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 2018

HIGHLIGHTS

- **The Group's revenue for the first six months of FY2018/19 amounted to HK$4,198.5 million, a 1.7% increase compared to the corresponding period last year. Profit attributable to shareholders improved 16.2% to reach HK$239.1 million as investments in our core efficiency began to realise.**

- **Our quick service restaurants and institutional catering focused on enhancing the *Customer Journey* through products, services and our operating model, contributing to the improvement in margins and profitability of the Group.**

- **The casual dining business improved its performance substantially after rationalising its portfolio and addressing fundamentals, and thereby establishing a solid platform for future growth.**

- **Mainland China operations delivered stable results and the Group is keen to accelerate its network expansion in the Greater Bay Area.**

- **An interim dividend of HK19 cents per share (2017: HK18 cents) was declared.**

** For identification purposes only*

MANAGEMENT DISCUSSION AND ANALYSIS

INTRODUCTION AND HIGHLIGHTS

Café de Coral Group achieved solid results in the first half of FY2018/19. The Group experienced strong profit growth as investments in internal improvements began to bear fruit. Revenue performance was stable whilst we focused on solidifying fundamentals and rationalising our branch network.

During the reporting period, the dining-out market continued to grow – although customers are becoming more selective and price-sensitive in their dining habits. At the same time, labour shortages and a record low unemployment rate are proving to be challenging for staff recruitment. However, the Group remains confident in its ability to maintain growth through good times and bad, as it has proven over the past 50 years.

Ongoing investment in operational improvements is starting to pay off in the Group's core quick service restaurant (QSR) business – translating into greater efficiency and a broadened customer base. The business continued to fine tune its products, services, technology and operating model for optimum performance during the period. All of these initiatives have contributed to improvement in margins.

The casual dining business achieved positive growth in profit and developed strong business momentum during the first six months of the year. Reinforced portfolio and branding, supported by a commitment to quality ingredients and seasonal promotions have improved the business' contribution to the Group's results.

Despite a challenging operating environment, the Mainland China business continued to deliver steady growth in line with the market. During the period under review, the Group expanded its shop network in the market – including two key new outlets at the Shenzhen and Guangzhou airports.

RESULTS OVERVIEW

Revenue

For the six months ended 30 September 2018, the Group increased revenue by 1.7% to HK$4,198.5 million (2017: HK$4,128.1 million). Revenue by business division is set out below:

	For the six months ended 30 September		
	2018	**2017**	**Change**
	HK$'m	*HK$'m*	*%*
Hong Kong			
QSR and Institutional Catering	**3,066.8**	3,080.3	(0.4)
Casual Dining	**461.9**	422.0	9.5
Others*	**79.1**	77.5	2.1
Subtotal	**3,607.8**	3,579.8	0.8
Mainland China	**590.7**	548.3	7.7
Group	**4,198.5**	4,128.1	1.7

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

Gross Profit Margin

Gross profit margin increased to 12.3% for the six months ended 30 September 2018 (2017: 11.9%), primarily due to a decrease in the cost of raw materials and packing from 28.5% of revenue in the same period last year to 27.5% in current period and firm control of manpower expenses.

Administrative Expenses

Administrative expenses increased by 1.9% to HK$240.1 million during the six months ended 30 September 2018 (2017: HK$235.6 million).

Profit Attributable to Equity Holders

The Group's profit attributable to equity holders increased 16.2% to HK$239.1 million for the six months ended 30 September 2018 (2017: HK$205.7 million), primarily due to improvement in profit margins and stringent cost control.

Segment Results

Hong Kong segment results increased 10.0% to HK$389.4 million for the six months ended 30 September 2018 (2017: HK$354.1 million), mainly due to improvement in margins and profitability. Mainland China results increased 2.6% to HK$78.3 million (2017: HK$76.4 million) during the same period, mainly due to branch network expansion and extended online-to-offline (O2O) delivery services.

Basic Earnings Per Share

The Group's basic earnings per share increased 16.1% to HK41.20 cents for the six months ended 30 September 2018 (2017: HK35.48 cents).

Interim Dividend

The Board has declared the payment of an interim dividend of HK19 cents per share (2017: HK18 cents) to shareholders for the six months ended 30 September 2018.

BUSINESS ANALYSIS

QSR and Institutional Catering

For the six-month period ended 30 September 2018, the Group's QSR and institutional catering brands maintained their respective leadership positions in the Hong Kong market, contributing 73.0% of the Group's total revenue for the period. During the first half of the fiscal year, revenue from this division decreased slightly to HK$3,066.8 million, representing a contraction of 0.4% compared to the same period last year (2017: HK$3,080.3 million), mainly due to consolidation within the branch network. The Group's QSR and institutional catering business had a total of 292 outlets as of 30 September 2018 (31 March 2018: 298). With manpower costs firmly under control, the division has been able to increase margins – which led to improved profitability during the period under review.

Café de Coral fast food maintained steady performance despite consumer price sensitivity, with same store sales growth of 2% during the six months ended 30 September 2018 – building on the division's refined product and pricing strategy. In line with overarching Group initiatives, internal investments in the business are delivering meaningful returns in the form of improved margins and profitability.

Supporting its long-term commitment to improving the *Customer Journey*, **Café de Coral** fast food revamped its customer service model in May 2018 – which will eventually be rolled out across all outlets. Focusing on creating a "home-like" atmosphere for customers, the Group is emphasising on "Quality, Service and Cleanliness" as the foundations for continual improvement in the customer experience. During the period under review, **Café de Coral** fast food's new customer loyalty programme proved to be highly popular with end users, attracting a significant increase in membership. The business is also applying technology to enhance the customer experience and operational efficiency.

Rationalising **Café de Coral** fast food's branch network for optimum convenience, efficiency and profitability, the business opened one new store during the first half of FY2018/19, ending the period with 164 shops (31 March 2018: 167).

The Group's other QSR brand, **Super Super Congee and Noodles**, recorded same store sales growth of 1% during the six months ended 30 September 2018, and operated 50 shops at the end of the period (31 March 2018: 50). Initiatives centred around menu re-engineering which included the launch of new Chinese dishes to attract families, as well as tactical marketing campaigns to highlight new hero products. A new meal delivery service was launched to improve the customer experience in the dinner segment.

Asia Pacific Catering faced an increasingly competitive market environment. The business had 78 operating units at the end of the first half of FY2018/19 (31 March 2018: 81). Although margins tightened during the period under review, management expects they will improve during the second half of the year as newly signed contracts become operational. **Luncheon Star** maintained its market leadership and broadened its customer base, producing a record-high number of lunchboxes during the period. Capturing market trends, it also launched the industry's first mobile ordering app – improving convenience for consumers.

Casual Dining

By taking a focused approach to addressing fundamentals and business challenges, the casual dining business has improved its performance substantially, making a meaningful contribution to the Group's top and bottom line results. The business achieved revenue of HK$461.9 million during the six months ended 30 September 2018, an increase of 9.5% compared to the same period last year (2017: HK$422.0 million). The division operated 63 shops as of 30 September 2018 (31 March 2018: 68). With a solid platform for future growth as a substantial business on its own, the casual dining division is actively looking for more opportunities to expand its branch network.

After a year of streamlining operations through a shop rationalisation programme, **The Spaghetti House** delivered strong performance as the Group's leading casual dining brand. Menu re-engineering initiatives, seasonal promotions and "Star Chefs" collaborations helped to drive sales and strengthen the brand's positioning in the "family restaurant" sector. **Oliver's Super Sandwiches** achieved positive growth and business momentum through reinforced branding, seasonal promotions and an emphasis on quality ingredients. Both brands engaged customers through popular VIP programmes. As of 30 September 2018, **The Spaghetti House** and **Oliver's Super Sandwiches** operated 8 outlets and 14 outlets, respectively (31 March 2018: 9 and 15 outlets, respectively).

The Group's homegrown casual dining brand, **Shanghai Lao Lao**, continued to generate promising growth and is now an established chain with 13 outlets as of 30 September 2018 (31 March 2018: 14). The brand has benefited from its "Star Chefs" programme to enhance food quality, build awareness and improve the overall customer experience.

Mixian Sense has developed into a sizeable chain with 16 shops as of 30 September 2018 (31 March 2018: 15). Aiming to become a leader in the mixian (rice noodle) market, the brand has further enhanced food quality and ingredients while applying advanced technology such as QR code ordering. These improvements have been warmly received by customers.

The Group continues to fine-tune the business models of its franchised brands, **THE CUP** and **Don Don Tei**, exploring potential for scalability.

Mainland China

Amidst the highly competitive market landscape in Mainland China, the Group increased top line performance by 7.7% to HK$590.7 million during the first half of FY2018/19 (2017: HK$548.3 million). Same store sales growth remained flat during the period under review. Performance was in line with the market, and O2O delivery services continued to be a key contributor towards sales growth.

Capturing market opportunities as they develop, the Group has focused on improving its dining-in experience. During the reporting period, product improvements in the form of enhanced food quality and ingredients have been warmly received by consumers. Strengthening the Group's branding and reputation in Mainland China, we have also rolled out our new sixth generation shop interior designs to enthusiastic response from both customers and landlords. With an emphasis on superior customer service, "Customer Service Ambassadors" are being introduced by phases, and have been fully rolled out to all outlets as of October 2018.

Accelerating branch expansion to develop the Group's network in China, we opened seven new shops during the period under review – including two high profile locations at the Shenzhen and Guangzhou airports – for a total of 98 outlets at 30 September 2018 (31 March 2018: 97). An additional ten shops are scheduled to open during the second half of the fiscal year. Currently, the Group's branch network covers all nine major cities and two Special Administrative Regions in the Greater Bay Area. Network expansion is expected to accelerate even more quickly in FY2019/20 compared to the current year, with particular emphasis on first tier cities within the Greater Bay Area.

KEYS TO SUCCESS

People Development

As of 30 September 2018, the Group had a workforce of 19,297 employees (31 March 2018: 18,940).

The Group's recent investments in our people have begun to deliver returns in terms of improved retention and employee satisfaction. Serving and interacting with our customers every day, our people are the Group's most significant asset. With this in mind, we have always emphasised customer service training and a management-oriented training system.

The quality of our in-house training programmes has been recognised by the Hong Kong Council for Accreditation of Academic and Vocational Qualifications. Further to a Level 3 Qualification Framework (QF) accreditation of one of our training courses in 2017, an additional training programme received Level 3 QF accreditation and two other programmes received Level 4 QF accreditation in 2018. The Group is the first employer in Hong Kong to receive Level 4 QF accreditation. In addition, the Group was presented the Gold Star Employer award by the Education Bureau in May 2018.

The Group reviews internal equity and market benchmarking on pay levels regularly. Remuneration at all staff levels is based on individual experience, qualifications, duties and responsibilities. Qualified employees are entitled to participate in profit sharing bonus and performance incentive programmes, as well as share award and share option schemes.

Brand Building

The Group celebrated its 50th anniversary this year. Our focus on food quality and customer service continues to drive the development of our brand, and our ongoing emphasis on enhancing the *Customer Journey* has led us to build upon the three core principles of "Quality, Service and Cleanliness" – aiming to enhance the overall reputation of our business by driving internal improvements that support the overall customer experience.

We also published a commemorative anniversary book titled "Café de Coral – Hongkonger's Canteen", highlighting our achievements over the past half-century. Featuring stories and recollections from our staff, the book illustrates how the brand grew and evolved alongside Hong Kong over the past five decades – crystallising the Group's unique corporate culture and "Café de Coral Spirit."

Network Expansion

As of 30 September 2018, the Group had a network of 355 stores in Hong Kong and 98 stores in Mainland China. Although retail space became more readily available in Hong Kong during the period under review, competition and rental rates for prime locations have remained high.

Despite this challenge, the Group continues to proactively expand our branch network, subject to the availability of attractive locations. We are fine-tuning our store network and actively negotiating with landlords for premium retail locations in Hong Kong.

The Group has also identified a significant number of potential outlet locations throughout the Greater Bay Area, and we plan to aggressively grow our branch network over the coming two years to further solidify our presence in the Mainland China market.

Supply Chain Management

Continuous enhancement of the Group's Central Food Processing Centre in Hong Kong has driven improvements in efficiency and profit margins. In Mainland China, we have focused on mapping synergies between raw materials and final products – seeking to enhance both purchasing efficiency and utilisation of raw materials, while securing the entire end-to-end supply chain for improved management and cost control.

During the period under review, Café de Coral Group was named a Diamond Enterprise Winner in the 2018 Quality Food Traceability Scheme of GS1 Hong Kong – a testament to our commitment to food safety management.

Sustainability

In recognition of our efforts to grow the business in a sustainable manner, the Group was included in the Hang Seng Corporate Sustainability Benchmark Index for the fourth consecutive year.

Mindful of environmental stewardship in our business operations, we have implemented a number of short- and long-term measures to achieve our sustainability objectives. Aiming to reduce use of disposable plastic cutlery, we have replaced a number of plastic utensils with wood alternatives, and introduced a "No Straws on Friday" campaign to encourage a reduction in the use of disposable straws. We will report our environmental initiatives in greater detail in the Group's annual Sustainability Report.

FINANCIAL REVIEW

Financial Position

The Group's financial position remained healthy during the period under review. As of 30 September 2018, the Group had net cash of approximately HK$596 million, with HK$321 million in available banking facilities. The Group's current ratio as of the same date was 1.1 (31 March 2018: 1.4) and the cash ratio was 0.6 (31 March 2018: 0.9). The Group had no external borrowing (31 March 2018: nil) and a nil gearing ratio (ratio of total borrowing less cash and cash equivalents to total equity) (31 March 2018: nil).

Capital Expenditure and Commitment

During the period under review, the Group's capital expenditure was HK$143 million (2017: HK$232 million). As at 30 September 2018, the Group's outstanding capital commitments were HK$362 million (31 March 2018: HK$480 million).

Contingent Liabilities

As of 30 September 2018, the Company provided guarantees of approximately HK$445 million (31 March 2018: HK$415 million) to financial institutions in connection with banking facilities granted to its subsidiaries. The Group had no charge on assets as of 30 September 2018 (31 March 2018: nil).

Financial Risk Management

With regard to foreign exchange fluctuations, the Group earned revenue and incurred costs and expenses mainly denominated in Hong Kong dollars, while those of our Mainland China business were in Renminbi. Foreign currency exposure did not pose a significant risk for the Group, but we will remain vigilant and closely monitor our exposure to movements in relevant currencies.

OUTLOOK

The overall outlook for the food and beverage industry remains competitive. Although the Hong Kong Government's newly introduced minimum wage requirements will pose a challenge, the Group is confident that we can continue to drive positive growth in performance.

- Prospects for the Hong Kong QSR business remain positive. Leveraging the business' strong foundation and reputation, we are confident the Group will be able to reinvent the business and create greater value for our customers.

- Casual dining will continue to fine-tune operations and actively look for opportunities to grow the business in the context of the Group's multi-brand strategy.

- Although the Mainland China business is expected to face challenges in the form of a tight labour market and uncertainty created by the China-US trade friction, the Group remains confident in its expansion opportunities in the Greater Bay Area – particularly in Guangzhou and Shenzhen – which will support healthy and aggressive growth, and drive future performance.

Building on lessons learned over the past 50 years, the Group is optimistic about its long-term prospects, and its ability to adapt and evolve for continuous, sustainable success.

CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

	Note	Six months ended 30 September 2018 *HK$'000*	2017 *HK$'000*
Revenue	3	**4,198,526**	4,128,135
Cost of sales	5	**(3,683,487)**	(3,638,252)
Gross profit		**515,039**	489,883
Other income and other gains/(losses), net	4	**9,179**	(12,291)
Administrative expenses	5	**(240,089)**	(235,569)
Operating profit		**284,129**	242,023
Finance income	6	**7,835**	6,384
Profit before income tax		**291,964**	248,407
Income tax expense	7	**(52,010)**	(42,355)
Profit for the period		**239,954**	206,052
Profit attributable to:			
Equity holders of the Company		**239,076**	205,657
Non-controlling interests		**878**	395
		239,954	206,052
Earnings per share for profit attributable to the equity holders of the Company during the period			
- Basic earnings per share	8	**HK41.20 cents**	HK35.48 cents
- Diluted earnings per share	8	**HK41.13 cents**	HK35.41 cents
		HK$'000	*HK$'000*
Dividend			
- Interim	9	**111,253**	105,398

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

	Six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
Profit for the period	**239,954**	206,052
Other comprehensive (loss)/income:		
Items that may be reclassified to profit or loss:		
Exchange differences arising from translation of foreign subsidiaries	**(58,498)**	25,152
Fair value loss on available-for-sale financial assets	-	(84,704)
Items that will not be reclassified subsequently to profit or loss:		
Revaluation surplus of property, plant and equipment prior to transferring to investment properties	-	65,287
Fair value loss on financial assets at fair value through other comprehensive income	**(7,144)**	-
Total comprehensive income for the period	**174,312**	211,787
Total comprehensive income for the period attributable to:		
– Equity holders of the Company	**173,434**	211,392
– Non-controlling interests	**878**	395
	174,312	211,787

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)
AS AT 30 SEPTEMBER 2018

	Note	**As at 30 September 2018** ***HK$'000*** **(Unaudited)**	As at 31 March 2018 *HK$'000* (Audited)
ASSETS			
Non-current assets			
Leasehold land and land use rights		**76,252**	79,485
Property, plant and equipment		**1,951,525**	2,020,925
Investment properties		**663,300**	663,300
Intangible assets		**2,098**	4,051
Deferred income tax assets		**26,443**	30,506
Available-for-sale financial assets		**-**	147,978
Financial assets at fair value through other comprehensive income		**140,834**	-
Non-current prepayments and deposits		**294,587**	295,657
		3,155,039	3,241,902
Current assets			
Inventories		**250,549**	234,362
Trade and other receivables	10	**124,949**	191,466
Prepayments and deposits	10	**132,622**	121,198
Current income tax recoverable		**14,964**	3,383
Bank deposits with maturity over three months		**3,028**	22,778
Cash and cash equivalents		**596,318**	801,240
		1,122,430	1,374,427
Total assets		**4,277,469**	4,616,329
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital		**58,554**	58,554
Share premium		**616,811**	616,811
Shares held for share award scheme		**(133,360)**	(145,053)
Other reserves		**528,102**	602,542
Retained earnings			
– Proposed dividends		**111,253**	573,832
– Others		**1,995,266**	1,862,995
		3,176,626	3,569,681
Non-controlling interests		**4,115**	3,819
Total equity		**3,180,741**	3,573,500

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED) (CONTINUED)
AS AT 30 SEPTEMBER 2018

	Note	**As at 30 September 2018** ***HK$'000*** **(Unaudited)**	As at 31 March 2018 *HK$'000* (Audited)
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		**35,132**	33,520
Provision for long service payments		**33,760**	34,990
Retirement benefit liabilities		**20,124**	18,747
		89,016	87,257
Current liabilities			
Trade payables	11	**230,103**	207,478
Other creditors and accrued liabilities		**727,545**	706,965
Current income tax liabilities		**50,064**	41,129
		1,007,712	955,572
Total liabilities		**1,096,728**	1,042,829
Total equity and liabilities		**4,277,469**	4,616,329

Notes:

1 Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 September 2018 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 2018, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 March 2018, as described in those annual financial statements.

The following new and amendment to standards and interpretation have been adopted by the Group for the first time for the financial year beginning 1 April 2018:

- Amendments to HKFRS 1 and HKAS 28, "Annual improvements 2014–2016 cycle"
- Amendments to HKFRS 2, "Classification and measurement of share-based payment transactions"
- Amendments to HKFRS 4, "Applying HKFRS 9 Financial instruments with HKFRS 4 Insurance contracts"
- HKFRS 9, "Financial instruments"
- HKFRS 15, "Revenue from contracts with customers"
- Amendments to HKFRS 15, "Clarifications to HKFRS 15"
- Amendments to HKAS 40, "Transfers of investment property"
- HK(IFRIC)-Int 22, "Foreign currency transactions and advance consideration"

The impact of the adoption of HKFRS 9, "Financial instruments" and HKFRS 15, "Revenue from contracts with customers" are disclosed in "Changes in accounting policies" section below.

Apart from aforementioned HKFRS 9 and HKFRS 15, there are no other amendments to standards and interpretation that are effective for the first time for this interim period that could be expected to have a material impact on the Group.

Changes in accounting policies

The following explains the impact of the adoption of HKFRS 9 "Financial instruments" and HKFRS 15 "Revenue from contracts with customers" on the Group's condensed consolidated interim financial information and also discloses the new accounting policies that have been applied from 1 April 2018, where they are different to those applied in prior periods.

(a) Impact on condensed consolidated interim financial information

The Group elects to adopt HKFRS 9 and HKFRS 15 without restating comparatives. The classification and the adjustments arising from the adoption of HKFRS 9 and HKFRS 15 are therefore not reflected in the consolidated statement of financial position as at 31 March 2018, but are recognised in the opening of the condensed consolidated interim statement of financial position on 1 April 2018.

1 Basis of preparation (Continued)

Changes in accounting policies (Continued)

(b) HKFRS 9 "Financial instruments" – Impact on adoption

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of HKFRS 9 "Financial instruments" from 1 April 2018 resulted in changes in accounting policies.

(i) Classification and measurement

On 1 April 2018 (the date of initial application of HKFRS 9), the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate HKFRS 9 categories. The Group elected to present changes in the fair value of all its previously classified as available-for-sale financial assets ("AFS") in other comprehensive income. As a result, AFS with aggregated fair value of HK$147,978,000 and AFS fair value reserve of HK$47,595,000 were reclassified to financial assets at fair value through other comprehensive income ("FVOCI") and FVOCI fair value reserve, respectively on 1 April 2018. Other classes of financial assets and financial liabilities had the same carrying amounts in accordance with HKAS 39 and HKFRS 9 on 1 April 2018, and there is no change in the measurement categories of each material class of financial assets and liabilities.

(ii) Impairment of financial assets

The Group's significant financial assets which are subject to the new expected credit loss model include cash and cash equivalents, bank deposits with original maturities over 3 months, trade and other receivables. The Group was required to revise its impairment methodologies under HKFRS 9 for these classes of financial assets.

The Group applies the HKFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for trade receivables based on credit risk characteristics and the days past due. For other financial assets, expected credit losses are assessed according to change in credit quality since initial recognition. Financial assets are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group.

The Group has assessed the expected credit loss model applied as at 1 April 2018 and the change in impairment methodologies has no significant impact to the Group's allowance for impairment as at 1 April 2018.

1 Basis of preparation (Continued)

Changes in accounting policies (Continued)

(c) HKFRS 15 "Revenue from contracts with customers" – Impact of adoption

The Group has adopted HKFRS 15 "Revenue from contracts with customers" from 1 April 2018 which resulted in changes in accounting policies and adjustments to the amounts recognised in the condensed consolidated interim financial information. As such, receipt in advance from customers which was previously included in other creditors and accrued liabilities, amounting to HK$31,901,000 as at 1 April 2018, are now recognised as contract liabilities (as included in other creditors and accrued liabilities) to reflect the terminology of HKFRS 15. Except for the above, the directors consider the adoption of HKFRS 15 does not have a material impact to the opening balance of equity as at 1 April 2018.

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 *HK$'000* **(Unaudited)**	**Mainland China** *HK$'000* **(Unaudited)**	**Group** *HK$'000* **(Unaudited)**
Six months ended 30 September 2018			
Total segment revenue	**3,609,494**	**652,770**	**4,262,264**
Inter-segment revenue *(Note i)*	**(1,651)**	**(62,087)**	**(63,738)**
Revenue (from external revenue) *(Note ii)*	**3,607,843**	**590,683**	**4,198,526**
Segment results *(Note iii)*	**389,409**	**78,318**	**467,727**
Depreciation and amortisation	**(158,548)**	**(25,050)**	**(183,598)**
Finance income	**5,639**	**2,196**	**7,835**
Income tax expense	**(40,763)**	**(11,247)**	**(52,010)**

2 SEGMENT INFORMATION (Continued)

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

	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)

(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 2018 and 2017, 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	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Segment results	**467,727**	430,437
Depreciation and amortisation	**(183,598)**	(167,866)
Impairment loss of property, plant and equipment	**-**	(20,548)
Operating profit	**284,129**	242,023
Finance income	**7,835**	6,384
Profit before income tax	**291,964**	248,407

2 SEGMENT INFORMATION (Continued)

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

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

	Hong Kong *HK$'000* (Unaudited)	Mainland China *HK$'000* (Unaudited)	Group *HK$'000* (Unaudited)
As at 30 September 2018			
Segment assets	**3,486,741**	**608,487**	**4,095,228**
Segment assets include:			
Additions to non-current assets (other than financial instruments and deferred income tax assets)	**155,909**	**57,777**	**213,686**

	Hong Kong *HK$'000* (Audited)	Mainland China *HK$'000* (Audited)	Group *HK$'000* (Audited)
As at 31 March 2018			
Segment assets	3,541,137	893,325	4,434,462
Segment assets include:			
Additions to non-current assets (other than financial instruments and deferred income tax assets)	440,887	82,083	522,970

As at 30 September 2018, the Group's non-current assets (other than financial instruments and deferred income tax assets) that are located in Hong Kong and the Mainland China amounted to HK$2,646,845,000 (As at 31 March 2018: HK$2,713,049,000) and HK$340,917,000 (As at 31 March 2018: HK$350,369,000) respectively.

	30 September 2018 ***HK$'000*** **(Unaudited)**	31 March 2018 *HK$'000* (Audited)
Total segment assets	**4,095,228**	4,434,462
Deferred income tax assets	**26,443**	30,506
Available-for-sale financial assets	**-**	147,978
Financial assets at fair value through other comprehensive income	**140,834**	-
Current income tax recoverable	**14,964**	3,383
Total assets	**4,277,469**	4,616,329

3 REVENUE

	Six months ended 30 September 2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Sales of food and beverages	**4,157,407**	4,088,693
Rental income	**24,851**	23,245
Management and service fee income	**3,608**	5,569
Sundry income	**12,660**	10,628
	4,198,526	4,128,135

4 OTHER INCOME AND OTHER GAINS/(LOSSES), NET

	Six months ended 30 September 2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Government subsidy	**208**	1,453
Dividend income from listed equity investments	**11,736**	15,818
Loss on disposal of property, plant and equipment	**(2,765)**	(9,014)
Impairment loss of property, plant and equipment	**-**	(20,548)
	9,179	(12,291)

5 EXPENSES BY NATURE

Expenses included in cost of sales and administrative expense are analysed as follow:

	Six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Cost of raw materials and packing	**1,154,091**	1,177,643
Amortisation of leasehold land and land use rights	**1,483**	1,478
Amortisation of intangible assets	**304**	371
Depreciation of property, plant and equipment	**181,811**	166,017
Operating lease rentals in respect of rented premises (including contingent rentals of HK$23,319,000 (2017: HK$27,541,000))	**509,372**	506,119
Exchange (gains)/losses, net	**(3,473)**	235
Employee benefit expense (excluding share-based compensation expenses)	**1,328,391**	1,296,906
Share-based compensation expenses	**13,246**	17,446
Auditor's remuneration	**2,052**	2,102
Electricity, water and gas	**202,451**	199,398
Advertising	**52,960**	48,443
Provision for impairment on trade receivables	**30**	165
Sanitation	**57,808**	55,217
Repairs & maintenance	**43,398**	41,849
Other expenses	**379,652**	360,432
	3,923,576	3,873,821
Representing:		
Cost of sales	**3,683,487**	3,638,252
Administrative expenses	**240,089**	235,569
	3,923,576	3,873,821

6 FINANCE INCOME

	Six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Interest income	**7,835**	6,384

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% (2017: 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	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Current income tax:		
– Hong Kong profits tax	**34,946**	36,099
– Mainland China taxation	**13,376**	11,318
Deferred income tax relating to the origination and reversal of temporary differences	**5,517**	(5,062)
Over-provision in prior years	**(1,829)**	-
	52,010	42,355

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	
	2018	2017
	(Unaudited)	(Unaudited)
Profit attributable to equity holders of the Company *(HK$'000)*	**239,076**	205,657
Weighted average number of ordinary shares in issue *('000)*	**580,309**	579,627
Basic earnings per share *(HK cents per share)*	**HK41.20 cents**	HK35.48 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	
	2018	2017
	(Unaudited)	(Unaudited)
Profit attributable to equity holders of the Company *(HK$'000)*	**239,076**	205,657
Weighted average number of ordinary shares in issue *('000)*	**580,309**	579,627
Adjustment for Share Award Scheme *('000)*	**1,006**	1,082
Adjustment for share options *('000)*	**-**	77
	581,315	580,786
Diluted earnings per share *(HK cents per share)*	**HK41.13 cents**	HK35.41 cents

9 DIVIDEND

	Six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Dividend declared		
– Interim dividend, HK19 cents (2017: HK18 cents) per ordinary share	**111,253**	105,398

The interim dividend was declared on 26 November 2018. This condensed consolidated interim financial information does not reflect this dividend payable.

10 TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	30 September 2018	31 March 2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Trade receivables	**62,208**	66,306
Less: provision for impairment on trade receivables	**(1,075)**	(1,045)
Trade receivables – net *(Note a)*	**61,133**	65,261
Other receivables *(Note b)*	**63,816**	126,205
	124,949	191,466
Prepayments and deposits	**132,622**	121,198
	257,571	312,664

(a) 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 the Group's institutional catering services, sale of merchandise for the Group's food manufacturing business and its franchisees.

(b) Other receivables mainly comprise value-added tax recoverable and other receivables from a security logistic company. As at 31 March 2018, other receivables also included certain guaranteed deposit notes with a bank in the People's Republic of China amounting to HK$34,956,000 which were with maturities of 1.5 months at fixed interest rate of 3.2% per annum and were denominated in Renminbi. The guaranteed deposit notes were matured during the six months ended 30 September 2018.

10 TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS (Continued)

The ageing analysis of trade receivables is as follows:

	30 September 2018 *HK$'000* **(Unaudited)**	31 March 2018 *HK$'000* (Audited)
0 – 30 days	**42,034**	43,600
31 – 60 days	**10,857**	11,529
61 – 90 days	**2,319**	7,052
91 – 365 days	**5,560**	3,183
Over 365 days	**1,438**	942
	62,208	66,306

11 TRADE PAYABLES

The ageing analysis of trade payables is as follows:

	30 September 2018 *HK$'000* **(Unaudited)**	31 March 2018 *HK$'000* (Audited)
0 – 30 days	**222,896**	199,337
31 – 60 days	**4,760**	7,118
61 – 90 days	**1,605**	153
Over 90 days	**842**	870
	230,103	207,478

INTERIM DIVIDEND

The Board has declared the payment of an interim dividend of HK19 cents per share (2017: HK18 cents) in respect of the six months ended 30 September 2018 payable on 27 December 2018 to shareholders whose names appear on the Register of Members of the Company on 14 December 2018.

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 14 December 2018 (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 13 December 2018 (Thursday).

CORPORATE GOVERNANCE

The corporate governance principles and practices adopted by the Group during the six months ended 30 September 2018 were in line with the corporate governance statements set out in the Corporate Governance Report in the Company's Annual Report 2017/18. During the six months ended 30 September 2018, 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 and a non-executive director 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 2018.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 September 2018, neither the Company nor any of its subsidiaries 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 570,224 shares of the Company at a total consideration of about HK$10.8 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, 26 November 2018

As at the date of this announcement, the Board comprises Mr Lo Hoi Kwong, Sunny (Chairman), 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), Ms Lo Pik Ling, Anita and Mr Lo Ming Shing, Ian as executive directors.