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 2020

HIGHLIGHTS

- **The Group's business and operations during the first half of FY2020/21 were severely affected by the unprecedented COVID-19 pandemic. Revenue for the period decreased by 24.3% to HK$3,225.7 million as compared to the same period last year. Profit attributable to shareholders slightly increased by 8.4% to HK$162.3 million during the period.**

- **The Group received subsidies of HK$322.5 million under the Employment Support Scheme ("ESS") of the Hong Kong Government. All ESS subsidies, which accounted for approximately 31.6% of the Group's staff cost in Hong Kong during the period, were used for paying salaries and wages to our employees.**

- **Amidst the worst business contraction that the Group has ever experienced, we seized the opportunity to invest in future growth by launching a series of long-term business and operation enhancement initiatives on product development, marketing campaigns and staff training – implemented in view of the breathing space made available by government subsidies. We also conducted a few rounds of staff recruitment in order to build and equip the team for business and operations under the "new normal" during and after the pandemic.**

- **The Group's business and operations in Mainland China had begun to recover to pre-pandemic levels by the end of the reporting period. We will expedite our network expansion in the Greater Bay Area during the latter half of the financial year.**

- **An interim dividend of HK10 cents was declared for the six months ended 30 September 2020 (2019: HK19 cents).**

* *For identification purposes only*

MANAGEMENT DISCUSSION AND ANALYSIS

INTRODUCTION AND HIGHLIGHTS

The unprecedented COVID-19 pandemic and related social distancing measures significantly impacted the Group's business and operations during the six months ended 30 September 2020.

After recording a deficit at the end of FY2019/20, the Group began FY2020/21 with the full impact of the COVID-19 pandemic in our home market. Despite the significant business impact we faced, we introduced voluntary measures in late March to early April to protect customers and staff by restricting dine-in services after 6:30 p.m. – which substantially affected the Group's results in the first quarter of the financial year.

After the initial wave of the COVID-19 outbreak subsided in Hong Kong, the Group was able to recover our business and operations. However, subsequent waves of infections saw increasingly tighter government-imposed restrictions, including limiting tables to two diners, and a reduction of 50% of dine-in capacity. We also experienced whole-day bans on dine-in services for a short period of time, in compliance with government requirements. Implementing these rapidly changing measures in Hong Kong has been testing to our business. Social distancing restrictions remained in place as of 30 September 2020.

Dampened consumer sentiment and restrictions on in-restaurant dining led to a 24.3% decrease in revenue during the first half of FY2020/21 to HK$3,225.7 million compared to the same period last year. The Group's profit attributable to shareholders slightly increased by 8.4% to HK$162.3 million.

During the period, the Group received pandemic relief and subsidies from the Hong Kong and PRC governments totalling HK$338.9 million, which include subsidies of HK$322.5 million under the Employment Support Scheme ("ESS") and other subsidies of HK$7.9 million under the Anti-epidemic Fund of the Hong Kong Government. All ESS subsidies, which accounted for approximately 31.6% of the Group's staff cost in Hong Kong during the period, were used for paying salaries and wages to our employees.

Amidst the worst business contraction that the Group has ever experienced, we seized the opportunity to invest in future growth by launching a series of long-term business and operation enhancement initiatives such as product development leveraging on hero dishes, marketing campaigns focusing on value and convenience, and staff training emphasising new hygiene and service measures – implemented in view of the breathing space made available by government subsidies.

We also conducted a few rounds of staff recruitment in order to build and equip the team for business and operations under the "new normal" during and after the pandemic.

Further, the Group put in place different measures to minimise the impact as well as to reduce cost, and especially rental expenses, by liaising with landlords for rental concessions.

From being caught unprepared to now having faced a few waves of COVID-19 in Hong Kong, the Group has quickly learned to adapt to the rhythm of business which has become the "new normal", and shifted our strategy and operations to ensure effective business continuity and evolution. Although the first six months of FY2020/21 were extremely challenging, the Group has taken significant steps to manage the situation and minimise impact on long-term performance.

Our business and operations in the Mainland China market fared better than Hong Kong during the pandemic. The Central Government moved quickly to implement strict distancing measures in early February, which closed one-third of our stores. The Group responded by vigorously shifting focus to takeaway and Online-to-Offline (O2O) orders. With the pandemic situation largely under control, the Government has relaxed social distancing measures. By the end of the period under review, the Group experienced a V-shaped rebound in its Mainland China business, returning to pre-pandemic levels.

The Group wishes to express its appreciation for the government subsidies and other consumer support measures in Mainland China, as well as support from our stakeholders, which have helped to offset some of the revenue impact during these challenging times.

RESULTS OVERVIEW

Revenue

For the six months ended 30 September 2020, the Group recorded revenue of HK$3,225.7 million, 24.3% decrease as compared to HK$4,263.8 million in 2019. Revenue by business division is set out below:

	Six months ended 30 September		
	2020	**2019**	**Change**
	HK$'m	*HK$'m*	*%*
Hong Kong			
Quick Service Restaurant and Institutional Catering	**2,297.0**	3,133.4	**(26.7)**
Casual Dining	**306.9**	442.8	**(30.7)**
Others*	**65.9**	75.7	**(13.0)**
Subtotal	**2,669.8**	3,651.9	**(26.9)**
Mainland China	**555.9**	611.9	**(9.1)**
Group	**3,225.7**	4,263.8	**(24.3)**

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

Gross Profit Margin

Gross profit margin decreased to 4.3% for the six months ended 30 September 2020 (2019: 11.7%), primarily due to weak market sentiment and social distancing measures amidst the COVID-19 pandemic.

Administrative Expenses

Administrative expenses decreased by 12.4% to HK$227.6 million during the six months ended 30 September 2020 (2019: HK$259.9 million) due to stringent cost control.

Key Costs

The breakdown of major expenses is set out below:

	Six months ended 30 September			
	2020		**2019**	
	HK$'m	***% of revenue***	*HK$'m*	*% of revenue*
Cost of raw materials and packing	**960.9**	**29.8**	1,188.6	27.9
Staff cost	**1,146.0**	**35.5**	1,389.6	32.6
Rental costs*	**431.1**	**13.4**	531.1	12.5

* *Includes rental related depreciation in right-of-use assets and finance cost of lease liabilities and rental costs of short-term lease and low-value leases and turnover rent and gain on modification of leases*

Other Income and Other Losses, Net

Other income and other losses, net increased to HK$315.0 million (2019: net losses of HK$3.7 million), due to subsidies totalling HK$338.9 million granted by the Hong Kong Government under the Anti-epidemic Fund and the PRC Government (2019: HK$0.7 million), netting off against an impairment loss of right-of-use assets of HK$18.0 million (2019: nil).

Income Tax Expense

Income tax expense decreased by 46.5% to HK$20.2 million (2019: HK$37.7 million).

Profit Attributable to Equity Holders

The Group's profit attributable to equity holders increased by 8.4% to HK$162.3 million for the six months ended 30 September 2020 (2019: HK$149.7 million), attributable to government monetary relief of HK$338.9 million.

Segment Results

Hong Kong segment results increased by 2.9% to HK$306.8 million for the six months ended 30 September 2020 (2019: HK$298.2 million) and Mainland China results increased by 2.9% to HK$75.9 million (2019: HK$73.7 million) during the same period, attributable to government monetary relief.

Basic Earnings Per Share

The Group's basic earnings per share increased by 8.5% to HK28.0 cents for the six months ended 30 September 2020 (2019: HK25.8 cents).

Interim Dividend

The Board has declared payment of an interim dividend of HK10 cents per share to shareholders for the six months ended 30 September 2020 (2019: HK19 cents).

BUSINESS CONTINUITY TO BUSINESS EVOLUTION

Over 50 years, the Group's business has evolved to work in synergy across a broad retail platform, addressing a wide target audience by catering to the needs of three distinct market segments.

In Hong Kong, the Quick Service Restaurant (QSR) business is the main contributor to the Group's revenue – serving the mass market with value-focused, quick dining options. Building on its infrastructure and logistics, our Institutional Catering division is by far the market leader in Hong Kong – preferred as a long-term strategic partner by educational, medical and other institutions. The Casual Dining sector plays a meaningful presence in the Group's business profile by serving the more leisure-oriented dining segment, and also functions as a testing environment for new business and operational initiatives. The Group's well-established Hong Kong operations provide steady and stable cash flow, which have fuelled the organic expansion of the Group's business throughout the Greater Bay Area.

Since the beginning of 2020, the coronavirus outbreak around the world has been forcing a reshuffle of the way people live, and the way we conduct and operate our businesses. The impact of the COVID-19 pandemic on the food and beverage industry has been swift and severe. The sector has been faced with the twin challenges of a sudden, widespread and dramatic change in consumer behaviour, coupled with strict government-imposed social distancing measures that directly impacted revenue, creating an unprecedentedly difficult business environment.

However, one of the keys to the Group's success over the years has been its agility in the face of challenging markets. In response to the pandemic, we took immediate action to adjust business strategies and operational models to adapt to changing social distancing regulations and shifting consumer preferences. In addition to introducing hygiene measures beyond those required by the government, the Group shifted business focus to takeaway and delivery services. We have adjusted our approach to manpower deployment to facilitate large quantities of takeaway business, and also stepped up new technology to enhance productivity and improve customer experience, while minimising contact between staff and customers.

At the same time, the Group has taken stringent cost control measures on operations, while negotiating rental concessions and more favourable leasing terms. Menu re-engineering and simplification have also allowed the Group to maintain food costs while passing on benefits to consumers. During these uncertain times, we are cautiously managing working capital to ensure healthy cash flow for the Group's day-to-day operations and longer-term growth.

Although initially caught off-guard by the pandemic, the Group has quickly regained its footing and adapted its strategies and operations to thrive under this new business paradigm. While the fluid situation in Hong Kong still requires a certain amount of flexibility, the V-shaped recovery of our Mainland China operations fuels strong confidence in the Group's collective experience and its ability to evolve in the "new normal".

As always, our people remain the backbone of our daily operations, and the Group wishes to thank all of our staff for their hard work and dedication during these challenging times – and especially all of our front-line and institutional team members who have braved the pandemic to keep our communities fed and our businesses running.

BUSINESS REVIEW

Hong Kong Operations

QSR and Institutional Catering
During the six-month period ended 30 September 2020, revenue from the QSR and Institutional Catering division decreased by 26.7% to HK$2,297.0 million (2019: HK$3,133.4 million). The businesses contributed 71.2% of the Group's total revenue for the reporting period, operating 285 total shops at 30 September 2020 (31 March 2020: 294).

Café de Coral fast food and **Super Super Congee & Noodles** experienced negative same store sales growth of 21% and 20%, respectively. During the period, **Café de Coral** fast food opened 2 new shops and ended the period with 159 shops (31 March 2020: 162). **Super Super Congee & Noodles** operated 42 shops as of period end (31 March 2020: 45).

Strict social distancing regulations and changing consumer behaviours pushed the QSR business to be more agile in developing proactive strategies to maintain revenue and market share. Shifting our marketing focus to promote takeaway and delivery services, menus were redesigned to meet changing consumer demand – including express takeaway menus at lunch and dinner, and new dinner takeaway promotions targeting individuals and families, such as our "$100 for 3 dishes" value meal. Value focused promotions, such as our "Thanksgiving" $300 coupon campaign and weekly lunch special campaign helped to drive purchases by cost-conscious consumers; and breakfast and baked rice campaigns proved to be popular with diners. We also partnered with third party food delivery platform foodpanda to tap into the delivery market with a free delivery promotion; and large-scale joint promotions with Octopus to promote electronic payment have yielded positive response.

In addition to enhanced VIP and loyalty club offerings which significantly increased membership enrolment and helped to deepen customer relationships, we have also introduced new technology such as ordering kiosks and mobile pre-ordering apps – providing greater convenience to consumers while minimising contact in line with social distancing regulations. Internally, we have adjusted our manpower allocation to allow more flexibility meeting takeaway demand for lunch and dinner, while placing additional emphasis on training regarding takeaway packing procedures and order fulfilment time, as well as upgraded hygiene measures throughout our network. Our service ambassador programme also focused on enhancing all aspects of customer service.

While the Group has taken firm control of costs by negotiating rental concessions and more favourable leasing terms, we have yet to see a structural shift in rental rates across the Hong Kong market. As such, rental concessions are providing current short-term relief – however the longer-term market trend remains to be seen.

The performance of the Group's Institutional Catering businesses, **Asia Pacific Catering** and **Luncheon Star**, was severely impacted by the pandemic as all schools and universities were closed, and hospitals suspended dining services for visitors. Business from the aviation and cargo industries was also impacted by restrictions on global air travel. The business has been obtaining client support to reduce operating expenses, and is actively exploring additional sales channels such as takeaway lunch boxes for office workers. **Asia Pacific Catering** ended the period under review with 84 operating units (31 March 2020: 87).

Although the division is currently facing unprecedented challenges, the Group remains committed to our Institutional Catering business over the long-term. We remain confident that as the market leaders in their respective segments, both **Asia Pacific Catering** and **Luncheon Star** will return to business growth once the pandemic is under control.

Casual Dining

The business was significantly disturbed by the loss of traffic due to the pandemic and associated social distancing measures. Revenue from the Casual Dining business decreased by 30.7% to HK$306.9 million (2019: HK$442.8 million).

Proactively implementing immediate measures to recover sales across brands, the business revamped its takeaway menu to attract consumers with novel, value-focused choices. Special VIP offers and seasonal value sets helped to drive traffic for takeaway and self-pick-up orders. A new "Grab and Go" range was introduced to meet growing demand for healthier choices in the fast-casual segment.

Working in closer collaboration with third party food delivery service providers, the Casual Dining brands partnered with Deliveroo to introduce exclusive premieres of new dishes. The business also capitalised on QR code ordering and other pre-ordering apps, which proved highly popular with consumers in facilitating takeaway and delivery orders.

The division operated 60 shops at the end of the period under review (31 March 2020: 62). **Shanghai Lao Lao** and **Mixian Sense** operated 13 and 19 shops as of 30 September 2020, respectively (31 March 2020: 13 and 20 shops, respectively). **The Spaghetti House** opened 1 new shop during the period and operated 8 shops at the end of the period (31 March 2020: 8). With 2 shops stores opened during the reporting period, **Oliver's Super Sandwiches** operated 17 shops as of period end (31 March 2020: 16).

Mainland China Operations

Revenue from Mainland China decreased by 9.1% to HK$555.9 million (2019: HK$611.9 million). The South China fast food business experienced a 6.6% decrease in revenue to RMB482.1 million, with negative same store sales growth of 11%.

Although nearly one-third of stores were temporarily closed in February by social distancing measures, the Group's business in Mainland China responded swiftly by refocusing on takeaway and O2O ordering. We focused on core product promotions and service training, while maintaining staff and customer safety as a top priority. We are investing in advanced technology for efficiency and healthy work and dining environments, while adjusting our menus to emphasise takeaway and O2O options in line with consumer preferences.

The Group's business benefitted from its balanced branch network. Although outlets in shopping malls, airports and transportation hubs were seriously impacted by social distancing measures and travel restrictions, the majority of shops located in community districts fared better as consumers stayed nearby their homes.

Government consumption coupons helped to stimulate consumer spending, especially in second and third tier cities; while rental concessions and other government subsidies also supported our profitability during the period under review.

Having experienced a largely V-shaped recovery, the Group's Mainland China business returned to pre-pandemic levels by the end of the period under review. Seizing this opportunity, the Group is accelerating investment in the Mainland market. Proactively seeking network penetration in prime locations, the Group will continue to build long-term relationships with landlords and developers to expand our retail network throughout the Greater Bay Area.

The Group operated 115 shops in Mainland China at the end of the period under review (31 March 2020: 114), with 5 new shops opened during the period. Although network expansion was hindered by the pandemic during the first half of the year, we have now picked up the pace of growth and aim to open more than 10 new shops by the end of the year.

FINANCIAL REVIEW

Financial Position

The Group's financial position remained healthy during the period under review. As of 30 September 2020, the Group had cash of approximately HK$1,200.4 million, with HK$1,289.1 million in available banking facilities. The Group's current ratio as of the same date was 1.1 (31 March 2020: 0.5) and the cash ratio was 0.7 (31 March 2020: 0.2). The Group had external borrowing of HK$679.3 million (31 March 2020: nil) and nil gearing ratio (ratio of total borrowing less cash and cash equivalents to total equity) (31 March 2020: nil).

Capital Expenditure and Commitment

During the period under review, the Group's capital expenditure (excluding right-of-use assets) was HK$131.2 million (2019: HK$275 million). As at 30 September 2020, the Group's outstanding capital commitments were HK$331 million (31 March 2020: HK$449 million).

Contingent Liabilities

As of 30 September 2020, the Company provided guarantees of approximately HK$2,125 million (31 March 2020: HK$945 million) to financial institutions in connection with banking facilities granted to its subsidiaries. The Group had no charge on assets as of 30 September 2020 (31 March 2020: 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 businesses 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.

HUMAN RESOURCES

As of 30 September 2020, the Group had a workforce of 19,788 employees (31 March 2020: 18,832).

Effective leadership and talent development are critical to the Group's ongoing success. Training continued to focus on developing staff through initiatives including the Continuous Leadership Development programme, customer service and product quality training – with a particular focus on enhanced safety and hygiene measures to combat the pandemic.

The Group reviews internal equity and market benchmarking on pay level 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.

OUTLOOK

As of the publication of this report, the COVID-19 situation in Hong Kong and around the world remains uncertain, and the outlook for the catering sector is largely dependent on whether the pandemic can be controlled in an effective manner. Although we hope the worst is behind us, the Group remains cautiously optimistic in a more stable market environment going forward. After regaining our footing in the “new normal”, we have adapted our strategies and operations, and are actively taking advantage of our position as a market leader to protect revenue and market share in a rapidly changing business environment.

At present, consumer sentiment is still relatively cost conscious and value-focused, which provides a certain degree of top-line protection for the Group’s QSR and fast casual divisions. To capitalise on changing consumer preferences, we are emphasising speed, takeaway/delivery services and value-focused promotions; and exploring other opportunities for growth. The Group is also actively investing in long-term improvements to the digital customer experience. As catering is a labour-intensive industry, the Group is exploring new applications of technology to improve manpower efficiency. We shall continue to closely monitor the business environment and take other proactive steps to maintain our market leader position in the “new normal”.

Having experienced a V-shaped rebound in the catering industry, the outlook for the Mainland China market is more optimistic – although the strained Sino-US trade relationship continues to create economic uncertainty. However, the Group is well positioned to benefit from government policies to drive domestic consumption.

As the Group already enjoys a strong leadership position in Hong Kong, the ability to consistently add value in a relatively mature market is a challenge. Despite this, the Group remains highly dedicated to our home market and will aggressively pursue meaningful growth in Mainland China – paving the way for the Group’s long-term sustainable growth.

CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020

	Note	Six months ended 30 September 2020	2019
		HK$'000	*HK$'000*
Revenue	3	**3,225,653**	4,263,787
Cost of sales	5	**(3,087,253)**	(3,764,914)
Gross profit		**138,400**	498,873
Other income and other losses, net	4	**314,976**	(3,619)
Administrative expenses	5	**(227,620)**	(259,878)
Operating profit		**225,756**	235,376
Finance costs, net	6	**(42,751)**	(47,321)
Profit before income tax		**183,005**	188,055
Income tax expense	7	**(20,187)**	(37,711)
Profit for the period		**162,818**	150,344
Profit attributable to:			
Equity holders of the Company		**162,286**	149,741
Non-controlling interests		**532**	603
		162,818	150,344
Earnings per share for profit attributable to the equity holders of the Company during the period			
- Basic earnings per share	8	**HK28.0 cents**	HK25.8 cents
- Diluted earnings per share	8	**HK27.9 cents**	HK25.8 cents
		HK$'000	*HK$'000*
Dividend			
- Interim	9	**58,570**	111,284

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020

	Six months ended 30 September	
	2020	2019
	HK$'000	*HK$'000*
Profit for the period	**162,818**	150,344
Other comprehensive income/(loss):		
Item that may be reclassified to profit or loss:		
Exchange differences arising from translation of foreign subsidiaries	**15,881**	(24,110)
Item that will not be reclassified subsequently to profit or loss:		
Fair value loss on financial assets at fair value through other comprehensive income	**(9,184)**	(18,370)
Total comprehensive income for the period	**169,515**	107,864
Total comprehensive income for the period attributable to:		
– Equity holders of the Company	**168,983**	107,261
– Non-controlling interests	**532**	603
	169,515	107,864

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)
AS AT 30 SEPTEMBER 2020

	Note	**As at 30 September 2020** ***HK$'000*** **(Unaudited)**	As at 31 March 2020 *HK$'000* (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		**1,565,399**	1,608,831
Investment properties		**585,600**	585,600
Right-of-use assets		**2,257,104**	2,705,239
Intangible assets		**1,247**	1,421
Deferred income tax assets		**66,187**	66,294
Financial assets at fair value through other comprehensive income		**91,849**	101,033
Non-current prepayments and deposits		**264,916**	277,820
		4,832,302	5,346,238
Current assets			
Inventories		**275,346**	260,626
Trade and other receivables	10	**170,905**	166,518
Prepayments and deposits	10	**59,361**	60,920
Current income tax recoverable		**72,352**	39,743
Bank deposits with maturity over three months		**32,396**	1,641
Cash and cash equivalents		**1,200,397**	345,072
		1,810,757	874,520
Total assets		**6,643,059**	6,220,758
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital		**58,570**	58,570
Share premium		**621,122**	621,122
Shares held for share award scheme		**(139,522)**	(146,021)
Other reserves		**470,631**	468,520
Retained earnings			
– Proposed dividends		**58,570**	-
– Others		**1,759,496**	1,664,542
		2,828,867	2,666,733
Non-controlling interests		**5,111**	4,579
Total equity		**2,833,978**	2,671,312

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED) (CONTINUED)
AS AT 30 SEPTEMBER 2020

	Note	**As at 30 September 2020** *HK$'000* **(Unaudited)**	As at 31 March 2020 *HK$'000* (Audited)
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		**32,479**	29,410
Provision for long service payments		**44,805**	48,778
Retirement benefit liabilities		**11,200**	10,346
Lease liabilities		**1,477,442**	1,845,279
Bank loans		**599,306**	-
		2,165,232	1,933,813
Current liabilities			
Trade payables	11	**194,879**	172,161
Other creditors and accrued liabilities		**649,947**	675,200
Current income tax liabilities		**17,717**	13,487
Lease liabilities		**701,306**	754,785
Bank loans		**80,000**	-
		1,643,849	1,615,633
Total liabilities		**3,809,081**	3,549,446
Total equity and liabilities		**6,643,059**	6,220,758
Net current assets/(liabilities)		**166,908**	(741,113)
Total assets less current liabilities		**4,999,210**	4,605,125

Notes:

1 Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 September 2020 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 ("HKICPA").

The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 March 2020, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 March 2020, as described in those annual financial statements except for the adoption of the following amended HKFRSs, HKASs and framework.

(i) Accounting policy adopted for government grants is as follows:

Grants from the government are recognised at their fair values where there is a reasonable assurance that the grant will be received and the Group will comply with all the attached conditions.

Income grants are presented as other income in the condensed consolidated income statement.

(ii) The following amendments to standards and framework have been adopted by the Group for the first time for the financial year beginning on 1 April 2020:

- Amendments to HKFRS 3 "Definition of a business"
- Amendments to HKAS 1 and HKAS 8 "Definition of material"
- Amendments to HKAS 39, HKFRS 7 and HKFRS 9 "Interest rate benchmark reform"
- Conceptual framework for financial reporting 2018

The adoption of these amendments to standards and framework does not have any significant impact on the results and the financial position of the Group.

1 Basis of preparation (Continued)

(iii) The following new and amendments to standards and annual improvements have been issued but are not yet effective for the financial year beginning on 1 April 2020 and have not been early adopted:

		Effective for annual periods beginning on or after
Amendments to HKFRS 16	Covid-19-related rent concession	1 June 2020
Amendments to Annual Improvements Project	Annual improvements to HKFRSs 2018-2020	1 January 2022
Amendments to HKFRS 3, HKAS 16 and HKAS 37	Narrow-scope amendments	1 January 2022
Amendments to HKAS 1	Classification of liabilities as current or non-current	1 January 2023
HKFRS 17	Insurance contracts	1 January 2023
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	Not yet established by the HKICPA

The Group has commenced an assessment of the impact of these new and amendments to standards and annual improvements, but is yet in a position to state whether they would have significant impacts on its results of operations and financial position.

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 namely Hong Kong and Mainland China. Segment results as presented below represent operating profit excluding fair value change on investment properties, depreciation and amortisation and impairment loss of property, plant and equipment less related depreciation of right-of-use assets – properties, and including finance cost of lease liabilities.

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 2020			
Total segment revenue	**2,671,642**	**606,135**	**3,277,777**
Inter-segment revenue *(Note i)*	**(1,870)**	**(50,254)**	**(52,124)**
Revenue (from external revenue) *(Note ii)*	**2,669,772**	**555,881**	**3,225,653**
Represented by timing of revenue recognition:			
- At a point in time	**2,648,150**	**555,881**	**3,204,031**
- Over time	**21,622**	**-**	**21,622**
	2,669,772	**555,881**	**3,225,653**
Segment results *(Note iii)*	**306,809**	**75,857**	**382,666**
Depreciation and amortisation (excluding depreciation of right-of-use assets − properties)	**(153,044)**	**(30,132)**	**(183,176)**
Impairment loss of property, plant and equipment	**(769)**	**-**	**(769)**
Impairment loss of right-of-use assets	**(18,000)**	**-**	**(18,000)**
Finance income	**3,267**	**619**	**3,886**
Finance cost of bank loans	**(1,602)**	**-**	**(1,602)**
Income tax expense	**(14,955)**	**(5,232)**	**(20,187)**

2 SEGMENT INFORMATION (Continued)

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

	Hong Kong *HK$'000* (Unaudited)	Mainland China *HK$'000* (Unaudited)	Group *HK$'000* (Unaudited)
Six months ended 30 September 2019			
Total segment revenue	3,653,887	668,629	4,322,516
Inter-segment revenue *(Note i)*	(1,965)	(56,764)	(58,729)
Revenue (from external revenue) *(Note ii)*	3,651,922	611,865	4,263,787
Represented by timing of revenue recognition:			
- At a point in time	3,623,723	611,865	4,235,588
- Over time	28,199	-	28,199
	3,651,922	611,865	4,263,787
Segment results *(Note iii)*	298,158	73,743	371,901
Depreciation and amortisation (excluding depreciation of right-of-use assets − properties)	(157,767)	(27,184)	(184,951)
Impairment loss of property, plant and equipment	(8,199)	-	(8,199)
Finance income	8,124	1,180	9,304
Income tax expense	(25,491)	(12,220)	(37,711)

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

(ii) The Group has a large number of customers. For the six months ended 30 September 2020 and 2019, no revenue derived from transactions with a single external customer represented 10% or more of the Group's total revenue.

2 SEGMENT INFORMATION (Continued)

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

(iii) The following items are included in the measure of segment results reviewed by the Chief Executive Officer of the Group:

	Hong Kong *HK$'000* **(Unaudited)**	**Mainland China** *HK$'000* **(Unaudited)**	**Group** *HK$'000* **(Unaudited)**
Six months ended 30 September 2020			
Depreciation expenses			
- right-of-use assets – properties	**(334,496)**	**(41,540)**	**(376,036)**
Finance cost of lease liabilities	**(34,507)**	**(10,528)**	**(45,035)**

	Hong Kong *HK$'000* (Unaudited)	Mainland China *HK$'000* (Unaudited)	Group *HK$'000* (Unaudited)
Six months ended 30 September 2019			
Depreciation expenses			
- right-of-use assets – properties	(391,525)	(38,753)	(430,278)
Finance cost of lease liabilities	(45,245)	(11,380)	(56,625)

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

	Six months ended 30 September	
	2020 *HK$'000* **(Unaudited)**	2019 *HK$'000* (Unaudited)
Segment results	**382,666**	371,901
Depreciation and amortisation (excluding depreciation of right-of-use assets – properties)	**(183,176)**	(184,951)
Impairment loss of property, plant and equipment	**(769)**	(8,199)
Impairment loss of right-of-use assets	**(18,000)**	-
Finance income	**3,886**	9,304
Finance cost of bank loans	**(1,602)**	-
Profit before income tax	**183,005**	188,055

2 SEGMENT INFORMATION (Continued)

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

	Hong Kong *HK$'000* **(Unaudited)**	**Mainland China** *HK$'000* **(Unaudited)**	**Group** *HK$'000* **(Unaudited)**
As at 30 September 2020			
Segment assets	**5,430,968**	**981,703**	**6,412,671**
For the six months ended 30 September 2020			
Segment assets include:			
Additions to non-current assets (other than financial instruments and deferred income tax assets)	**292,765**	**108,167**	**400,932**

	Hong Kong *HK$'000* (Audited)	Mainland China *HK$'000* (Audited)	Group *HK$'000* (Audited)
As at 31 March 2020			
Segment assets	5,127,814	885,874	6,013,688
For the six months ended 30 September 2019			
Segment assets include:			
Additions to non-current assets (other than financial instruments and deferred income tax assets)	651,480	63,435	714,915

As at 30 September 2020, 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$4,023,493,000 (As at 31 March 2020: HK$4,562,078,000) and HK$650,773,000 (As at 31 March 2020: HK$616,833,000) respectively.

2 SEGMENT INFORMATION (Continued)

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

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

	30 September 2020 *HK$'000* **(Unaudited)**	31 March 2020 *HK$'000* (Audited)
Total segment assets	**6,412,671**	6,013,688
Deferred income tax assets	**66,187**	66,294
Financial assets at fair value through other comprehensive income	**91,849**	101,033
Current income tax recoverable	**72,352**	39,743
Total assets	**6,643,059**	6,220,758

3 REVENUE

	Six months ended 30 September	
	2020 *HK$'000* **(Unaudited)**	2019 *HK$'000* (Unaudited)
Sales of food and beverages	**3,188,282**	4,222,369
Rental income	**18,744**	24,888
Management and service fee income	**2,878**	3,311
Sundry income	**15,749**	13,219
	3,225,653	4,263,787

4 OTHER INCOME AND OTHER LOSSES, NET

	Six months ended 30 September	
	2020 *HK$'000* **(Unaudited)**	2019 *HK$'000* (Unaudited)
Government grants *(Note (a))*	**338,864**	715
Dividend income from listed equity investments	**3,572**	12,246
Loss on disposal of property, plant and equipment	**(8,691)**	(8,381)
Impairment loss of property, plant and equipment	**(769)**	(8,199)
Impairment loss of right-of-use assets	**(18,000)**	-
	314,976	(3,619)

4 OTHER INCOME AND OTHER LOSSES, NET (Continued)

(a) During the six months ended 30 September 2020, these primarily represented government subsidies granted due to the COVID-19 pandemic which include subsidies of HK$322,522,000 under the Employment Support Scheme and other subsidies of HK$7,854,000 under the Anti-epidemic Fund of the Hong Kong Government.

5 EXPENSES BY NATURE

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

	Six months ended 30 September	
	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Cost of raw materials and packing	**960,931**	1,188,573
Amortisation of intangible assets	**176**	232
Depreciation expenses		
- property, plant and equipment	**175,882**	177,595
- leasehold land and land use rights classified as right-of-use assets	**7,118**	7,124
- right-of-use assets - properties	**376,036**	430,278
Expenses relating to leases of		
- short-term leases	**16,027**	10,280
- variable lease payments not included in lease liabilities	**16,743**	33,926
Gain on modification of leases	**(22,694)**	-
Exchange losses/(gains), net	**1,553**	(136)
Employee benefit expense (excluding share-based compensation expenses)	**1,127,387**	1,376,599
Share-based compensation expenses	**18,631**	13,027
Auditor's remuneration	**1,991**	2,100
Electricity, water and gas	**156,968**	204,044
Advertising	**60,279**	52,692
Loss allowance on trade receivables	**278**	555
Sanitation	**59,727**	62,939
Repairs and maintenance	**45,554**	51,338
Other expenses	**312,286**	413,626
	3,314,873	4,024,792
Representing:		
Cost of sales	**3,087,253**	3,764,914
Administrative expenses	**227,620**	259,878
	3,314,873	4,024,792

6 FINANCE COSTS, NET

	Six months ended 30 September	
	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Finance income	**3,886**	9,304
Finance cost of lease liabilities	**(45,035)**	(56,625)
Finance cost of bank loans	**(1,602)**	-
Finance costs, net	**(42,751)**	(47,321)

7 INCOME TAX EXPENSE

The Company is exempted from taxation in Bermuda until year 2035. Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits for the period ended 30 September 2020 (2019: 16.5%).

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	
	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Current income tax:		
– Hong Kong profits tax	**10,805**	22,411
– Overseas taxation	**6,226**	10,211
Deferred income tax relating to the origination and reversal of temporary differences	**3,086**	6,748
Under/(over)-provision in prior years	**70**	(1,659)
	20,187	37,711

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	
	2020	2019
	(Unaudited)	(Unaudited)
Profit attributable to equity holders of the Company *(HK$'000)*	**162,286**	149,741
Weighted average number of ordinary shares in issue *('000)*	**579,568**	580,055
Basic earnings per share *(HK cents per share)*	**HK28.0 cents**	HK25.8 cents

Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares in issue during the period (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	
	2020	2019
	(Unaudited)	(Unaudited)
Profit attributable to equity holders of the Company *(HK$'000)*	**162,286**	149,741
Weighted average number of ordinary shares in issue *('000)*	**579,568**	580,055
Adjustment for Share Award Scheme *('000)*	**2,474**	1,426
	582,042	581,481
Diluted earnings per share *(HK cents per share)*	**HK27.9 cents**	HK25.8 cents

9 DIVIDEND

	Six months ended 30 September 2020 HK$'000 (Unaudited)	2019 HK$'000 (Unaudited)
Dividend declared		
– Interim dividend, HK10 cents (2019: HK19 cents) per ordinary share	**58,570**	111,284

The interim dividend was declared on 26 November 2020. This condensed consolidated interim financial information does not reflect this dividend payable.

10 TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	30 September 2020 *HK$'000* **(Unaudited)**	31 March 2020 *HK$'000* (Audited)
Trade receivables	**40,059**	51,057
Less: Loss allowance	**(1,153)**	(875)
Trade receivables – net *(Note a)*	**38,906**	50,182
Other receivables *(Note b)*	**131,999**	116,336
	170,905	166,518
Prepayments and deposits	**59,361**	60,920
	230,266	227,438

(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 receivable, receivables from a security logistic company and certain structured deposit notes with PRC banks. As at 30 September 2020, there was no bank structured deposit notes. As at 31 March 2020, the Group had RMB denominated bank structured deposit notes amounting to HK$10,918,000, which are principal guaranteed, and with maturities of 3 months at an effective interest rate of approximately 2.3% per annum.

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

The ageing analysis of trade receivables is as follows:

	30 September 2020 *HK$'000* **(Unaudited)**	31 March 2020 *HK$'000* (Audited)
0 – 30 days	**28,503**	23,754
31 – 60 days	**7,532**	7,070
61 – 90 days	**1,325**	9,272
91 – 365 days	**1,546**	10,084
Over 365 days	**1,153**	877
	40,059	51,057

11 TRADE PAYABLES

The ageing analysis of trade payables is as follows:

	30 September 2020 *HK$'000* **(Unaudited)**	31 March 2020 *HK$'000* (Audited)
0 – 30 days	**190,661**	167,135
31 – 60 days	**3,380**	1,727
61 – 90 days	**97**	1,333
Over 90 days	**741**	1,966
	194,879	172,161

INTERIM DIVIDEND

The Board has declared payment of an interim dividend of HK10 cents per share in respect of the six months ended 30 September 2020 (2019: HK19 cents) payable on 28 December 2020 to shareholders whose names appear on the Register of Members of the Company on 16 December 2020.

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 16 December 2020 (Wednesday) on which no transfer of shares will be registered. 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 15 December 2020 (Tuesday).

CORPORATE GOVERNANCE

The corporate governance principles and practices adopted by the Group during the six months ended 30 September 2020 were in line with the corporate governance statements set out in the Corporate Governance Report in the Company's Annual Report 2019/20. During the six months ended 30 September 2020, 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 2020.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 September 2020, 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 1,542,055 shares of the Company at a total consideration of about HK$25.5 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, 26 November 2020

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.