CAFÉ DE CORAL HOLDINGS LIMITED

大 家 樂 集 團 有 限 公 司*

(Incorporated in Bermuda with limited liability)

Website: www.cafedecoral.com

(Stock Code: 341)

INTERIM RESULTS ANNOUNCEMENT

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

HIGHLIGHTS

- **The Group's revenue for the first six months of 2017/18 increased 6.2% to HK$4,128.1 million. Profit attributable to shareholders amounted to HK$205.7 million, 11.3% lower than the corresponding period last year.**
- **The quick service restaurants and institutional catering businesses in Hong Kong expanded their network and continued to strengthen the workforce for business growth.**
- **Operations in Mainland China recorded outstanding growth in same store sales and profit.**
- **The brand portfolio of casual dining business was further enhanced to make a greater contribution to the Group's business growth.**
- **An interim dividend of HK18 cents per share (2016: HK18 cents) was declared.**

* *For identification purposes only*

MANAGEMENT DISCUSSION AND ANALYSIS

INTRODUCTION AND HIGHLIGHTS

For the first six months of 2017/18, the Group reported increased revenue but a decline in profits. This was partially offset by the growth of our operations in Mainland China, which recorded remarkable performance in terms of same store sales and profit growth.

The decline in profitability of our Hong Kong operations for the period was due in large part to the investment we made in people for our quick service restaurant (QSR) business, the Group's core business. This was necessary for attracting and retaining talent in a highly competitive labour market as well as for our continuing business development in the sector. Our investment in people resulted in significant improvements in our staff retention rate, although it also led to increases in manpower expenses during the review period that were higher than the pace of our revenue growth.

For the review period, our key achievements by business division included the following:

- In our QSR and institutional catering businesses, we continued with our branch network expansion strategy by opening more new shops than in previous years, and made improvements in overall customer satisfaction by enhancing the customer journey and product quality.

- In our casual dining business, we adjusted and repositioned our portfolio, which helped to achieve positive results for our established brands. Our homegrown and franchised brands continued to enjoy growing popularity among customers.

- In Mainland China, following our previous efforts to consolidate our branch network there, our product and promotion strategies began to pay off with strong growth in same store sales and profit.

Despite the lower than expected profitability for the period, we nevertheless remain confident that our investments will ultimately bring better returns. With a strong management team, well-recognised brands and an expansion strategy for our key markets of Hong Kong and Southern China, we are optimistic about our ability to achieve improved results in 2018.

RESULTS OVERVIEW

Revenue

The Group's revenue increased 6.2% to HK$4,128.1 million for the first six months ended 30 September 2017 (2016: HK$3,885.6 million). The Group's revenue by business division is set out below:

	For the six months ended 30 September		
	2017	**2016**	**Change**
	HK$'m	*HK$'m*	*%*
Hong Kong			
QSR and Institutional Catering	**3,080.3**	2,914.2	5.7
Casual Dining	**422.0**	386.3	9.2
Others*	**77.5**	74.1	4.6
Subtotal	**3,579.8**	3,374.6	**6.1**
Mainland China	**548.3**	511.0	**7.3**
Group	**4,128.1**	3,885.6	**6.2**

** Represents mainly income from food processing and distribution and rental income*

Gross Profit Margin

Gross profit margin decreased to 11.9% for the six months ended 30 September 2017 (2016: 13.3%), primarily due to the increase in manpower expenses arising from the enhancement of our compensation packages. Our investments in people were critical for attracting and retaining talent in a highly competitive labour market and essential for supporting long term business growth.

Administrative Expenses

Administrative expenses decreased 2.9% to HK$235.6 million during the six months ended 30 September 2017 (2016: HK$242.5 million) due to stringent cost control.

Profit Attributable to Equity Holders

The Group's profit attributable to equity holders decreased 11.3% to HK$205.7 million in the six months ended 30 September 2017 (2016: HK$231.9 million), primarily due to the increase in manpower expenses.

Segment Results

Hong Kong segment results decreased 6.0% to HK$354.1 million in the six months ended 30 September 2017 (2016: HK$376.8 million), due primarily to the increase in manpower expenses. Mainland China segment results increased 28.0% to HK$76.4 million during the same period (2016: HK$59.7 million), mainly due to the strong same store sales growth and improvement in profit margin.

Basic Earnings Per Share

The Group's basic earnings per share decreased 11.6% to HK$35.48 cents for the six months ended 30 September 2017 (2016: HK40.13 cents).

Interim Dividend

The Board has declared the payment of an interim dividend of HK18 cents per share (2016: HK18 cents) to shareholders for the six-month period ended 30 September 2017.

BUSINESS ANALYSIS

QSR and Institutional Catering

During the six-month period ended 30 September 2017, our QSR and institutional catering brands continued to enjoy a dominant position in the local market, contributing to 74.6% of the Group's total revenue for the period. Revenue from this division during the period amounted to HK$3,080.3 million, a 5.7% increase from the same period last year. Our QSR and institutional catering business had a total of 306 operating units as of the period end compared with 295 as of 31 March 2017.

In a labour market that continued to be highly competitive, our QSR division stepped up its recruiting efforts in order to attract the manpower needed for its business development. To improve our staff retention rate, we increased salary and benefits and reduced the number of overtime hours worked. However, this resulted in a higher operating cost base that will take more time to be absorbed into our business and reflected in our profitability.

During the period under review, the market for fast food service in Hong Kong was positive, with customers remaining price sensitive and value-driven. **Café de Coral** fast food achieved same store sales growth of 3% for the period. The total number of stores of **Café de Coral** fast food as of the period end was 170 (31 March 2017: 166), with 10 new branches opened during the period.

During the period, we carefully adjusted prices and provided more value offerings and menu recommendations as part of a menu re-engineering exercise to drive sales. Additionally, we offered our customers more choices to satisfy the changing tastes of Hong Kong people, including a premium Italian coffee brand — Segafredo — as part of a strategic partnership with a global coffee supplier.

Moreover, we focused intensively on creating value for customers by enhancing the customer journey and product quality. We improved the customer experience by renovating more stores according to our new 6G design, which features spacious and contemporary interior layouts. The 6G concept, which brings back **Café de Coral**'s original community centre positioning as "the Canteen of Hong Kong People", has been very well received by customers since its launch. Along with new uniform designs, packaging and advertising, we also invested more in our customer loyalty programme and prepared to upgrade our point of sale systems and apps for a roll-out in 2018. All of these initiatives, as indicated in the customer satisfaction surveys we have conducted, succeeded in maintaining overall satisfaction with our services and products.

The other representative brand of our QSR business, **Super Super Congee and Noodles**, operated 51 stores as at the end of the review period (31 March 2017: 50), with two new stores opened during the period. Same store sales growth was maintained at 1%. We implemented a new design for our **Super Super Congee and Noodles** branches, which has been well received by customers.

The overall performance of our institutional catering business remained steady during the first six months of 2017/18, with **Asia Pacific Catering** and **Luncheon Star** retaining contracts with existing customers and gaining some new customers. The total number of operating units at the end of the review period was 85 (31 March 2017: 79).

Casual Dining

Our casual dining business comprises established brands as well as homegrown and franchised brands that appeal to a broad range of tastes. As this market is fast changing and sensitive to evolving consumer preferences, our strategy has been to invest in and reposition our brands so that they are better targeted at the right customer groups in the right places.

After a series of brand renovations and consolidation, revenue of our casual dining business for the six months ended 30 September 2017 amounted to HK$422.0 million, an increase of 9.2% compared with the same period last year. The total number of shops operated as of the period end was 72 (31 March 2017: 64).

As part of a rationalisation exercise, we closed underperforming shops of **The Spaghetti House**. The overall business was restored with solid same-store sales growth, attributable to a menu re-engineering and improvements in food quality. **Oliver's Super Sandwiches** achieved an encouraging response from all seasonal campaigns to date, including a rebranding programme that delivered satisfactory same store sales growth. These two restaurant chains operated 10 and 18 shops respectively as of 30 September 2017, as compared with 12 and 19 as of 31 March 2017.

Our homegrown brands established a stronger foothold by expanding its coverage. **Shanghai Lao Lao** opened three shops during the reporting period. In the remaining six months of 2017/18, the brand will continue to fine-tune its shop operating model and further promote the brand through seasonal campaigns. **Mixian Sense** continued to experience rapid growth with six new branches opened in the first half of 2017/18. The brand also made adjustments to the menus that were well received by customers.

For our franchised brands, we continued working with our partners to fine-tune the menus so that they are better adapted to the Hong Kong market.

Mainland China Operations

After a period of store consolidation, our Mainland China operations last year focused on developing a local management team and menus that cater to local tastes. This strategy began to pay off during the reporting period, with strong same store sales growth of 15% and substantial profit growth in Southern China.

During the six months ended 30 September 2017, the Mainland China division recorded revenue of HK$548.3 million, a solid increase of 7.3% compared with the same period last year. The total number of shops operated as of 30 September 2017 was 96 (31 March 2017: 99).

While the retail market improved slightly during the review period, the overall market environment remained very competitive. Consumers generally spent more when dining out but were increasingly selective in terms of product, ambience and services. During the review period, we successfully launched our online-to-office (O2O) delivery services, which have been growing faster than the in-store market and creating new opportunities for industry players. In addition, we upgraded our *Total Customer Satisfaction* system that enables us to address customer comments and needs immediately through digital surveys conducted after the dining experience. We also refined our signature products, which contributed to the increase in store sales.

Additionally, we accelerated the store renovation process in order to provide a better customer experience. Our renovated stores have been well received by our customers, as reflected in strong sales growth. We are now ready to move to the next level by opening new stores in strategic locations that will scale up the business.

In late October 2017, we closed the last two stores in our Eastern China business as part of a short-term strategic adjustment and focused on developing the Southern China market, where our potential for growth is higher. Together with our ongoing investments in products and customer service, we are making steady progress towards our goal of achieving long-term success and business growth in this region.

KEYS TO SUCCESS

People development

As of 30 September 2017, the Group employed 19,435 staff compared with 18,771 as of 31 March 2017.

Our investment in people in the past year, including enhancements to our compensation and benefits packages, has proven effective for staff retention, allowing us to become more competitive with regard to recruitment, turnover rate and overtime hours. In Mainland China, we also launched a people development framework, which improved the staff turnover rate during the review period. Our investment in people also includes long-term incentive programmes, such as share award and share option schemes, profit sharing and other performance incentives. Staff remuneration at all levels is based on market benchmarks as well as individual experience, qualifications, duties and responsibilities.

During the reporting period, we continued our strong commitment to training and staff development. Over 50 branch managers completed the Certificate in Restaurant Management, a programme that has attained accreditation under the Qualification Framework Level 3 from the Hong Kong Council for Accreditation of Academic and Vocational Qualifications (HKCAAVQ).

Although all of these measures have increased our people costs, we have been able to stabilise them and believe that our investment in this area will ultimately translate into higher revenue and profit growth.

Food safety

Based on our firm commitment to food safety and supply chain management, we have been strictly following the global traceability standard that complies with multiple international regulatory and business requirements. During the reporting period, the Group was the Gold Enterprise Winner in the Quality Food Traceability Scheme 2017 launched by GS1 Hong Kong, the local branch of the global supply chain standards organisation. Through a structured, standards-based audit covering 12 criteria in four perspectives (scope, procedures, resource management and supervisory control), the scheme recognises local enterprises that demonstrate best practices in food traceability and food safety.

Brand building

To build on our well-known portfolio of brands, we will continue to renovate our stores and improve core product quality, while further strengthening the *Customer Journey* programme to enhance the customer experience.

In an example of how we are elevating the image of our brands, we set up six shops at the recently-refurbished JP Plaza in Causeway Bay to demonstrate the synergy we can achieve across all of our fast food and casual dining brands. These included **Café de Coral** fast food as the anchor together with our other key casual dining brands, **The Spaghetti House**, **Shanghai Lao Lao** and **Mixian Sense**. By combining these fast food and casual dining brands all in one 16,000 sq. ft. complex, we have been able to highlight our multi-brand range of dining options as well as our ability to manage a diverse portfolio with a wide range of culinary choices for our customers.

During the period, **Café de Coral** fast food in Southern China received recognition as a Guangzhou Famous Trademark by the Administration of Industry and Commerce of Guangzhou Municipality and designations as China's Excellent Fast Food Brand and China's Top 100 Fast Food Enterprises by the China Cuisine Association, reflecting the favourable reception of our brand in the region.

Network expansion

As of 30 September 2017, our network covered a total of 474 stores in Hong Kong and the Mainland (31 March 2017: 458). To continue our network expansion and take our business to the next level, our ability to secure the right locations for our stores will be critical.

Even though more retail space has become available, so has the number of food and beverage players entering the market. Therefore, we will have to continue paying a premium price for good locations in order to find suitable rental spaces. Nevertheless, we are determined to leverage our established brand portfolio so we can expand our branch network both in Hong Kong and the Mainland.

Sustainability

Operating a sustainable business is essential for a company to grow and thrive in today's world. We are pleased to note that our efforts in this regard earned us inclusion on the Hang Seng Corporate Sustainability Benchmark Index for the third consecutive year.

FINANCIAL REVIEW

Financial Position

The Group's financial position remained healthy during the review period. As at 30 September 2017, the Group had net cash of approximately HK$731 million, with HK$301 million in available banking facilities. The Group's current ratio was 1.2 (31 March 2017: 1.5) and the cash ratio was 0.7 (31 March 2017: 1.0). The Group had no external borrowing (31 March 2017: nil) and a nil gearing ratio (ratio of total borrowing less cash and cash equivalents to total equity) (31 March 2017: nil).

Capital Expenditure and Commitment

During the review period, the Group's capital expenditure was HK$232 million (2016: HK$178 million). As at 30 September 2017, the Group's outstanding capital commitments were HK$389 million (31 March 2017: HK$613 million).

Contingent Liabilities

As of 30 September 2017, the Company provided guarantees of approximately HK$415 million (31 March 2017: HK$415 million) to financial institutions in connection with banking facilities granted to its subsidiaries. There has been no material change in contingent liabilities or charge on assets since 31 March 2017.

Financial Risk Management

Since the Group earns revenue and incurs costs and expenses mainly denominated in Hong Kong dollars and in Renminbi, foreign currency exposure did not pose a significant risk for the Group. However, we will continue to remain vigilant and closely monitor our exposure to movements in relevant currencies.

OUTLOOK

Over the past two years, we have been investing significant manpower and resources to build our brands and expand our network. We recognise that these are challenging tasks, but we are determined to see them through. As a company that has been successfully serving the needs of Hong Kong people for fast, fresh and delicious food for nearly 50 years, we are in this business for the long term.

Although the labour market remains challenging, our increased salary and benefits packages will help to stabilise our team, and we expect that our manpower cost base will come under control. For the next half of the year, we will continue our menu re-engineering, product improvement and customer satisfaction enhancements to drive the revenue growth of our QSR business in Hong Kong, while scaling up our network expansion and building stronger infrastructure to support business growth in Southern China. We will also fine-tune our portfolio of casual dining brands and develop our homegrown brands so that they make a greater contribution to the Group's growth.

Accordingly, we are optimistic about our prospects for renewed sales growth and anticipate that our overall profits will be restored within the foreseeable future.

CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

	Note	Six months ended 30 September 2017	2016
		HK$'000	*HK$'000*
Revenue	3	**4,128,135**	3,885,625
Cost of sales		**(3,638,252)**	(3,367,553)
Gross profit		**489,883**	518,072
Other (losses)/gains, net	4	**(12,291)**	1,512
Administrative expenses		**(235,569)**	(242,509)
Operating profit	5	**242,023**	277,075
Finance income	6	**6,384**	4,338
Profit before income tax		**248,407**	281,413
Income tax expense	7	**(42,355)**	(49,454)
Profit for the period		**206,052**	231,959
Profit attributable to:			
Equity holders of the Company		**205,657**	231,857
Non-controlling interests		**395**	102
		206,052	231,959
Earnings per share for profit attributable to the equity holders of the Company during the period			
- Basic earnings per share	8	**HK35.48 cents**	HK40.13 cents
- Diluted earnings per share	8	**HK35.41 cents**	HK40.08 cents
		HK$'000	*HK$'000*
Dividend			
– Interim	9	**105,398**	105,113

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

	Six months ended 30 September 2017 *HK$'000*	2016 *HK$'000*
Profit for the period	**206,052**	231,959
Other comprehensive income/(loss):		
Item that may be reclassified to profit or loss:		
Exchange differences arising from translation of foreign subsidiaries	**25,152**	(18,670)
Fair value (loss)/gain on available-for-sale financial assets	**(84,704)**	69,397
Item that will not be reclassified subsequently to profit and loss:		
Revaluation surplus of property, plant and equipment prior to transferring to investment properties	**65,287**	-
Total comprehensive income for the period	**211,787**	282,686
Total comprehensive income for the period attributable to:		
– Equity holders of the Company	**211,392**	282,584
– Non-controlling interests	**395**	102
	211,787	282,686

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)
AS AT 30 SEPTEMBER 2017

	Note	**As at 30 September 2017** ***HK$'000*** **(Unaudited)**	As at 31 March 2017 *HK$'000* (Audited)
ASSETS			
Non-current assets			
Leasehold land and land use rights		**79,798**	80,532
Property, plant and equipment		**1,977,694**	1,943,607
Investment properties		**644,500**	567,700
Intangible assets		**4,326**	4,621
Deferred income tax assets		**30,212**	26,325
Available-for-sale financial assets		**144,917**	229,621
Non-current prepayments and deposits		**336,678**	308,523
		3,218,125	3,160,929
Current assets			
Inventories		**228,975**	240,154
Trade and other receivables	10	**107,129**	97,271
Prepayments and deposits	10	**170,935**	116,327
Current income tax recoverable		**19,192**	9,816
Bank deposits with maturity over three months		**22,759**	22,296
Cash and cash equivalents		**731,387**	790,017
		1,280,377	1,275,881
Total assets		**4,498,502**	4,436,810
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital		**58,549**	58,518
Share premium		**615,473**	607,364
Shares held for share award scheme		**(145,355)**	(164,622)
Other reserves		**550,797**	549,967
Retained earnings			
– Proposed dividends		**105,398**	368,762
– Others		**2,170,035**	2,067,388
		3,354,897	3,487,377
Non-controlling interests		**2,974**	3,743
Total equity		**3,357,871**	3,491,120

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED) (CONTINUED)
AS AT 30 SEPTEMBER 2017

	Note	**As at 30 September 2017** *HK$'000* **(Unaudited)**	As at 31 March 2017 *HK$'000* (Audited)
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		**30,915**	31,964
Provision for long service payments		**45,121**	45,525
Retirement benefit liabilities		**23,914**	22,288
		99,950	99,777
Current liabilities			
Trade payables	11	**232,186**	211,109
Other creditors and accrued liabilities		**759,265**	609,109
Current income tax liabilities		**49,230**	25,695
		1,040,681	845,913
Total liabilities		**1,140,631**	945,690
Total equity and liabilities		**4,498,502**	4,436,810

Notes:

1 Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 September 2017 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants.

This condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 March 2017, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 March 2017, as described in those annual financial statements.

The following new amendments to standards have been adopted by the Group for the first time for the financial year beginning 1 April 2017:

HKAS 7 (Amendment)	Statement of cash flows
HKAS 12 (Amendment)	Income taxes

These new amendments to standards did not have a significant effect on the condensed consolidated interim financial statements.

There are no other new standards, amendments to standards and annual improvements that are effective for the first time for this interim period that could be expected to have a material impact on the Group.

2 SEGMENT INFORMATION

The Group is principally engaged in the operation of quick service restaurants and institutional catering, casual dining chains, as well as food processing and distribution business.

The Chief Executive Officer of the Group reviews the Group's internal reporting in order to allocate resources and to assess the business principally from a geographic perspective including Hong Kong and Mainland China. Segment result as presented below represents operating profit before interest, tax, depreciation and amortisation and impairment loss.

Segment information of the Group for the current period and the comparative figures are as follows:

	Hong Kong	**Mainland China**	**Group**
	HK$'000	***HK$'000***	***HK$'000***
	(Unaudited)	**(Unaudited)**	**(Unaudited)**
Six months ended 30 September 2017			
Total segment revenue	**3,581,815**	**610,157**	**4,191,972**
Inter-segment revenue *(Note i)*	**(1,984)**	**(61,853)**	**(63,837)**
Revenue (from external revenue) *(Note ii)*	**3,579,831**	**548,304**	**4,128,135**
Segment results *(Note iii)*	**354,073**	**76,364**	**430,437**
Depreciation and amortisation	**(145,011)**	**(22,855)**	**(167,866)**
Impairment loss of property, plant and equipment	**(20,548)**	**-**	**(20,548)**
Finance income	**3,171**	**3,213**	**6,384**
Income tax expense	**(31,037)**	**(11,318)**	**(42,355)**
Six months ended 30 September 2016			
Total segment revenue	3,376,026	553,567	3,929,593
Inter-segment revenue *(Note i)*	(1,416)	(42,552)	(43,968)
Revenue (from external revenue) *(Note ii)*	3,374,610	511,015	3,885,625
Segment results *(Note iii)*	376,831	59,665	436,496
Depreciation and amortisation	(124,718)	(26,397)	(151,115)
Impairment loss of property, plant and equipment	-	(8,306)	(8,306)
Finance income	2,607	1,731	4,338
Income tax expense	(45,243)	(4,211)	(49,454)

2 SEGMENT INFORMATION (Continued)

(i) Inter-segment transactions were entered into in the normal course of business.

(ii) The Group has a large number of customers. For the periods ended 30 September 2017 and 2016, no revenue derived from transactions with a single external customer represented 10% or more of the Group's total revenue.

(iii) Reconciliation of total segment results to total profit before income tax is provided as follows:

	Six months ended 30 September	
	2017	2016
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Segment results	**430,437**	436,496
Depreciation and amortisation	**(167,866)**	(151,115)
Impairment loss of property, plant and equipment	**(20,548)**	(8,306)
Operating profit	**242,023**	277,075
Finance income	**6,384**	4,338
Profit before income tax	**248,407**	281,413

	Hong Kong	**Mainland China**	**Group**
	HK$'000	***HK$'000***	***HK$'000***
	(Unaudited)	**(Unaudited)**	**(Unaudited)**
As at 30 September 2017			
Segment assets	**3,483,281**	**820,900**	**4,304,181**
Segment assets include:			
Additions to non-current assets (other than financial instruments and deferred tax assets)	**253,488**	**27,159**	**280,647**

	Hong Kong	**Mainland China**	**Group**
	HK$'000	***HK$'000***	***HK$'000***
	(Audited)	**(Audited)**	**(Audited)**
As at 31 March 2017			
Segment assets	3,454,641	716,407	4,171,048
Segment assets include:			
Additions to non-current assets (other than financial instruments and deferred tax assets)	647,350	16,308	663,658

2 SEGMENT INFORMATION (Continued)

As at 30 September 2017, the total non-current assets (other than financial instruments and deferred income tax assets) located in Hong Kong is HK$2,733,208,000 (As at 31 March 2017: HK$2,604,248,000) and in Mainland China is HK$309,788,000 (As at 31 March 2017: HK$300,735,000).

Reconciliation of total segment assets to total assets is provided as follows:

	30 September 2017	31 March 2017
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Total segment assets	**4,304,181**	4,171,048
Deferred income tax assets	**30,212**	26,325
Available-for-sale financial assets	**144,917**	229,621
Current income tax recoverable	**19,192**	9,816
Total assets	**4,498,502**	4,436,810

3 REVENUE

	Six months ended 30 September	
	2017	2016
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Sales of food and beverages	**4,088,693**	3,850,011
Rental income	**23,245**	20,091
Management and service fee income	**5,569**	5,765
Sundry income	**10,628**	9,758
	4,128,135	3,885,625

4 OTHER (LOSSES)/GAINS, NET

	Six months ended 30 September	
	2017	2016
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Government subsidy	**1,453**	1,855
Dividend income from listed investments	**15,818**	12,246
Loss on disposal of property, plant and equipment	**(9,014)**	(4,283)
Impairment loss of property, plant and equipment	**(20,548)**	(8,306)
	(12,291)	1,512

5 OPERATING PROFIT

The following items have been charged to the operating profit during the interim period:

	Six months ended 30 September	
	2017	2016
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Cost of raw materials and packing	**1,177,643**	1,117,671
Employee benefit expenses (excluding share-based compensation expenses)	**1,296,906**	1,211,097
Share-based compensation expenses	**17,446**	19,500
Operating lease rentals in respect of rented premises (including contingent rentals of HK$27,541,000 (2016: HK$30,838,000))	**506,119**	453,302
Depreciation of property, plant and equipment	**166,017**	149,260
Amortisation of leasehold land and land use rights	**1,478**	1,480
Amortisation of trademarks and franchise rights	**371**	375

6 FINANCE INCOME

	Six months ended 30 September	
	2017	2016
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Interest income	**6,384**	4,338

7 INCOME TAX EXPENSE

The Company is exempted from taxation in Bermuda until 2035. Hong Kong profits tax has been provided for at the rate of 16.5% (2016: 16.5%) on the estimated assessable profit for the period. Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

The amount of taxation charged to the condensed consolidated income statement represents:

	Six months ended 30 September	
	2017	2016
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Current income tax:		
– Hong Kong profits tax	**36,099**	42,150
– Overseas taxation	**11,318**	4,239
Deferred income tax relating to the origination and reversal of temporary differences	**(5,062)**	3,065
	42,355	49,454

8 EARNINGS PER SHARE

Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period excluding ordinary shares purchased by the Company for Share Award Scheme.

	Six months ended 30 September	
	2017	2016
	(Unaudited)	(Unaudited)
Profit attributable to equity holders of the Company *(HK$'000)*	**205,657**	231,857
Weighted average number of ordinary shares in issue *('000)*	**579,627**	577,779
Basic earnings per share *(HK cents per share)*	**HK35.48 cents**	HK40.13 cents

8 EARNINGS PER SHARE (Continued)

Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares in issue during the year (excluding the ordinary shares purchased by the Company under the Share Award Scheme) with the weighted average number of ordinary shares deemed to be issued assuming the dilutive impact of share options and shares under the Share Award Scheme.

	Six months ended 30 September	
	2017	2016
	(Unaudited)	(Unaudited)
Profit attributable to equity holders of the Company *(HK$'000)*	**205,657**	231,857
Weighted average number of ordinary shares in issue *('000)*	**579,627**	577,779
Adjustment for Share Award Scheme *('000)*	**1,082**	209
Adjustment for share options *('000)*	**77**	551
	580,786	578,539
Diluted earnings per share *(HK cents per share)*	**HK35.41 cents**	HK40.08 cents

9 DIVIDEND

	Six months ended 30 September	
	2017	2016
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Dividend declared		
– Interim dividend, HK18 cents (2016: HK18 cents) per ordinary share	**105,398**	105,113

The interim dividend was declared on 27 November 2017. This condensed consolidated interim financial information does not reflect this dividend payable.

10 TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	30 September 2017	31 March 2017
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Trade receivables	**41,287**	46,508
Less: provision for impairment of trade receivables	**(1,015)**	(850)
Trade receivables – net	**40,272**	45,658
Other receivables	**66,857**	51,613
	107,129	97,271
Prepayments and deposits	**170,935**	116,327
	278,064	213,598

The Group's sales to customers are mainly on a cash basis. The Group also grants a credit period between 30 to 90 days to certain customers for the provision of institutional catering services, sale of merchandise of the food processing and distribution businesses and its franchisees.

The ageing analysis of trade receivables is as follows:

	30 September 2017	31 March 2017
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
0 – 30 days	**26,742**	27,288
31 – 60 days	**10,674**	12,991
61 – 90 days	**1,664**	2,750
91 – 365 days	**1,254**	2,845
Over 365 days	**953**	634
	41,287	46,508

11 TRADE PAYABLES

The ageing analysis of trade payables is as follows:

	30 September 2017	31 March 2017
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
0 – 30 days	**226,261**	206,928
31 – 60 days	**2,962**	2,617
61 – 90 days	**1,132**	116
Over 90 days	**1,831**	1,448
	232,186	211,109

INTERIM DIVIDEND

The Board has declared the payment of an interim dividend of HK18 cents per share (2016: HK18 cents) in respect of the six months ended 30 September 2017 payable on 27 December 2017 to the shareholders whose names appear on the Register of Members of the Company on 15 December 2017.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determination of entitlement to the interim dividend, the Register of Members of the Company will be closed on 15 December 2017 (Friday) on which no transfer of shares will be effected. In order to qualify for the interim dividend, all completed transfer forms accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong Branch Share Registrar, Computershare Hong Kong Investor Services Limited at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 14 December 2017 (Thursday).

CORPORATE GOVERNANCE

The Board and management aspire to a high standard of corporate governance and constantly strive for a responsible and value-driven management focusing on safeguarding and enhancing interest and value of shareholders of the Company as well as the long-term sustainability of the Group.

The corporate governance principles and practices adopted by the Group during the six months ended 30 September 2017 were in line with the corporate governance statements set out in the Corporate Governance Report in the Company's 2017 Annual Report. During the six months ended 30 September 2017, the Company complied with all code provisions as set out in the Corporate Governance Code (the "CG Code") under Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") and adopted the recommended best practices of the CG Code insofar as they are relevant and practicable.

AUDIT COMMITTEE AND REVIEW OF INTERIM RESULTS

The Audit Committee of the Company is set up by the Board with specific terms for the purpose of reviewing and providing supervision over the Group's financial reporting process and internal control. It currently comprises the four independent non-executive directors of the Company. The Audit Committee has reviewed the accounting principles and practices adopted by the Group and the unaudited interim results of the Group for the six months ended 30 September 2017.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 September 2017, neither the Company nor any of its subsidiaries had purchased, sold or redeemed the Company's listed securities, except that the trustee of the Company's Share Award Scheme purchased on the Hong Kong Stock Exchange a total of 100,055 shares of the Company at a total consideration of about HK$2.5 million to satisfy the award of shares to selected participants pursuant to the terms of the rules and trust deed of the Share Award Scheme.

By order of the Board
Lo Hoi Kwong, Sunny
Chairman

Hong Kong, 27 November 2017

As at the date of this announcement, the Board comprises Mr Lo Hoi Kwong, Sunny (Chairman), Ms Lo Pik Ling, Anita, Mr Chan Yue Kwong, Michael and Mr Hui Tung Wah, Samuel as non-executive directors; Mr Choi Ngai Min, Michael, Mr Li Kwok Sing, Aubrey, Mr Kwok Lam Kwong, Larry and Mr Au Siu Cheung, Albert as independent non-executive directors; and Mr Lo Tak Shing, Peter (Chief Executive Officer) and Mr Lo Ming Shing, Ian as executive directors.