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## **CAFÉ DE CORAL HOLDINGS LIMITED**

**大家樂集團有限公司\***

*(Incorporated in Bermuda with limited liability)*

**Website: [www.cafedecoral.com](http://www.cafedecoral.com)**

**(Stock Code: 341)**

### **INTERIM RESULTS ANNOUNCEMENT**

### **FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2021**

#### **HIGHLIGHTS**

- ◆ The Group's revenue for the first half of FY2021/22 increased to HK\$3,870.1 million (2020: HK\$3,225.7 million); and profit attributable to shareholders amounted to HK\$81.2 million (2020: HK\$162.3 million). Whilst the profit attributable to shareholders in the corresponding period last year included government COVID-19 subsidies of HK\$338.9 million, the Group did not receive any COVID-19 subsidies from the government during the period under review.
- ◆ The Group's operations in Hong Kong have recovered amidst a more stable COVID-19 environment, despite the Institutional Catering business still being affected by continued pandemic-related restrictions. Revenue from Hong Kong operations in the first half year increased by 19.7% as compared to the corresponding period last year, attributable to successful implementation of various strategies to boost takeaway and delivery sales, as well as launch of new products and marketing programmes.
- ◆ Business growth in Mainland China remained healthy with a 21.2% increase in revenue, although disrupted by isolated COVID-19 outbreaks during the period. The Group will expedite its network expansion in the Greater Bay Area in the second half of the year.
- ◆ An interim dividend of HK10 cents was declared for the six months ended 30 September 2021 (2020: HK10 cents).

*\* For identification purposes only*

# MANAGEMENT DISCUSSION AND ANALYSIS

## INTRODUCTION AND HIGHLIGHTS

With the COVID-19 situation largely stabilised in the Group's operating region during the first half of the financial year, the Group's business performance improved significantly for the six months ended 30 September 2021.

Revenue increased by 20% to HK\$3,870.1 million – despite the impact of the Institutional Catering business, which continued to be heavily affected by pandemic-related restrictions. The Group recorded profit attributable to shareholders of HK\$81.2 million for the six months ended 30 September 2021, as compared to that of HK\$162.3 million for the six months ended 30 September 2020. Whilst the profit attributable to shareholders in the corresponding period last year included government COVID-19 subsidies totalling HK\$338.9 million, the Group did not receive any COVID-19 subsidies from the government during the period under review.

The Group's stronger business and profit growth during the period under review are mainly attributable to the improved market sentiment and the implementation of various effective strategies to boost takeaway and delivery sales, as well as the successful launch of new products and marketing programmes during the period.

In Hong Kong, although some restrictions still remain on in-house dining, there were no further disruptions to our business or operations during the first half of the financial year. Business performance has recovered – although not yet to normal operating levels. The Group is also continuing its proactive measures to improve productivity and efficiency, including manpower deployment and acceleration of digitalisation, as well as implementing stringent cost control to protect margins.

In Mainland China, business performance recorded healthy growth despite isolated COVID-19 outbreaks in Guangdong Province that disrupted operations in June and also affected network expansion plans. The Group will continue to build on its proven performance, strong business fundamentals and brand reputation in the market.

## RESULTS OVERVIEW

### Revenue

For the six months ended 30 September 2021, the Group recorded revenue of HK\$3,870.1 million, a 20% increase as compared to HK\$3,225.7 million in 2020. Revenue by business division is set out below:

	Six months ended 30 September		
	2021 HK\$'m	2020 HK\$'m	Change %
<b>Hong Kong</b>			
Quick Service Restaurants	2,370.0	2,051.9	15.5
Casual Dining	415.9	306.9	35.5
Institutional Catering	337.1	245.1	37.5
Others*	73.6	65.9	11.7
<b>Subtotal</b>	<b>3,196.6</b>	<b>2,669.8</b>	<b>19.7</b>
<b>Mainland China</b>	<b>673.5</b>	<b>555.9</b>	<b>21.2</b>
<b>Group</b>	<b>3,870.1</b>	<b>3,225.7</b>	<b>20.0</b>

\* This represents mainly income from food processing and distribution as well as rental income.

### Gross Profit Margin

Gross profit margin increased to 9.8% for the six months ended 30 September 2021 (2020: 4.3%), primarily due to recovery of business as the COVID-19 situation largely stabilised in Hong Kong and Mainland China.

### Administrative Expenses

Administrative expenses increased by 4.4% to HK\$237.7 million during the six months ended 30 September 2021 (2020: HK\$227.6 million).

### Key Costs

The breakdown of major expenses is set out below:

	Six months ended 30 September			
	2021 HK\$'m	% of revenue	2020 HK\$'m	% of revenue
Cost of raw materials and packing	1,157.2	29.9	960.9	29.8
Staff cost	1,254.3	32.4	1,146.0	35.5
Rental costs*	439.4	11.4	431.1	13.4

\* This includes rental related depreciation in right-of-use assets, finance cost of lease liabilities as well as rental costs of short-term lease and low-value leases. This also includes turnover rent as well as gain on modification and termination of leases.

### ***Other Income and Other Losses, Net***

Other income and other losses, net turned to net losses of HK\$4.1 million (2020: net income of HK\$315.0 million), mainly because the Group did not receive any COVID-19 subsidies during the period (2020: HK\$338.9 million), netting off against an impairment loss of right-of-use assets of HK\$1.2 million (2020: HK\$18 million).

### ***Income Tax Expense***

Income tax expense decreased by 29.0% to HK\$14.3 million (2020: HK\$20.2 million).

### ***Profit Attributable to Equity Holders***

The Group's profit attributable to equity holders decreased 50.0% to HK\$81.2 million for the six months ended 30 September 2021 (2020: HK\$162.3 million), mainly because the Group did not receive any COVID-19 subsidies during the period (2020: HK\$338.9 million). However, if excluding COVID-19 government subsidies, the Group's profit improved by 146.0%.

	Six months ended 30 September		
	2021	2020	Change
	HK\$'m	HK\$'m	%
Profit Attributable to Equity Holders	81.2	162.3	(50.0)
If excluding:			
COVID-19 subsidies	-	(338.9)	
Adjusted net profit/(loss)	81.2	(176.6)	146.0

### ***Segment Results***

Hong Kong segment results decreased 28.8% to HK\$218.4 million for the six months ended 30 September 2021 (2020: HK\$306.8 million) and Mainland China results decreased 12.8% to HK\$66.2 million (2020: HK\$75.9 million) during the same period, mainly because the Group did not receive any COVID-19 subsidies during the period (2020: HK\$338.9 million).

### ***Basic Earnings Per Share***

The Group's basic earnings per share decreased 50.0% to HK14.0 cents for the six months ended 30 September 2021 (2020: HK28.0 cents).

### ***Interim Dividend***

The Board has declared the payment of an interim dividend of HK10 cents per share to shareholders for the six months ended 30 September 2021 (2020: HK10 cents).

## BUSINESS RECOVERY TO BUSINESS GROWTH

As demonstrated by the Group's performance during the period under review, we have successfully adapted to the new normal. With the pandemic situation mostly under control in Hong Kong and Mainland China, focus has shifted from business continuity to thriving under the new business environment.

According to the latest government statistics, the size of Hong Kong's food and beverage market has shrunk significantly in the initial stage of the pandemic. The COVID-19 environment also caused a shift in consumer dining preferences, with delivery and take-out service now accounting for a significant percentage of the market.

At the same time, signs of general economic recovery have sparked a reversal in rental rates, combined with keen competition in the labour market. Overall food costs have also surged due to global supply chain disruptions caused by the pandemic, placing additional pressure on margins.

Accepting the current, relatively stable market environment as "the new normal", the Group is actively seeking to recover margins and profits by addressing cost structures and underlying operating efficiency whilst pursuing business growth as the local economy recovers. As such, we have shifted operational models to place greater emphasis on delivery and takeaway options, and also moved towards an integrated Online-Merge-Offline (OMO) approach that merges the Group's online channels while leveraging the networks of third-party aggregators.

The Group, meanwhile, continues to implement prudent cost control measures. We are stepping up efforts on recruitment, retraining and redeployment, and also revamping work processes to balance manpower cost. At the same time, the Group has formed a number of strategic alliances with landlords and developers to gain access to prime locations at preferential rates and to improve rental costs. A task force has also been set up to address the issue of food costs through smart sourcing, menu-reengineering and store execution enhancement.

The Mainland China market has largely recovered from the effects of the pandemic, despite isolated outbreaks in some regions of the country. The Group remains optimistic about its business prospects in the Greater Bay Area, and is confident in its ability to achieve sustainable growth throughout the region.

## BUSINESS REVIEW

As of 30 September 2021, the Group had a network of 357 stores in Hong Kong (31 March 2021: 352) and 125 stores in Mainland China (31 March 2021: 121).

### *Hong Kong Retail Operations*

#### **Quick Service Restaurants (QSR)**

During the six-month period ended 30 September 2021, revenue from the QSR division increased by 15.5% to HK\$2,370.0 million (2020: HK\$2,051.9 million). **Café de Coral** fast food and **Super Super Congee & Noodles** experienced same store sales growth of 13% and 21%, respectively. The business contributed 61.2% of the Group's total revenue for the reporting period, operating 202 total shops at 30 September 2021 (31 March 2021: 201).

Sales improved significantly during the first half of the financial year as social distancing measures were relaxed. An improvement in overall economic sentiment has benefitted both foot traffic and average spending per meal. Government consumption coupons launched in August 2021 also spurred sales during the second quarter. Although some restrictions still remain on in-house dining, the QSR business is growing at a faster pace than the market average.

Staying ahead of changing consumer preferences that have shifted the sales mix between dine-in and takeaway/delivery orders, the business is implementing an integrated OMO approach that merges the Group's own online channels – such as eatCDC.com and mobile ordering apps – to facilitate dining choices for our in-store customers while leveraging the networks of third-party aggregators to enhance distribution and convenience. Other digitalisation efforts, such as self-service ordering kiosks, are not only being well received by customers, but also helping to improve in-store efficiency and reduce manpower requirements and costs.

New products and marketing promotions strengthened the business' core category strategy. The introduction of vegetarian pork chop baked rice has helped us establish a solid foundation in our vegetarian category. Its overwhelming success allowed the business to tap into a new customer segment, providing greater choice to a broader and more diverse group of diners. Based on this encouraging response, the business will continue to explore new category innovations.

The Club 100 membership program is a pivotal strategy to help retain and expand our customer base, as well as to deepen customer relationships and loyalty through an exclusive reward scheme. We have seen both active membership enrolment, as well strong upgrades to VIP status, that have spurred repeat transactions and increased average spending. As a result of the Group's efforts in recent years, we have doubled our membership to over one million members, with a high percentage of active users.

During the period, **Café de Coral** fast food opened 7 new stores and ended the period with 162 stores (31 March 2021: 161). **Super Super Congee & Noodles** opened 4 new stores and operated 40 stores as of period end (31 March 2021: 40). A store network mapping plan has been developed to identify and follow up on potential store sites in Hong Kong by geographic district, allowing pipeline sites to be identified according to business impact and competition penetration. Currently the business has 8 new stores in the pipeline for the second half of the financial year.

In addition to new store openings, the Group conducted 4 full-scale renovations during the period under review to enhance the store environment and improve quality footfall. All these renovated stores recorded a significant sales improvement compared to benchmark stores, and an additional 6 stores are scheduled for renovation by the end of the financial year.

### **Casual Dining**

Due to a less disruptive operating environment during the six months under review, total sales improved considerably compared to the same period last year. However, current social distancing restrictions are still placing constraints on seating capacity, which is impeding the full recovery of sales momentum. Revenue from the Casual Dining business increased by 35.5% to HK\$415.9 million (2020: HK\$306.9 million).

Emphasis on core quality, as well as strong team efforts in menu design and execution have improved the performance of the business in terms of both costs and capability. The Group is actively looking to expand its network of casual dining brand outlets as market conditions continue to improve. The business is also looking to introduce more automated processes at its retail outlets. For example, robotic delivery will be seamlessly integrated with existing digital ordering processes to improve productivity and operational efficiency.

The division operated 62 shops at the end of the period under review (31 March 2021: 60). **Shanghai Lao Lao** opened 1 new shop and ended the period with 14 shops (31 March 2021: 13). **Mixian Sense** operated 18 shops as of 30 September 2021 (31 March 2021: 19). **The Spaghetti House** operated 8 shops at the end of the period (31 March 2021: 8). With 1 shop opened during the reporting period, **Oliver's Super Sandwiches** operated 18 branches as of period end (31 March 2021: 17).

### ***Institutional Catering***

Revenue from the business increased by 37.5% to HK\$337.1 million (2020: HK\$245.1 million). The Institutional Catering division continued to be heavily affected by strict pandemic-related restrictions. As at the end of the half-year period, dine-in service was not yet allowed for visitors in hospitals, and limited class schedules at schools continued to weaken demand for catering services.

Despite the currently unfavourable market conditions, the Group has been able to maintain its market leadership position in the sector. **Asia Pacific Catering** successfully re-negotiated or extended most major contracts, and was also awarded a number of new contracts during the period. It operated 93 outlets as of 30 September 2021 (31 March 2021: 91). **Luncheon Star** explored ways to apply its catering expertise and production capabilities to other industries and distribution channels.

With its solid leadership position further strengthened by consolidation in the market, the Group believes the business is well positioned to quickly recover once pandemic-related restrictions have been lifted.

### ***Mainland China Operations***

Revenue from Mainland China increased by 21.2% to HK\$673.5 million (2020: HK\$555.9 million). The South China fast food business experienced a 12.1% increase in revenue to RMB540.5 million, with same store sales growth of 7%.

Although China was quick to control the initial impact of COVID-19 last year, the June 2021 outbreak of the Delta variant in Guangzhou spread quickly and impacted many cities in the Greater Bay Area. Strict preventative measures were implemented in Guangzhou, Foshan, Zhongshan and Zhuhai; and as a result, 49 of the Group's stores were closed or only able to offer takeaway and delivery service. The pace of new store openings was also seriously impacted due to these restrictions.

Despite isolated COVID-19 outbreaks, the Group's underlying business in Mainland China remains healthy. Proactively implementing measures to improve performance, we strengthened our advantage in Online-to-Offline (O2O) sales and market share; drove repeat purchases and customer loyalty through membership programmes and e-coupons; and proactively managed costs through menu optimisation, efficiency improvement and automation.

Strategic emphasis on hero products such as curry beef and sizzling steak have proven popular with consumers, and the business is also focusing on growth of the breakfast market through new product development, menu restructuring and marketing promotion.

Digitalisation efforts have helped to drive repeat purchases through a new e-coupon system, which not only improved overall promotion effectiveness but also enabled cross-brand promotion. Other investments in robotics and automation in stores have improved efficiency, reducing manpower requirements.

Even though the pace of new store openings was delayed by the Delta outbreak and related containment measures, the Group continues to focus on network expansion as a key business strategy. The business opened 8 new stores during the period under review, ending the period with 125 stores (31 March 2021: 121); and has 27 new stores in the pipeline for the coming months.

## **FINANCIAL REVIEW**

### ***Financial Position***

The Group's financial position remained healthy during the period under review. As of 30 September 2021, the Group had cash of approximately HK\$1,940.6 million, with HK\$889 million in available banking facilities. The Group's current ratio as of the same date was 1.4 (31 March 2021: 1.5) and the cash ratio was 1.1 (31 March 2021: 1.2). The Group had external borrowing of HK\$1,130 million (31 March 2021: HK\$1,179 million) and nil gearing ratio (ratio of total borrowing less cash and cash equivalents to total equity) (31 March 2021: nil).

### ***Capital Expenditure and Commitment***

During the period under review, the Group's capital expenditure (excluding right-of-use assets) was HK\$199.3 million (2020: HK\$131.2 million). As at 30 September 2021, the Group's outstanding capital commitments were HK\$543 million (31 March 2021: HK\$735 million).

### ***Contingent Liabilities***

As of 30 September 2021, the Company provided guarantees of approximately HK\$2,231 million (31 March 2021: HK\$2,229 million) to financial institutions in connection with banking facilities granted to its subsidiaries. The Group had no charge on assets as of 30 September 2021 (31 March 2021: 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 2021, the Group had a workforce of 18,443 employees (31 March 2021: 18,109).

Staff training and development are critical to the Group's ongoing success. We continued to focus on customer service and product quality training to pursue excellence amongst operational staff, as well as succession and talent development at all levels. Initiatives such as the Coaching Program, Experience Sharing Forum, Leadership Training and Area Management Training Program continued to drive development of management and staff. High potential staff are also identified for personal coaching, and we work with them to develop Individual Development Plans.

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

Looking ahead to the remainder of the financial year, markets are still fluid and changing as the economy begins to emerge from the pandemic. The Group anticipates that competition in both in-house dining and delivery/takeaway will continue to increase as the economy improves, with aggressive industry players deploying new business models and tactics to grab market share in a changing environment. The key to survival – and future success – is the ability to stay ahead of the curve, and to develop new business strategies that are able to thrive in uncertain markets. At the same time, consumer sentiment remains relatively cost conscious, and the Group is confident that its strong portfolio of brands offers a wide range of food options that cater to the diverse needs of the community.

Application of digital solutions such as mobile ordering, self-ordering kiosks, and the development of our eatCDC.com online platform have yielded significant growth in active customers and sales – as have collaborations with third party food delivery providers like foodpanda and Deliveroo. We will continue to accelerate our digitalisation efforts to improve customer experience, employing a comprehensive OMO strategy. The Group will also continue to shift marketing focus towards touch-free solutions to minimise contact, redesign menus for express-self-takeout service, promote single and family takeaway meals, and introduce festive seasonal promotions. We will also continue to explore innovative opportunities in electronic vouchers and delivery service.

Although the recovery of the Institutional Catering business continues to be hindered by pandemic-related restrictions, the Group retains strong confidence that the division is well positioned to return to business growth once these restrictions have been lifted.

In Mainland China, the threat of intermittent COVID-19 outbreaks has created uncertainty, and pandemic-related restrictions continue to impact supply chain stability. However, the Group is confident in the robust health of its brand and business model, and will continue to prioritise network development to increase market penetration in the Greater Bay Area.

As always, the Group will continue its relentless focus on quality, service and cleanliness, while maintaining prudent control of food and labour costs as well as enhancing efficiency and productivity. Having successfully adapted to the new normal, we are cautiously optimistic about the future.

**CONDENSED CONSOLIDATED INCOME STATEMENT**  
**(UNAUDITED)**  
**FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2021**

		Six months ended 30 September	
	Note	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Revenue	3	3,870,061	3,225,653
Cost of sales	5	<u>(3,491,250)</u>	<u>(3,087,253)</u>
Gross profit		378,811	138,400
Other income and other losses, net	4	(4,132)	314,976
Administrative expenses	5	<u>(237,653)</u>	<u>(227,620)</u>
<b>Operating profit</b>		137,026	225,756
Finance costs, net	6	<u>(40,712)</u>	<u>(42,751)</u>
<b>Profit before income tax</b>		96,314	183,005
Income tax expense	7	<u>(14,331)</u>	<u>(20,187)</u>
<b>Profit for the period</b>		<u><u>81,983</u></u>	<u><u>162,818</u></u>
<b>Profit attributable to:</b>			
<b>Equity holders of the Company</b>		81,211	162,286
Non-controlling interests		<u>772</u>	<u>532</u>
		<u><u>81,983</u></u>	<u><u>162,818</u></u>
<b>Earnings per share for profit attributable to the equity holders of the Company during the period</b>			
- Basic earnings per share	8	<u><u>HK14.0 cents</u></u>	<u><u>HK28.0 cents</u></u>
- Diluted earnings per share	8	<u><u>HK14.0 cents</u></u>	<u><u>HK27.9 cents</u></u>
		<i>HK\$'000</i>	<i>HK\$'000</i>
Dividend			
- Interim	9	<u><u>58,570</u></u>	<u><u>58,570</u></u>

**CONDENSED CONSOLIDATED STATEMENT OF  
COMPREHENSIVE INCOME (UNAUDITED)  
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2021**

	<b>Six months ended 30 September</b>	
	<b>2021</b>	<b>2020</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Profit for the period	<b>81,983</b>	162,818
<b>Other comprehensive income:</b>		
<i>Item that may be reclassified to profit or loss:</i>		
Exchange differences arising from translation of foreign subsidiaries	<b>7,929</b>	15,881
<i>Item that will not be reclassified subsequently to profit or loss:</i>		
Fair value loss on financial assets at fair value through other comprehensive income	<b>(4,082)</b>	(9,184)
<b>Total comprehensive income for the period</b>	<b>85,830</b>	169,515
<b>Total comprehensive income for the period attributable to:</b>		
– Equity holders of the Company	<b>85,058</b>	168,983
– Non-controlling interests	<b>772</b>	532
	<b>85,830</b>	169,515

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL  
POSITION (UNAUDITED)  
AS AT 30 SEPTEMBER 2021**

	Note	As at 30 September 2021 HK\$'000 (Unaudited)	As at 31 March 2021 HK\$'000 (Audited)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		1,535,314	1,518,982
Right-of-use assets		2,121,909	2,124,383
Investment properties		542,700	542,700
Intangible assets		1,210	1,229
Deferred income tax assets		73,383	70,733
Financial assets at fair value through other comprehensive income		92,869	96,951
Retirement benefit assets		-	542
Non-current prepayments and deposits		289,102	283,622
		<u>4,656,487</u>	<u>4,639,142</u>
<b>Current assets</b>			
Inventories		291,679	234,924
Trade and other receivables	10	107,340	102,539
Prepayments and deposits	10	47,909	51,490
Current income tax recoverable		10,090	32,844
Bank deposits with maturity over three months		1,532	21,222
Cash and cash equivalents		1,940,598	2,072,512
		<u>2,399,148</u>	<u>2,515,531</u>
<b>Total assets</b>		<u><u>7,055,635</u></u>	<u><u>7,154,673</u></u>
<b>EQUITY</b>			
<b>Capital and reserves attributable to the equity holders of the Company</b>			
Share capital		58,570	58,570
Share premium		621,122	621,122
Shares held for share award scheme		(130,939)	(140,944)
Other reserves		503,686	508,452
Retained earnings			
– Proposed dividends		58,570	163,997
– Others		1,828,877	1,817,640
		<u>2,939,886</u>	<u>3,028,837</u>
<b>Non-controlling interests</b>		<u>6,771</u>	<u>5,999</u>
<b>Total equity</b>		<u><u>2,946,657</u></u>	<u><u>3,034,836</u></u>

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL  
POSITION (UNAUDITED) (CONTINUED)**  
**AS AT 30 SEPTEMBER 2021**

	Note	As at 30 September 2021 <i>HK\$'000</i> (Unaudited)	As at 31 March 2021 <i>HK\$'000</i> (Audited)
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Deferred income tax liabilities		34,077	33,424
Provision for long service payments		27,355	30,629
Retirement benefit liabilities		173	-
Lease liabilities		1,362,962	1,368,550
Long-term borrowings		949,561	999,433
		<u>2,374,128</u>	<u>2,432,036</u>
<b>Current liabilities</b>			
Trade payables	11	229,529	178,183
Other creditors and accrued liabilities		639,928	640,378
Current income tax liabilities		12,484	7,719
Lease liabilities		672,909	681,521
Current portion of long-term borrowings		100,000	100,000
Short-term borrowings		80,000	80,000
		<u>1,734,850</u>	<u>1,687,801</u>
<b>Total liabilities</b>		<u>4,108,978</u>	<u>4,119,837</u>
<b>Total equity and liabilities</b>		<u>7,055,635</u>	<u>7,154,673</u>
<b>Net current assets</b>		<u>664,298</u>	<u>827,730</u>
<b>Total assets less current liabilities</b>		<u>5,320,785</u>	<u>5,466,872</u>

**Notes:**

**1 BASIS OF PREPARATION**

This condensed consolidated interim financial information of the Company and its subsidiaries (the “Group”) for the six months ended 30 September 2021 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 2021, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

Except as described below, the accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 March 2021, as described in those annual financial statements.

(i) Amended standards adopted by the Group:

The following amendments to existing standards are mandatory for the first time for the financial year beginning on 1 April 2021 and are currently relevant to the Group:

- HKFRS 16 (Amendments) “Covid-19-Related Rent Concessions”
- HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16 (Amendments) “Interest Rate Benchmark Reform - Phase 2”

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

## 1 BASIS OF PREPARATION (Continued)

### (ii) New and amended standards and annual improvement not yet adopted

The following new standards and amendments and annual improvement have been issued but are not effective for the financial year beginning on 1 April 2021 and have not been early adopted:

		Effective for annual periods beginning on or after
HKAS 16 (Amendments)	Property, Plant and Equipment: Proceeds before Intended Use	1 January 2022
HKAS 37 (Amendments)	Onerous Contracts - Cost of Fulfilling a Contract	1 January 2022
HKFRS 3 (Amendments)	Reference to the Conceptual Framework	1 January 2022
Annual Improvements Project	Annual Improvements to HKFRSs 2018 - 2020 (Amendments)	1 January 2022
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current	1 January 2023
HKFRS 17	Insurance Contracts	1 January 2023
HKAS 1 and HKFRS Practice Statement 2 (Amendments)	Disclosure of Accounting Policies	1 January 2023
HKAS 8 (Amendments)	Definition of Accounting Estimates	1 January 2023
HKAS 12 (Amendments)	Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction	1 January 2023
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and Its Associate or Joint Venture	To be determined

The Group has commenced an assessment of the impact of these new and amended 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, casual dining chains, institutional catering 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 amongst different segments and to assess the business principally from a geographic perspective including 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 and right-of-use assets less related depreciation for 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:

	<b>Hong Kong</b> <b>HK\$'000</b> <b>(Unaudited)</b>	<b>Mainland</b> <b>China</b> <b>HK\$'000</b> <b>(Unaudited)</b>	<b>Group</b> <b>HK\$'000</b> <b>(Unaudited)</b>
<b>Six months ended 30 September 2021</b>			
Total segment revenue	<b>3,198,893</b>	<b>728,984</b>	<b>3,927,877</b>
Inter-segment revenue ( <i>Note i</i> )	<b>(2,347)</b>	<b>(55,469)</b>	<b>(57,816)</b>
<b>Revenue (from external revenue) (<i>Note ii</i>)</b>	<b>3,196,546</b>	<b>673,515</b>	<b>3,870,061</b>
Represented by timing of revenue recognition:			
- At a point in time	<b>3,172,394</b>	<b>673,515</b>	<b>3,845,909</b>
- Over time	<b>24,152</b>	<b>-</b>	<b>24,152</b>
	<b>3,196,546</b>	<b>673,515</b>	<b>3,870,061</b>
<b>Segment results (<i>Note iii</i>)</b>	<b>218,360</b>	<b>66,159</b>	<b>284,519</b>
Depreciation and amortisation (excluding depreciation of right-of-use assets – properties)	<b>(149,962)</b>	<b>(34,690)</b>	<b>(184,652)</b>
Impairment loss of property, plant and equipment	<b>(765)</b>	<b>-</b>	<b>(765)</b>
Impairment loss of right-of-use assets	<b>(1,217)</b>	<b>-</b>	<b>(1,217)</b>
Finance income	<b>3,044</b>	<b>1,030</b>	<b>4,074</b>
Finance cost of bank borrowings	<b>(5,645)</b>	<b>-</b>	<b>(5,645)</b>
Income tax expense	<b>(8,071)</b>	<b>(6,260)</b>	<b>(14,331)</b>



## 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)
<b>Six months ended 30 September 2020</b>			
Total segment revenue	2,671,642	606,135	3,277,777
Inter-segment revenue ( <i>Note i</i> )	(1,870)	(50,254)	(52,124)
<b>Revenue (from external revenue) (<i>Note ii</i>)</b>	<b>2,669,772</b>	<b>555,881</b>	<b>3,225,653</b>
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
	<b>2,669,772</b>	<b>555,881</b>	<b>3,225,653</b>
<b>Segment results (<i>Note iii</i>)</b>	<b>306,809</b>	<b>75,857</b>	<b>382,666</b>
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 borrowings	(1,602)	-	(1,602)
Income tax expense	(14,955)	(5,232)	(20,187)

- (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 2021 and 2020, 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:

	<b>Hong Kong</b> <i>HK\$'000</i> <b>(Unaudited)</b>	<b>Mainland</b> <b>China</b> <i>HK\$'000</i> <b>(Unaudited)</b>	<b>Group</b> <i>HK\$'000</i> <b>(Unaudited)</b>
<b>Six months ended 30 September 2021</b>			
Depreciation expenses			
- right-of-use assets – properties	<b>(313,533)</b>	<b>(46,019)</b>	<b>(359,552)</b>
Finance cost of lease liabilities	<b>(27,959)</b>	<b>(11,182)</b>	<b>(39,141)</b>
	<b>Hong Kong</b> <i>HK\$'000</i> <b>(Unaudited)</b>	<b>Mainland</b> <b>China</b> <i>HK\$'000</i> <b>(Unaudited)</b>	<b>Group</b> <i>HK\$'000</i> <b>(Unaudited)</b>
<b>Six months ended 30 September 2020</b>			
Depreciation expenses			
- right-of-use assets – properties	<b>(334,496)</b>	<b>(41,540)</b>	<b>(376,036)</b>
Finance cost of lease liabilities	<b>(34,507)</b>	<b>(10,528)</b>	<b>(45,035)</b>

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

	<b>Six months</b> <b>ended 30 September</b>	
	<b>2021</b>	<b>2020</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Segment results	<b>284,519</b>	382,666
Depreciation and amortisation (excluding depreciation of right-of-use assets – properties)	<b>(184,652)</b>	(183,176)
Impairment loss of property, plant and equipment	<b>(765)</b>	(769)
Impairment loss of right-of-use assets	<b>(1,217)</b>	(18,000)
Finance income	<b>4,074</b>	3,886
Finance cost of bank borrowings	<b>(5,645)</b>	(1,602)
Profit before income tax	<b>96,314</b>	183,005

## 2 SEGMENT INFORMATION (Continued)

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

	<b>Hong Kong</b> <i>HK\$'000</i> (Unaudited)	<b>Mainland China</b> <i>HK\$'000</i> (Unaudited)	<b>Group</b> <i>HK\$'000</i> (Unaudited)
<b>As at 30 September 2021</b>			
Segment assets	<u>5,845,991</u>	<u>1,033,302</u>	<u>6,879,293</u>
<b>For the six months ended 30 September 2021</b>			
Segment assets include:			
Additions to non-current assets (other than financial instruments and deferred income tax assets)	<u>526,407</u>	<u>100,233</u>	<u>626,640</u>
	<b>Hong Kong</b> <i>HK\$'000</i> (Audited)	<b>Mainland China</b> <i>HK\$'000</i> (Audited)	<b>Group</b> <i>HK\$'000</i> (Audited)
<b>As at 31 March 2021</b>			
Segment assets	<u>5,905,698</u>	<u>1,048,447</u>	<u>6,954,145</u>
<b>For the six months ended 30 September 2020</b>			
Segment assets include:			
Additions to non-current assets (other than financial instruments and deferred income tax assets)	<u>292,765</u>	<u>108,167</u>	<u>400,932</u>

As at 30 September 2021, 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\$3,798,296,000 (As at 31 March 2021: HK\$3,775,601,000) and HK\$691,939,000 (As at 31 March 2021: HK\$695,857,000) 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:

	<b>30 September 2021 HK\$'000 (Unaudited)</b>	31 March 2021 HK\$'000 (Audited)
Total segment assets	<b>6,879,293</b>	6,954,145
Deferred income tax assets	<b>73,383</b>	70,733
Financial assets at fair value through other comprehensive income	<b>92,869</b>	96,951
Current income tax recoverable	<b>10,090</b>	32,844
Total assets	<b><u>7,055,635</u></b>	<u>7,154,673</u>

## 3 REVENUE

	<b>Six months ended 30 September 2021 HK\$'000 (Unaudited)</b>	2020 HK\$'000 (Unaudited)
Sales of food and beverages	<b>3,823,746</b>	3,188,282
Rental income	<b>21,599</b>	18,744
Management and service fee income	<b>2,553</b>	2,878
Sundry income	<b>22,163</b>	15,749
	<b><u>3,870,061</u></b>	<u>3,225,653</u>

## 4 OTHER INCOME AND OTHER LOSSES, NET

	<b>Six months ended 30 September 2021 HK\$'000 (Unaudited)</b>	2020 HK\$'000 (Unaudited)
Dividend income from listed equity investments	<b>6,123</b>	3,572
Loss on disposals of property, plant and equipment	<b>(9,443)</b>	(8,691)
Impairment loss of property, plant and equipment	<b>(765)</b>	(769)
Impairment loss of right-of-use assets	<b>(1,217)</b>	(18,000)
COVID-19 government subsidies (Note (a))	<b>-</b>	338,864
Other government subsidies	<b>1,170</b>	-
	<b><u>(4,132)</u></b>	<u>314,976</u>

#### 4 OTHER INCOME AND OTHER LOSSES, NET (Continued)

- (a) During the six months ended 30 September 2020, these primarily represented government subsidies granted in relation 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 Government of Hong Kong Special Administrative Region.

#### 5 EXPENSES BY NATURE

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

	Six months ended 30 September	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Cost of raw materials and packing	1,157,205	960,931
Amortisation of intangible assets	19	176
Depreciation expenses		
- property, plant and equipment	177,494	175,882
- leasehold land and land use rights classified as right-of-use assets	7,139	7,118
- right-of-use assets - properties	359,552	376,036
Expenses relating to leases of		
- short-term leases	17,232	16,027
- variable lease payments not included lease liabilities	27,061	16,743
Gain on modification of leases	(3,578)	(22,694)
Exchange losses, net	413	1,553
Employee benefit expense (excluding share-based compensation expenses)	1,240,002	1,127,387
Share-based compensation expenses	14,328	18,631
Auditor's remuneration	1,886	1,991
Electricity, water and gas	186,692	156,968
Advertising	46,021	60,279
(Reversal of loss allowance)/loss allowance on trade receivables	(688)	278
Sanitation	62,189	59,727
Repairs and maintenance	58,918	45,554
Other expenses	377,018	312,286
	<b>3,728,903</b>	<b>3,314,873</b>
Representing:		
Cost of sales	3,491,250	3,087,253
Administrative expenses	237,653	227,620
	<b>3,728,903</b>	<b>3,314,873</b>

## 6 FINANCE COSTS, NET

	Six months ended 30 September	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Finance income	4,074	3,886
Finance cost of lease liabilities	(39,141)	(45,035)
Finance cost of bank borrowings	(5,645)	(1,602)
Finance costs, net	<u>(40,712)</u>	<u>(42,751)</u>

## 7 INCOME TAX EXPENSE

The Company is exempted from taxation in Bermuda until year 2035. Hong Kong profits tax has been provided for at the rate of 8.25% (2020: 8.25%) on the estimated assessable profit up to HK\$2,000,000 (2020: HK\$2,000,000) and 16.5% (2020: 16.5%) on any part of estimated assessable profit over HK\$2,000,000 (2020: HK\$2,000,000) for the six months period ended 30 September 2021.

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	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current income tax:		
– Hong Kong profits tax	11,002	10,805
– Mainland China taxation	5,387	6,226
Deferred income tax relating to the origination and reversal of temporary differences	(2,083)	3,086
Under-provision in prior years	25	70
	<u>14,331</u>	<u>20,187</u>

## 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.

	<b>Six months ended 30 September</b>	
	<b>2021</b>	<b>2020</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Profit attributable to equity holders of the Company (HK\$ '000)	<u><b>81,211</b></u>	<u>162,286</u>
Weighted average number of ordinary shares in issue ('000)	<u><b>578,937</b></u>	<u>579,568</u>
Basic earnings per share (HK cents per share)	<u><b>HK14.0 cents</b></u>	<u>HK28.0 cents</u>

### *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 shares under the share award scheme.

	<b>Six months ended 30 September</b>	
	<b>2021</b>	<b>2020</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Profit attributable to equity holders of the Company (HK\$ '000)	<u><b>81,211</b></u>	<u>162,286</u>
Weighted average number of ordinary shares in issue ( '000)	<b>578,937</b>	579,568
Adjustment for Share Award Scheme ( '000)	<u><b>1,449</b></u>	<u>2,474</u>
	<u><b>580,386</b></u>	<u>582,042</u>
Diluted earnings per share (HK cents per share)	<u><b>HK14.0 cents</b></u>	<u>HK27.9 cents</u>

## 9 DIVIDEND

	Six months ended 30 September 2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Dividend declared		
– Interim dividend, HK10 cents (2020: HK10 cents) per ordinary share	<u>58,570</u>	<u>58,570</u>

The interim dividend was declared on 24 November 2021. This condensed consolidated interim financial information does not reflect this dividend payable.

## 10 TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	30 September 2021 HK\$'000 (Unaudited)	31 March 2021 HK\$'000 (Audited)
Trade receivables	51,084	38,149
Less: Loss allowance	<u>(135)</u>	<u>(823)</u>
Trade receivables – net ( <i>Note a</i> )	50,949	37,326
Other receivables ( <i>Note b</i> )	<u>56,391</u>	<u>65,213</u>
	107,340	102,539
Prepayments	44,815	49,260
Deposits	<u>3,094</u>	<u>2,230</u>
	<u>155,249</u>	<u>154,029</u>

- (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, sales of merchandise for the Group's food manufacturing business and its franchisees.
- (b) Other receivables primarily comprise value-added tax recoverables and receivables from a security logistic company.



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

The ageing analysis of trade receivables is as follows:

	<b>30 September 2021 HK\$'000 (Unaudited)</b>	<b>31 March 2021 HK\$'000 (Audited)</b>
0 – 30 days	<b>38,485</b>	27,362
31 – 60 days	<b>8,772</b>	6,378
61 – 90 days	<b>2,074</b>	2,288
91 – 365 days	<b>1,617</b>	1,296
Over 365 days	<b>136</b>	825
	<b>51,084</b>	38,149

## 11 TRADE PAYABLES

The ageing analysis of trade payables is as follows:

	<b>30 September 2021 HK\$'000 (Unaudited)</b>	<b>31 March 2021 HK\$'000 (Audited)</b>
0 – 30 days	<b>224,830</b>	174,377
31 – 60 days	<b>2,537</b>	2,641
61 – 90 days	<b>518</b>	816
Over 90 days	<b>1,644</b>	349
	<b>229,529</b>	178,183

## **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 2021 (2020: HK10 cents) payable on 24 December 2021 to shareholders whose names appear on the Register of Members of the Company on 15 December 2021.

## **CLOSURE OF REGISTER OF MEMBERS**

For the purpose of determination of entitlement to the interim dividend, the Register of Members of the Company will be closed on 15 December 2021 (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 14 December 2021 (Tuesday).

## **CORPORATE GOVERNANCE**

The corporate governance principles and practices adopted by the Group during the six months ended 30 September 2021 were in line with the corporate governance statements set out in the Corporate Governance Report in the Company's Annual Report 2020/21. During the six months ended 30 September 2021, 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 2021.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

During the six months ended 30 September 2021, 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 1,597,731 shares of the Company at a total consideration of about HK\$25.6 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, 24 November 2021

*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.*