in Hong Kong
KABU (DEVELOPMENT) LIMITED	Hong Kong, limited liability company	HK\$1	100%	100%	Property holding
KABU (HR) LIMITED	Hong Kong, limited liability company	HK\$1	100%	100%	Provision of management service in Hong Kong
KABU (NEW SHOP) LIMITED	Hong Kong, limited liability company	HK\$1	100%	100%	Inactive

30 SUBSIDIARIES (continued)

(a) Subsidiaries (continued)

Name	Place of incorporation and kind of legal entity	Issued and fully paid share capital	Effective interest held as at		Principal activities and place of operation
			2023	2022	
KABU KOWLOON BAY LIMITED	Hong Kong, limited liability company	HK\$1	100%	100%	Online business operation in Hong Kong
KABU LEGEND LIMITED	BVI, limited liability company	US\$1	100%	100%	Investment holding
KABU ONE LIMITED	BVI, limited liability company	US\$1	100%	100%	Investment holding
KABUSHIKIGAISHA LIMITED	Hong Kong, limited liability company	HK\$28,000,000	100%	100%	Provision of management service in Hong Kong
KEEN WISE (MONG KOK) LIMITED	Hong Kong, limited liability company	HK\$1	100%	100%	Restaurant operation in Hong Kong
KOREAN CATERING LIMITED	Hong Kong, limited liability company	HK\$10,000	100%	100%	Investment holding
LHG CATERING LIMITED	Hong Kong, limited liability company	HK\$1	100%	100%	Provision of management service in Hong Kong
LUCKY HOUSE GROUP LIMITED	Hong Kong, limited liability company	HK\$2	100%	100%	Provision of management service in Hong Kong
LUVU 3000 LIMITED	Hong Kong, limited liability company	HK\$1	100%	100%	Restaurant operation in Hong Kong
MAX FLOW (EAST CITY) LIMITED	Hong Kong, limited liability company	HK\$1	100%	100%	Restaurant operation in Hong Kong
MAX GRANDS LIMITED	Hong Kong, limited liability company	HK\$500,000	100%	100%	Restaurant operation in Hong Kong
MAX MAX LIMITED	Hong Kong, limited liability company	HK\$1	100%	100%	Restaurant operation in Hong Kong

30 SUBSIDIARIES (continued)

(a) Subsidiaries (continued)

Name	Place of incorporation and kind of legal entity	Issued and fully paid share capital	Effective interest held as at		Principal activities and place of operation
			2023	2022	
MOU MOU CLUB (FANLING) LIMITED	Hong Kong, limited liability company	HK\$1	100%	100%	Restaurant operation in Hong Kong
MOU MOU CLUB (HH) LIMITED	Hong Kong, limited liability company	HK\$1	100%	100%	Restaurant operation in Hong Kong
MOU MOU CLUB (KB) LIMITED	Hong Kong, limited liability company	HK\$1	100%	100%	Restaurant operation in Hong Kong
MOU MOU CLUB (KF) LIMITED	Hong Kong, limited liability company	HK\$2	100%	100%	Restaurant operation in Hong Kong
MOU MOU CLUB (LF) LIMITED	Hong Kong, limited liability company	HK\$1	100%	100%	Restaurant operation in Hong Kong
MOU MOU CLUB (No 9) LIMITED	Hong Kong, limited liability company	HK\$1	100%	100%	Restaurant operation in Hong Kong
MOU MOU CLUB (PRINCE EDWARD) LIMITED	Hong Kong, limited liability company	HK\$300,000	100%	100%	Restaurant operation in Hong Kong
MOU MOU CLUB (SSW) LIMITED	Hong Kong, limited liability company	HK\$1	100%	100%	Restaurant operation in Hong Kong
MOU MOU CLUB (TST) LIMITED	Hong Kong, limited liability company	HK\$300,000	100%	100%	Restaurant operation in Hong Kong
MOU MOU CLUB (TW) LIMITED	Hong Kong, limited liability company	HK\$1	100%	100%	Inactive
MOU MOU CLUB LIMITED	Hong Kong, limited liability company	HK\$1	100%	100%	Inactive
MOU MOU HOLDINGS LIMITED	BVI, limited liability company	US\$1	100%	100%	Investment holding

30 SUBSIDIARIES (continued)

(a) Subsidiaries (continued)

Name	Place of incorporation and kind of legal entity	Issued and fully paid share capital	Effective interest held as at		Principal activities and place of operation
			2023	2022	
MULTI PROSPECTS LIMITED	Hong Kong, limited liability company	HK\$500,000	100%	100%	Restaurant operation in Hong Kong
MULTI SUCCESS (KOWLOON TONG) LIMITED	Hong Kong, limited liability company	HK\$1,000,000	100%	100%	Restaurant operation in Hong Kong
MULTI VICTORIES LIMITED	Hong Kong, limited liability company	HK\$1	100%	100%	Restaurant operation in Hong Kong
PARTNER UP LIMITED	Hong Kong, limited liability company	HK\$1	100%	100%	Inactive
PEACE CUISINE (YT) LIMITED	Hong Kong, limited liability company	HK\$1	100%	100%	Restaurant operation in Hong Kong
PROFIT INFINITY LIMITED	Hong Kong, limited liability company	HK\$1	100%	100%	Restaurant operation in Hong Kong
PYM TECHNOLOGIES LIMITED	Hong Kong, limited liability company	HK\$1	100%	100%	Restaurant operation in Hong Kong
SACHIARE LIMITED	Hong Kong, limited liability company	HK\$1	100%	100%	Retail operation in Hong Kong
SADO LIMITED	Hong Kong, limited liability company	HK\$1	100%	100%	Restaurant operation in Hong Kong
SALES BOOM LIMITED	Hong Kong, limited liability company	HK\$1	100%	100%	Restaurant operation in Hong Kong
SHABUSHABU (CAUSEWAY BAY) LIMITED	Hong Kong, limited liability company	HK\$1	100%	100%	Restaurant operation in Hong Kong
SHABUSHABU LIMITED	Hong Kong, limited liability company	HK\$10,000	100%	100%	Investment holding

30 SUBSIDIARIES (continued)

(a) Subsidiaries (continued)

Name	Place of incorporation and kind of legal entity	Issued and fully paid share capital	Effective interest held as at		Principal activities and place of operation
			2023	2022	
STOCKPILE LIMITED	Hong Kong, limited liability company	HK\$1	100%	100%	Restaurant operation in Hong Kong
TAIPEI HOTPOT LIMITED	Hong Kong, limited liability company	HK\$1	100%	100%	Inactive
TIN CHOI LIMITED	Hong Kong, limited liability company	HK\$1	100%	100%	Restaurant operation in Hong Kong
TREMENDOUS LUCK RESTAURANT LIMITED	Hong Kong, limited liability company	HK\$1	100%	100%	Restaurant operation in Hong Kong
TRIPLE BRILLIANT DEVELOPMENT LIMITED	Hong Kong, limited liability company	HK\$10,000	100%	100%	Provision of procurement and logistics services and trading of ingredients in Hong Kong
UNLIMITED REVENUE LIMITED	Hong Kong, limited liability company	HK\$1	100%	100%	Restaurant operation in Hong Kong
UPRISE BENEFIT (TSUEN WAN) LIMITED	Hong Kong, limited liability company	HK\$1,000,000	100%	100%	Inactive
VERY STEADY LIMITED	Hong Kong, limited liability company	HK\$1	100%	100%	Restaurant operation in Hong Kong
VIBRANIUM SHIELD LIMITED	Hong Kong, limited liability company	HK\$1	100%	100%	Inactive
WAKANDA LIMITED	Hong Kong, limited liability company	HK\$1	100%	100%	Restaurant operation in Hong Kong
WAY SURE LIMITED	Hong Kong, limited liability company	HK\$100	100%	100%	Property holding
WEALTHY PRAISE LIMITED	Hong Kong, limited liability company	HK\$1	100%	100%	Restaurant operation in Hong Kong

30 SUBSIDIARIES (continued)

(a) Subsidiaries (continued)

Name	Place of incorporation and kind of legal entity	Issued and fully paid share capital	Effective interest held as at		Principal activities and place of operation
			2023	2022	
WEALTHY (TIN SHUI WAI) LIMITED	Hong Kong, limited liability company	HK\$1	100%	100%	Restaurant operation in Hong Kong
YAKINIKU (ABERDEEN) LIMITED	Hong Kong, limited liability company	HK\$1	100%	100%	Restaurant operation in Hong Kong
YAKINIKU (CB) LIMITED	Hong Kong, limited liability company	HK\$1	100%	100%	Restaurant operation in Hong Kong
YAKINIKU (HK) LIMITED	Hong Kong, limited liability company	HK\$1,000,000	100%	100%	Investment holding
YAKINIKU (KB) LIMITED	Hong Kong, limited liability company	HK\$1	100%	100%	Restaurant operation in Hong Kong
YAKINIKU (TAI PO) LIMITED	Hong Kong, limited liability company	HK\$1	100%	100%	Restaurant operation in Hong Kong
YAKINIKU (TM) LIMITED	Hong Kong, limited liability company	HK\$1	100%	100%	Restaurant operation in Hong Kong
YAKINIKU (TW) LIMITED	Hong Kong, limited liability company	HK\$1	100%	100%	Restaurant operation in Hong Kong
YAKINIKU (YL) LIMITED	Hong Kong, limited liability company	HK\$1	100%	100%	Restaurant operation in Hong Kong

Note:

It was a wholly owned subsidiary incorporated in Hong Kong during the year.

(b) Amounts due from subsidiaries

Amounts due from subsidiaries are unsecured, interest-free and repayable on demand. The amounts due from subsidiaries were neither past due nor impaired. The carrying amounts of the amounts due from subsidiaries approximate to their fair values and are denominated in HK\$.

31 BENEFITS AND INTERESTS OF DIRECTORS (DISCLOSURE REQUIRED BY SECTION 383 OF THE HONG KONG COMPANIES ORDINANCE (CAP. 622), COMPANIES (DISCLOSURE OF INFORMATION ABOUT BENEFITS OF DIRECTORS) REGULATION (CAP. 622G) AND HONG KONG LISTING RULES)

The remuneration of every director for each of the years ended 31 December 2023 and 2022 were as follows:

	Fees HK\$'000	Salaries HK\$'000	Discretionary bonuses HK\$'000	Retirement benefit scheme contributions HK\$'000	Total HK\$'000
Year ended 31 December 2023					
<i>Chairman</i>					
Mr. Wong Kit Lung, Simon <i>Prof, BBS, JP</i>	—	3,367	1,058	18	4,443
<i>Executive directors</i>					
Ms. Ko Sau Chee, Grace	—	2,878	607	18	3,503
<i>Independent non-executive directors</i>					
Ms. Hung Lo Shan Lusan	240	—	—	—	240
Mr. Hung Wai Man <i>Prof, JP</i>	240	—	—	—	240
Mr. Sin Yat Kin <i>SBS, CSDSM, JP</i>	240	—	—	—	240
	<u>720</u>	<u>6,245</u>	<u>1,665</u>	<u>36</u>	<u>8,666</u>
Year ended 31 December 2022					
<i>Chairman</i>					
Mr. Wong Kit Lung, Simon <i>Prof, BBS, JP</i>	—	3,238	1,512	18	4,768
<i>Executive directors</i>					
Ms. Ko Sau Chee, Grace	—	2,767	867	18	3,652
<i>Independent non-executive directors</i>					
Ms. Hung Lo Shan Lusan	240	—	—	—	240
Mr. Hung Wai Man <i>Prof, JP</i>	240	—	—	—	240
Mr. Sin Yat Kin <i>SBS, CSDSM, JP</i>	240	—	—	—	240
	<u>720</u>	<u>6,005</u>	<u>2,379</u>	<u>36</u>	<u>9,140</u>

31 BENEFITS AND INTERESTS OF DIRECTORS (DISCLOSURE REQUIRED BY SECTION 383 OF THE HONG KONG COMPANIES ORDINANCE (CAP. 622), COMPANIES (DISCLOSURE OF INFORMATION ABOUT BENEFITS OF DIRECTORS) REGULATION (CAP. 622G) AND HONG KONG LISTING RULES) (continued)

- (i) The remuneration shown above represents remuneration received and receivable from the Group by these directors in their capacity as employees to the subsidiaries and no directors waived and agreed to waive any emolument during each of the years ended 31 December 2023 and 2022.
- (ii) No director fees were paid to these directors in their capacity as directors of the Company or the subsidiaries and no emoluments were paid by the Company or the subsidiaries to the directors as an inducement to join the Company or the subsidiaries, or as compensation for loss of office during each of the years ended 31 December 2023 and 2022.
- (iii) During each of the years ended 31 December 2023 and 2022, no retirement benefits, payments or benefits in respect of termination of directors' services were paid or made, directly or indirectly, to the directors; nor are any payable. No consideration was provided to or receivable by third parties for making available directors' services.
- (iv) During each of the years ended 31 December 2023 and 2022, no significant transactions, agreements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had material interest, whether directly or indirectly, subsisted at the end of each of the years ended 31 December 2023 and 2022.
- (v) During each of the years ended 31 December 2023 and 2022, there were no loans, quasi-loans and other dealing arrangements in favour of the directors, or controlled body corporates and connected entities of such directors.

32 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES

This note provides a list of other potentially material accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the Group consisting of the Company and its subsidiaries.

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

32.1 Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

32.1.1 *Separate financial statements*

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

32 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (continued)

32.2 Foreign currency translation

(a) *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "**functional currency**"). The consolidated financial statements are presented in HK\$, which is the Company's functional and the Group's presentation currency.

(b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss.

32.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the CODM. The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the directors of the Company, who make strategic decisions.

32.4 Property, plant and equipment

Land and buildings comprise mainly central processing and logistic centre and offices. Leasehold land classified as finance lease and all other property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to the consolidated statements of comprehensive income during the financial period in which they are incurred.

32 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (continued)

32.4 Property, plant and equipment (continued)

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

— Land and buildings	Over the lease term
— Leasehold improvements	Over the lease term
— Restaurant and kitchen equipment	Over the shorter of lease term or 5 years
— Furniture and fixtures	Over the shorter of lease term or 5 years
— Office equipment	5 years
— Motor vehicles	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 13 (c)).

Gains and losses on disposals of property, plant and equipment are determined by comparing the proceeds with the carrying amount and are recognised within 'other operating expenses' in the consolidated statements of comprehensive income.

32.5 Investment properties

Investment properties, principally comprising leasehold land and buildings, are held for long-term rental yields or for capital appreciation or both, and that are not occupied by the Group.

Investment properties are initially measured at cost, including related transaction costs and where applicable borrowing costs. After initial recognition, investment properties are carried at cost less accumulated depreciation and accumulated impairment losses (Note 13 (c)). The cost of investment properties comprises its purchase price and any directly attributable expenditure. Depreciation is calculated using the straight-line method to allocate the depreciable amounts over the lease term. The residual value and useful life of the investment properties are reviewed, and adjusted as appropriate, at the end of each reporting period. The effect of any revision is included in the consolidated statements of comprehensive income when the change arises.

32 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (continued)

32.6 Intangible assets

(a) *Franchises*

Separately acquired franchises are shown at historical cost. Franchises have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of franchises over the franchise term of 10 years.

(b) *Tradename*

Acquired tradename is shown at historical cost. Tradename has finite useful lives and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of tradename over its estimated useful life.

32.7 Financial assets

32.7.1 *Classification*

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss); and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

32 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (continued)

32.7 Financial assets (continued)

32.7.2 Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

32.7.3 Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

32 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (continued)

32.8 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

32.9 Impairment of financial assets

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Impairment on other financial assets at amortised cost is measured as either 12-month expected credit losses or lifetime expected credit loss, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

32.10 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. The cost comprises invoiced cost less purchase rebates. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

32.11 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

32 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (continued)

32.12 Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

32.13 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

32.14 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are presented as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

32.15 Employee benefits

(a) Pension obligations

In Hong Kong, the Group contributes to the mandatory provident fund scheme for eligible employees, the assets of which are held in a separate trustee-administered funds. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due.

(b) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

32 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (continued)

32.15 Employee benefits (continued)

(c) Long service payments

In Hong Kong, employees who have completed a required number of years of service to the Group are eligible for long service payments under the Hong Kong Employment Ordinance in the event of the termination of their employment, provided that such termination meet the circumstances specified in the Hong Kong Employment Ordinance.

(d) Provision for bonus plans

Bonus payments to employees are discretionary to management. Bonus payments are recognised in profit or loss in the period when the Group has formally announced the bonus payments to employees.

32.16 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to passage of time is recognised as interest expense.

32 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (continued)

32.17 Leases

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the Group under residual value guarantees
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

32 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (continued)

32.17 Leases (continued)

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third party financing, and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

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

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. While the Group revalues its land and buildings that are presented within property, plant and equipment, it has chosen not to do so for the right-of-use buildings held by the Group.

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

32 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (continued)

32.17 Leases (continued)

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term (Note 14). Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the balance sheet based on their nature. The Group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

32.18 Earnings per share

(i) **Basic earnings per share**

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

(ii) **Diluted earnings per share**

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

32 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (continued)

32.19 Dividend distribution

Dividend distribution to the shareholders is recognised as a liability in the consolidated financial statements in the period in which the dividends are approved by the entity's shareholders or directors, where appropriate.

Dividend proposed or declared after the reporting period but before the financial statements are authorised for issue, are disclosed as a non-adjusting event and are not recognised as a liability at the end of the reporting period.

32.20 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 profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and they are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

Summary Financial Information

A summary of the consolidated results of the Group for the years ended 31 December 2019, 2020, 2021, 2022, 2023 and the consolidated assets and liabilities of the Group as at 31 December 2019, 2020, 2021, 2022, 2023 as extracted from the Company's published audited financial statements is set out below:

RESULTS

	Year ended 31 December				
	2023 HK\$'000	2022 HK\$'000	2021 HK\$'000	2020 HK\$'000	2019 HK\$'000
Revenue	1,276,771	1,063,159	997,919	802,852	1,005,776
Profit/(loss) before taxation	104,442	84,440	103,143	143,747	(948)
Income tax expense	(16,377)	(6,735)	(13,067)	(3,419)	(10,320)
Profit/(loss) for the year	88,065	77,705	90,076	140,328	(11,268)
Profit/(loss) attributable to:					
Shareholders of the Company	88,065	77,705	90,076	140,328	(11,226)
Non-controlling interests	—	—	—	—	(42)
	88,065	77,705	90,076	140,328	(11,268)
Dividend per share (<i>HK cents</i>)					
Interim	4.75	—	2.40	—	4.96
Final	4.06	7.77	6.05	13.16	—
Special	12.50	—	—	—	5.00
	21.31	7.77	8.45	13.16	9.96
Dividend payout ratio	194%	80%	75%	75%	N/A

ASSETS AND LIABILITIES

	As at 31 December				
	2023 HK\$'000	2022 HK\$'000	2021 HK\$'000	2020 HK\$'000	2019 HK\$'000
Total Assets	759,651	846,592	783,859	747,497	742,215
Total Liabilities	(462,244)	(437,090)	(403,662)	(332,896)	(467,942)
	297,407	409,502	380,197	414,601	274,273

Properties held by the Group

As at 31 December 2023

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

For the year ended 31 December 2023, there is no change in properties held by the Group.