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)

ANNUAL RESULTS ANNOUNCEMENT

FOR THE YEAR ENDED 31 MARCH 2022

HIGHLIGHTS

◆ **The fifth wave of COVID-19 in Hong Kong and the pandemic situation in Shenzhen and Zhuhai in the last quarter of FY2021/22 seriously disrupted the Group's operations and business, as well as the business recovery and momentum achieved in the first three quarters. Significant loss of sales was recorded during the fourth quarter.**

◆ **The Group's revenue for the year reached HK$7,508.8 million (FY2020/21: HK$6,714.3 million) and profit attributable to shareholders decreased to HK$21.2 million (FY2020/21: HK$359.1 million). COVID-19 relief and subsidies from the government of HK$127.8 million were recorded during the year, compared to HK$638.9 million in the previous financial year.**

◆ **Hong Kong operations focused on driving manpower productivity, supported by continuing efforts in digitalisation, automation and process simplification. Revenue from Hong Kong operations for the year increased by 12.0% compared to the previous financial year, attributable to the successful launch of new products and marketing programmes, as well as growth of the takeaway and delivery business.**

◆ **Mainland China operations benefited from a broad shop network across the Greater Bay Area which helped to offset business interruptions in any single city during the pandemic. The business grew during the year, with a record number of new shop openings. Revenue from Mainland China operations for the year increased 11.0%.**

◆ **A final dividend of HK18 cents per share is recommended (FY2020/21: HK28 cents), with a total dividend payout ratio of 773.6% for the year.**

* *For identification purposes only*

CHAIRMAN'S MESSAGE

The past year was marked by contrast. After growing the business back to nearly pre-pandemic levels over the first three quarters, the fifth wave of COVID-19 took an enormous toll on Hong Kong – impacting families, businesses and the economy as the city shut down during the last quarter of the financial year.

Against this backdrop, the Group attained revenue of HK$7,508.8 million and delivered profit attributable to shareholders of HK$21.2 million for the year ended 31 March 2022.

RECOVERY IN FUNDAMENTALS

The extremely challenging environment over the past few years has drilled home the importance of optimising business fundamentals. In recent years, the Group has taken a number of strategic steps to enhance long-term performance, and the results of these initiatives were clearly apparent in our business recovery from the start of the financial year. By the half year mark, profit attributable to shareholders was significantly higher than the previous period (excluding COVID-19 subsidies), and this positive momentum carried into the third quarter.

However, the arrival of Omicron in the fourth quarter brought the most difficult environment Hong Kong has seen since the beginning of the pandemic. Strict anti-pandemic measures on dining operations – combined with significant numbers of our own staff testing positive for the virus – led to the closure of 109 stores at the peak of the fifth wave, and the cumulative loss of 2,755 business days at our stores (around 17% of capacity).

On 1 March 2022, the Group took decisive action to protect our staff and the community by switching to full-day takeaway service at most **Café de Coral** fast food and **Super Super Congee & Noodles** outlets. Prioritising the health of our customers and staff, this three-week arrangement helped to control transmission during the peak of the fifth wave.

Mindful of our duty to the community, the Group maintained operations at hospital locations throughout the height of the pandemic, providing hot meals and a welcome break for medical staff on the front lines. We also re-purposed school lunchbox production line to serve meals at elderly nursing homes, and ensured needy children had access to a nutritious lunch every day through the Education Bureau's Community Care Fund.

MANAGEMENT TRANSITION AND GOALS

During these difficult times, the Board has been working diligently to optimise business performance as part of our ongoing transition from owner management to a sustainable management model. We have reconfirmed the performance of our Managing Directors for Hong Kong and Mainland China, Piony Leung and James Yang, respectively, under the harshest conditions. Looking forward, the Board has decided to build separate platforms in each of their markets, giving them the agility and independence to meet their strategic three-year goals.

In Hong Kong, our priority is unlocking the potential of our sizable revenue by improving profit margins. This involves consolidating and optimising our operations and carefully managing overhead. To achieve this, we are building our portfolio of brands, refining business models and increasing investment in digital infrastructure. Strengthening the effectiveness of loyalty club membership programmes and multichannel marketing and distribution will also enhance business momentum. Building on these initiatives, we aim to improve profit margins from low to high single digits within the next three years.

In Mainland China, the business has been expanding at a steady pace for several years – and continued to grow from 121 to 136 stores this past year while building robust margins. This is a record number of new stores for the Group, achieved despite the setbacks of the pandemic. Focusing our efforts under a single brand in our natural home market of the Greater Bay Area, our goal is to grow our retail network to 280 stores over the next three years while maintaining healthy profitability and service levels.

I remain confident that our three-year goals are achievable and will create new value for our shareholders. As our capable and tested team takes over management of daily operations, the Board and I will continue to closely monitor their progress and provide strategic guidance for the long-term benefit of the Group.

ACKNOWLEDGEMENTS

During these exceptionally tough times, I must personally thank all of our frontline staff for their commitment, and especially our Institutional Catering staff at hospitals – most notably Queen Elizabeth Hospital. This hospital was converted into a dedicated COVID-19 facility in March, requiring our staff to implement strict health, safety and cleaning measures to serve medical workers on the front lines. I must also thank our Board of Directors, business partners, employees, investors and customers for their continued support under these demanding conditions.

Leveraging our market-leading position, deep roots in the community and the strength of our management team, I remain confident that the Group is highly fit to compete, and will quickly return to solid, stable performance when anti-pandemic restrictions are removed.

Lo Hoi Kwong, Sunny
Chairman

Hong Kong, 15 June 2022

MANAGEMENT DISCUSSION AND ANALYSIS

INTRODUCTION AND HIGHLIGHTS

With the COVID-19 situation in Hong Kong and Mainland China largely stabilised during the first half of the financial year ended 31 March 2022, the Group's business recovered significantly by the interim reporting period. Leveraging our fine-tuned strategy and operations, we were able to sustain this momentum into the third quarter – nearly reaching pre-pandemic levels of business performance.

However, the fifth wave of the COVID-19 pandemic in the last quarter brought serious disruptions to our operations and business in Hong Kong. As a result of the government's dine-in restrictions and the intermittent closure of shops due to infections in our workforce, the Group suffered a cumulative loss of 2,755 shop operating days in Hong Kong. Our South China fast food business was also severely hit by lockdowns and restrictions due to the pandemic situation in Shenzhen and Zhuhai during March 2022. These factors led to a significant loss of sales during the fourth quarter.

The Group's revenue for the year ended 31 March 2022 increased by 11.8% to HK$7,508.8 million. Profit attributable to shareholders for FY2021/22 was HK$21.2 million, compared to HK$359.1 million in FY2020/21. The Group recorded COVID-19 relief and subsidies of HK$127.8 million from the government during the year under review, compared to government COVID-19 relief and subsidies totalling HK$638.9 million recorded by the Group in FY2020/21.

Hong Kong faced strict and prolonged anti-pandemic restrictions during the fourth quarter with surging numbers of infections in the city. Despite the severity of the situation, the Group maintained its strong commitment to the community. We prioritised manpower allocation to ensure continuous service at branches located in hospitals to serve medical workers on the front lines of the battle. Lunchbox production lines were re-purposed to help serve elderly homes, quarantine hotels and isolation facilities; and the Group launched its first food assistance programme, "Bon Appétit Café", dedicated to supporting families, the unemployed and low-income individuals facing immediate financial difficulties with a total amount of HK$12 million of food vouchers during the first year of the programme.

In Mainland China, the Group's broad and balanced portfolio of shops across the Greater Bay Area helped to offset business interruptions in any single city. Although periodic outbreaks affected network expansion plans, the Group still managed to open a record number of new shops in Mainland China during the year. Performance during this challenging period has confirmed the health and viability of the Group's operating model in Mainland China, and the market remains a significant growth engine for the Group's business.

Looking forward, the Group remains cautiously optimistic about the prospects for the coming year. Although first quarter performance has still been impacted by the fifth wave, the Group anticipates a gradual return to normal market conditions from the second quarter onwards.

Building on fundamental business improvement evidenced by robust recovery during the first three quarters of the financial year, the Group has set a strategic three-year target to enhance margins in Hong Kong and expand its network throughout the Greater Bay Area. We remain confident that our operations are well positioned to return to strong levels of performance and profitability when the pandemic situation improves.

RESULTS OVERVIEW

Revenue

For the year ended 31 March 2022, the Group recorded revenue of HK$7,508.8 million, a 11.8% increase as compared to HK$6,714.3 million in FY2020/21. Revenue by business division is set out below:

	FY2021/22	FY2020/21	**Change**
	HK$'m	*HK$'m*	*%*
Hong Kong			
Quick Service Restaurants	**4,563.1**	4,216.1	8.2
Casual Dining	**770.5**	622.0	23.9
Institutional Catering	**695.5**	534.7	30.1
Others*	**148.1**	141.4	4.7
Subtotal	**6,177.2**	5,514.2	**12.0**
Mainland China	**1,331.6**	1,200.1	**11.0**
Group	**7,508.8**	6,714.3	**11.8**

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

Gross Profit Margin

Gross profit margin increased to 7.3% during the year (FY2020/21: 5.6%), primarily due to business recovery in the first three quarters, despite serious business disruptions brought by pandemic in the last quarter of the financial year.

Administrative Expenses

Administrative expenses decreased by 0.8% to HK$458.8 million (FY2020/21: HK$462.6 million).

Key Costs

The breakdown of major expenses is set out below:

	FY2021/22		FY2020/21	
	HK$'m	***% of revenue***	*HK$'m*	*% of revenue*
Cost of raw materials and packing	**2,252.2**	**30.0**	2,008.1	29.9
Staff cost	**2,563.2**	**34.1**	2,366.1	35.2
Rental costs*	**874.0**	**11.6**	855.7	12.7

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

Other Income and Other Losses, Net
Other income and other losses, net decreased by HK$518.7 million, mainly because the Group recorded a lower amount of government subsidies during the year.

Income Tax Expense
Income tax expense decreased by 6.9% to HK$27.9 million (FY2020/21: HK$30.0 million).

Profit Attributable to Equity Holders
The Group's profit attributable to equity holders decreased 94.1% to HK$21.2 million for the year ended 31 March 2022 (FY2020/21: HK$359.1 million), primarily because the Group recorded a lower amount of government subsidies during the year and the fifth wave of the COVID-19 pandemic in the last quarter brought serious disruptions to business and operations. However, if excluding COVID-19 government subsidies, the Group's loss narrowed by 61.9%.

	FY2021/22	FY2020/21	**Change**
	HK$'m	*HK$'m*	***%***
Profit Attributable to Equity Holders	**21.2**	359.1	**(94.1)**
If excluding:			
COVID-19 subsidies	**(127.8)**	(638.9)	
Adjusted net loss	**(106.6)**	(279.8)	**(61.9)**

Segment Results
Hong Kong segment results decreased 38.4% to HK$415.2 million in FY2021/22 (FY2020/21: HK$674.2 million), mainly because the Group recorded a lower amount of COVID-19 subsidies during the year and the fifth wave of the COVID-19 pandemic in the last quarter brought serious disruptions to business and operations. Results from the Mainland China segment decreased 33.7% to HK$99.0 million (FY2020/21: HK$149.4 million), mainly because the pandemic situation in Shenzhen and Zhuhai in March 2022 caused serious business disruptions.

Basic Earnings Per Share
The Group's basic earnings per share decreased 93.5% to HK4 cents for the year ended 31 March 2022 (FY2020/21: HK62 cents).

Dividend
The Board has recommended the payment of a final dividend of HK18 cents per share to shareholders for the year ended 31 March 2022 (FY2020/21: HK28 cents). Together with the interim dividend of HK10 cents per share paid during the year, the dividend payout ratio for the year is 773.6%.

BUSINESS REVIEW

As of 31 March 2022, the Group had a network of 364 stores in Hong Kong (31 March 2021: 352) and 136 stores in Mainland China (31 March 2021: 121).

Hong Kong Retail Operations

Quick Service Restaurants (QSR)

Revenue from the QSR division increased by 8.2% to HK$4,563.1 million (2021: HK$4,216.1 million) during FY2021/22. **Café de Coral** fast food and **Super Super Congee & Noodles** recorded same store sales growth of 6% and 13%, respectively. The business contributed 60.8% of the Group's total revenue for the reporting year, operating a total of 204 shops at 31 March 2022 (31 March 2021: 201).

The first three quarters were marked by healthy business recovery across all stores and a return to growth momentum, nearly returning to pre-pandemic sales levels by December. New products and marketing promotions strengthened the business' core category strategy. The introduction of vegetarian pork chop baked rice established a strong entry in the vegetarian category, and further boosted the momentum of our overall baked rice series. It has been received with overwhelming success, helping us tap into a new customer segment and enabling us to offer more choice to a broader and more diverse group of diners. Supported by strong alliances with all three payment gateways, we have successfully tapped into spending driven by government consumption coupons.

The fifth wave of COVID-19 caused an exponential increase in cases during February and March, and brought serious disruptions to the business caused by strict government dine-in restrictions and intermittent closure of shops due to staff infections. To safeguard the health of our staff and customers, and to help break transmission within the community, the management team made a decisive move to suspend dine-in service at most QSR outlets from 1 March until the week of 21 March.

Impacts from the fifth wave led to the temporary closure of 70 shops at the peak of the pandemic and a cumulative loss of 1,539 shop operating days in February and March 2022, significant loss of sales, and higher labour costs – not only in terms of extra protective gear and self-test kits, but also in staffing increases to comply with government mandated Leave Home Safe monitoring and vaccine pass verification.

Addressing these challenges, the Group's focus on driving manpower productivity is being supported by continuing efforts in digitalisation, automation and process simplification. Self-ordering kiosks and digital operating service models have been installed in all shops, providing a frictionless customer experience. Streamlining of the mobile ordering app contributed to a significant increase in mobile transactions, and further customer-oriented technology upgrades are in the pipeline.

Club 100 Membership remains a key competitive advantage in retaining and expanding our customer base. With over one million members and a high percentage of active users, Club 100 facilitates timely marketing of new and seasonal products while deepening relationships with loyal customers.

The Group's online platform, eatCDC.com, recorded significant growth in traffic and sales, driven by continued strong response to seasonal festive promotions including Christmas party sets and Chinese New Year poon-choi offerings. Partnership with third party delivery platforms helped to capture significant opportunities in takeaway and delivery business, along with exposure to a vastly different customer base. Encouraged by positive market response, the Group will continue to invest in its omni channel platform.

The wider economic recovery during the first three quarters was accompanied by rising rental and labour costs, together with surging food and supply chain costs. Addressing these margin pressures, a task force has been set up to oversee strategic sourcing and menu reengineering, as well as smart business planning, automation and execution enhancement. The business has been closely monitoring other expenses to strike a balance between business growth and cost control as the economy recovers.

Café de Coral fast food opened 11 new stores, ending the year with 162 stores (31 March 2021: 161). **Super Super Congee & Noodles** opened 6 new stores, operating 42 stores at the end of the financial year (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. At present, 10 new QSR shops are in the pipeline. Supporting network expansion efforts, the ongoing rollout of new store formats will help to enhance productivity as well as per-square-foot sales.

Casual Dining

Revenue from the Casual Dining business increased by 23.9% during the year to HK$770.5 million (FY2020/21: HK$622.0 million).

Improved business momentum in Casual Dining over the first three quarters was suddenly halted by the fifth wave of COVID-19, when restrictive social distancing measures severely reduced customer traffic. The fifth wave of COVID-19 led to the temporary closure of 26 shops at the peak of the pandemic and the cumulative loss of 746 shop operating days in February and March 2022, which severely affected the performance of casual dining operations.

Proactively addressing the situation, a number of initiatives were implemented across all brands to improve performance, including control of manpower and operational expenses, temporary closure of shops and reduction of business hours, and continued menu reengineering to improve food costs and reduce operational wastage.

The division operated 63 shops at the end of the financial year (31 March 2021: 60). **Shanghai Lao Lao** opened 1 new shop, and together with **Mixian Sense**, the two brands operated 13 and 18 shops, respectively, as of 31 March 2022 (31 March 2021: 13 and 19, respectively). **The Spaghetti House** operated 8 shops at the end of the year (31 March 2021: 8), while **Oliver's Super Sandwiches** successfully expanded into the university campus market and opened 2 new shops during the year, operating 19 shops at the financial year end (31 March 2021: 17).

Looking ahead, **Shanghai Lao Lao** aims to strengthen its position as a leading brand in its segment, while **Mixian Sense** will embark on a more aggressive shop expansion programme. **Oliver's Super Sandwiches** is focusing on automation to improve productivity and efficiency, and **The Spaghetti House** is continuing its ongoing brand rejuvenation efforts.

Institutional Catering

Despite the unpredictable nature of closures in schools, hospitals and other public/private institutions due to anti-pandemic restrictions, the Institutional Catering business remained active during the year under review. However, the fifth wave of COVID-19 led to the temporary closure of 13 **Asia Pacific Catering** shops at the peak of the pandemic, and the cumulative loss of 470 shop operating days. Revenue from the business increased by 30.1% to HK$695.5 million (FY2020/21: HK$534.7 million).

Asia Pacific Catering ended the year with 97 operating units (31 March 2021: 91). It successfully renewed the majority of its contracts and signed a number of new contracts, expanding its reach into the international school sector during the year. The Group made special effort to provide uninterrupted service for all of our business partners during the fifth wave of the pandemic – especially in the hospital sector, where we re-allocated manpower and resources to serve the medical community on the front lines of the pandemic.

Luncheon Star joined the Education Bureau in implementing the Community Care Fund lunchbox programme for students, and continues to explore opportunities to diversify its product and business lines. As schools in Hong Kong have not yet returned to full day classes, under-utilised production lines have been repurposed to support the community, allowing us to provide critically-needed meals to quarantine hotels, COVID-19 isolation facilities and elderly homes.

The Group remains confident in leveraging its market leadership and reputation as a preferred business partner to quickly recapture growth opportunities when the pandemic situation is under control.

Mainland China Operations

Revenue from Mainland China operations increased by 11.0% to HK$1,331.6 million (FY2020/21: HK$1,200.1 million). The South China fast food business experienced a 4.9% increase in revenue to RMB1,056.8 million, however strict restrictions in response to intermittent pandemic outbreaks led to negative same store sales growth of 1% for the year.

The South China fast food business maintained healthy growth and store-level profit margins throughout the first half of the financial year despite an isolated COVID-19 outbreak in Guangzhou in June. A strategic focus on hero products and building the breakfast market led to new product development, menu restructuring and successful marketing promotions.

However, the partial lockdowns in Shenzhen and Zhuhai due to the pandemic situation in March 2022 impacted 53 stores, which were temporarily closed or only allowed to operate at limited capacity – leading to a significant loss of sales revenue.

Outside of Guangzhou, Shenzhen and Zhuhai, the Group recorded healthy same store growth across the Greater Bay Area, confirming its portfolio management approach for network expansion.

Focusing on driving sales growth while improving productivity, supply chain management, recruitment and training, the Group is driving repeat purchases and building customer loyalty through membership programmes and e-coupons. At the same time, it is proactively managing costs through menu optimisation and efficiency improvements. Digitalisation is a key factor in boosting efficiency and the customer experience, while investments in in-store robotics and automation have reduced manpower requirements.

With a focus on network expansion, the Group has developed a standardised, modular store format to raise productivity and lower the breakeven requirement for new stores, paving the way for faster growth. Although the pace of store openings was impacted by the pandemic, the Group opened a record 21 new stores during the year and 16 new stores are in the pipeline.

The tough economic environment has increased availability of strategic shop locations, and the Group plans to take advantage of market weakness to open new stores and build brand awareness.

FINANCIAL REVIEW

Financial Position

The Group's financial position remained healthy during the year under review. As of 31 March 2022, the Group had cash of approximately HK$1,586 million, with HK$899 million in available banking facilities. The Group's current ratio as of the same date was 1.2 (31 March 2021: 1.5) and the cash ratio was 0.9 (31 March 2021: 1.2). The Group had borrowings of HK$1,080 million (31 March 2021: HK$1,179 million) and a 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 year under review, the Group's capital expenditure (excluding right-of-use assets of leased properties) was HK$507 million (FY2020/21: HK$257 million). As at 31 March 2022, the Group's outstanding capital commitments were HK$712 million (31 March 2021: HK$735 million).

Contingent Liabilities

As of 31 March 2022, the Company provided guarantees of approximately HK$2,233 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 31 March 2022 (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 31 March 2022, the Group had a workforce of 17,954 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. The QSR business completed implementation of a chain-wide Area Management Training Program to train and develop our talent pool at the shop level, and to ensure consistent follow-through on Quality, Service and Cleanliness efforts. Other initiatives such as the Coaching Program, Experience Sharing Forum and Leadership Training continued to drive development of management and staff.

Focusing on compliance and sustainability, the Group introduced a new video training programme themed around integrity, IT Security as well as corporate compliance – covering anti-bribery and anti-corruption, data privacy, anti-discrimination and occupational safety and health.

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. The Long Term Incentive Plan was reviewed during the year, and an enhanced programme will be launched for the new financial year.

Proactively reaching out to protect and comfort staff during the worst of the pandemic, we looked after employees' well-being by arranging health talks, extending medical coverage, distributing lucky packs filled with anti-pandemic items and free Rapid Antigen Testing kits, as well as vaccination leave and extra support for staff recovering from COVID-19.

SUSTAINABILITY

The Group remains strongly committed to supporting the global agenda on sustainable development. By including environmental, social and governance ("ESG") initiatives as a core component of our strategy and operations, we are integrating sustainability as part of our daily operations and improving the competitiveness of our business.

The Group has been a constituent of the Hang Seng Corporate Sustainability Benchmark Index since 2015, and has obtained an "A" MSCI ESG rating. Further strengthening governance and oversight of sustainability issues, we formalised these initiatives under our new Group Sustainability Committee and Mainland China Sustainability Committee in July 2021.

Tackling our environmental footprint, we also intensified our focus on food waste reduction during the year under review.

To support the community – and especially the underprivileged members of Hong Kong's society, the Group launched a number of community programmes during the year. We utilised production lines from our Institutional Catering division to donate 2,500 boxes of "Nutri-rich" poon-choi to 5,000 beneficiaries through 25 social welfare organisations. In addition, the Group donated HK$500,000 worth of dining vouchers to the Share for Good crowd-donation platform launched by New World Development to support families impacted by COVID-19.

The pilot run of our "Bon Appétit Café" Food Assistance Programme provided HK$2 million of short-term food assistance to 500 beneficiaries through the Neighbourhood Advice-Action Council (NAAC) from December 2021 to February 2022. Subsequent to the end of the financial year, the pilot programme has been expanded to provide a total of HK$12 million of food vouchers to 3,000 eligible recipients in its first year.

Full details of our sustainability programmes can be found in the Group's Sustainability Report 2021/2022.

OUTLOOK

As the market gradually recovers, the Group remains cautiously optimistic about the year ahead. Having laid the groundwork for fundamental business improvement, we are confident in a quick return to growth when pandemic restrictions are lifted.

Reaping the benefits of digitalisation, we are expanding our digital platform to include participation across Group brands. At the same time, margin optimisation is unlocking extra value to meet our three-year financial objectives.

In Hong Kong, pent-up demand for social activities and gatherings is expected to drive revenue, and a number of sales and marketing initiatives have been prepared to capture consumer spending fuelled by government consumption vouchers. Building on the success of Club 100, the Group has implemented a holistic Customer Relationship Management plan to increase membership and sales.

Although the Institutional Catering division continues to be impacted by anti-pandemic restrictions, the Group will leverage its market-leading position as a preferred industry partner to fully resume growth when conditions allow.

In Mainland China, the Group remains confident that its robust brand reputation and business model will continue to drive profitability and growth. The Group is prioritising network expansion in the Greater Bay Area over the next three years as it optimises business models and enhances brand leadership. Efforts to engage landlords have created new strategic alliances, facilitating access to prime shop locations, as well as rental concessions and favourable leasing terms. Additional efforts in digitalisation and the rollout of new store formats will enhance the customer experience while improving efficiency, productivity and margins.

Building on its solid fundamentals, digitally enabled operations and tight focus on margins, the Group's business is well positioned to build revenue, enhance brand reputation, expand retail networks and accelerate growth over the years to come.

RESULTS

The audited consolidated results of Café de Coral Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") for the year ended 31 March 2022, together with comparative figures for the previous year, are as follows:

CONSOLIDATED INCOME STATEMENT
- BY FUNCTION OF EXPENSE
FOR THE YEAR ENDED 31 MARCH 2022

	Note	**2022** **HK$'000**	2021 HK$'000
Revenue	6	**7,508,753**	6,714,255
Cost of sales	8	**(6,961,032)**	(6,339,067)
Gross profit		**547,721**	375,188
Other income and other (losses)/gains, net	7	**42,296**	561,011
Administrative expenses	8	**(458,843)**	(462,619)
Operating profit		**131,174**	473,580
Finance income	9	**7,659**	8,125
Finance costs	9	**(88,044)**	(91,159)
Profit before income tax		**50,789**	390,546
Income tax expense	10	**(27,939)**	(29,996)
Profit for the year		**22,850**	360,550
Profit attributable to:			
Equity holders of the Company		**21,214**	359,130
Non-controlling interests		**1,636**	1,420
		22,850	360,550
Dividends	12	**163,997**	222,567
Earnings per share for profit attributable to the equity holders of the Company			
Basic	11(a)	**HK$0.04**	HK$0.62
Diluted	11(b)	**HK$0.04**	HK$0.62

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2022

	2022	2021
	HK$'000	*HK$'000*
Profit for the year	**22,850**	360,550
Other comprehensive income/(loss):		
Item that may be reclassified to profit or loss		
Exchange differences arising from translation of foreign subsidiaries	**18,991**	32,249
Items that will not be reclassified subsequently to profit or loss		
Remeasurement of retirement benefit liabilities and provision for long service payments	**(13,507)**	24,887
Fair value loss on financial assets at fair value through other comprehensive income	**(1,020)**	(4,082)
Total comprehensive income for the year	**27,314**	413,604
Total comprehensive income for the year attributable to:		
– Equity holders of the Company	**25,678**	412,184
– Non-controlling interests	**1,636**	1,420
	27,314	413,604

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2022

	Note	As at 31 March 2022 HK$'000	As at 31 March 2021 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**1,586,070**	1,518,982
Right-of-use assets		**2,158,474**	2,124,383
Investment properties		**514,800**	542,700
Intangible assets		**1,191**	1,229
Deferred income tax assets		**67,714**	70,733
Financial assets at fair value through other comprehensive income		**95,931**	96,951
Retirement benefit assets		**2,878**	542
Non-current prepayments and deposits		**293,263**	283,622
		4,720,321	4,639,142
Current assets			
Inventories		**303,542**	234,924
Trade and other receivables	*13*	**199,550**	102,539
Prepayments and deposits	*13*	**55,074**	51,490
Current income tax recoverable		**7,773**	32,844
Bank deposits with maturity over three months		**-**	21,222
Cash and cash equivalents		**1,585,586**	2,072,512
		2,151,525	2,515,531
Total assets		**6,871,846**	7,154,673
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital		**58,570**	58,570
Share premium		**621,122**	621,122
Shares held for share award scheme		**(130,939)**	(140,944)
Other reserves		**515,201**	508,452
Retained earnings			
- Proposed dividends		**105,427**	163,997
- Others		**1,649,360**	1,817,640
		2,818,741	3,028,837
Non-controlling interests		**7,635**	5,999
Total equity		**2,826,376**	3,034,836

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 31 MARCH 2022

	Note	As at 31 March 2022 HK$'000	As at 31 March 2021 HK$'000
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		**36,225**	33,424
Provision for long service payments		**41,548**	30,629
Lease liabilities		**1,341,995**	1,368,550
Long-term borrowings		**899,690**	999,433
		2,319,458	2,432,036
Current liabilities			
Trade payables	*14*	**167,408**	178,183
Other creditors and accrued liabilities		**682,823**	640,378
Current income tax liabilities		**14,365**	7,719
Lease liabilities		**681,416**	681,521
Current portion of long-term borrowings		**100,000**	100,000
Short-term borrowings		**80,000**	80,000
		1,726,012	1,687,801
Total liabilities		**4,045,470**	4,119,837
Total equity and liabilities		**6,871,846**	7,154,673
Net current assets		**425,513**	827,730
Total assets less current liabilities		**5,145,834**	5,466,872

Notes:

1 GENERAL INFORMATION

Café de Coral Holdings Limited (the "Company") was incorporated in Bermuda as an exempted company under the Companies Act 1981 of Bermuda with limited liability on 1 October 1990. The address of its registered office is Victoria Place, 5th Floor, 31 Victoria Street, Hamilton HM 10, Bermuda.

The principal activity of the Company is investment holding. The Company's subsidiaries are principally engaged in operation of quick service restaurants, casual dining chains, institutional catering, as well as food processing and distribution business in Hong Kong and Mainland China.

The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange").

These consolidated financial statements are presented in Hong Kong dollars (HK$), unless otherwise stated, and have been approved for issue by the Board of Directors on 15 June 2022.

2 BASIS OF PREPARATION

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

The consolidated financial statements of the Company and its subsidiaries (the "Group") have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") and disclosure requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties, financial assets at fair value through other comprehensive income ("FVOCI") and defined benefit scheme plan assets, which are carried at fair value.

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

3 ACCOUNTING POLICIES

3.1 Amendments to existing standards adopted by the Group

The following amendments to existing standards have been adopted by the Group for the first time for the financial year beginning on or after 1 April 2021:

- Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16 "Interest Rate Benchmark Reform - Phase 2"

- Amendments to HKFRS16 "Covid-19-Related Rent Concessions"

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

3 ACCOUNTING POLICIES (Continued)

3.2 New and amended standards, improvements, interpretation and accounting guideline not yet adopted

The following new and amended standards, improvements, interpretation and accounting guideline 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
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
Revised Accounting Guideline 5	Merger Accounting for Common Control Combinations	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
Hong Kong Interpretation 5 (2020)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2023
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 8	Definition of Accounting Estimates	1 January 2023
Amendments to HKAS 12	Deferred tax related to assets and liabilities arising from a single transaction	1 January 2023
Amendments to HKFRS 10 and HKAS 28	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 amendments to standards, improvements, interpretation and accounting guideline, but is yet in a position to state whether they would have significant impacts on its results of operations and financial position.

4 FINANCIAL RISK MANAGEMENT

4.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Management regularly manages the financial risks of the Group. Because of the simplicity of the financial structure and the current operations of the Group, no hedging activities are undertaken by management.

4 FINANCIAL RISK MANAGEMENT (Continued)

4.1 Financial risk factors (Continued)

(a) Foreign exchange risk

The Group mainly operates in Hong Kong and Mainland China and is exposed to foreign exchange risk from various currency exposures, primarily with respect to Chinese Renminbi ("RMB").

Management has a policy to require group companies to manage their foreign exchange risks against their respective functional currencies. It mainly includes managing the exposures arisen from sales and purchases made by relevant group companies in currencies other than their own functional currencies. The Group also manages its foreign exchange risk by performing regular reviews of the Group's net foreign exchange exposure. The Group has not used any hedging arrangement to hedge its foreign exchange risk exposure.

As the assets and liabilities of each company within the Group are mainly denominated in the respective company's functional currency, the directors are of the opinion that the Group's volatility of its profits against changes in exchange rates of foreign currencies would not be significant.

(b) Interest rate risk

The Group has no significant interest-bearing assets except for bank deposits and bank borrowings, the income and operating cash flows of which are substantially independent of changes in market interest rates.

Interest rate risk mainly arises from bank deposits and bank borrowings at variable interest rates which are subject to cash flow interest rate risk.

As at 31 March 2022, if interest rates had been increased/decreased by 0.5% with all other variables were held constant, the Group's profit for the year would have been decreased/increased by HK$4,508,000 (2021: HK$4,924,000) and increased/decreased by HK$1,654,000 (2021: HK$2,760,000), as a result of the changes in the interest expenses on bank borrowings and interest income on bank deposits.

(c) Price risk

The Group is exposed to securities price risk because investments held by the Group are classified on the consolidated statement of financial position as financial assets at FVOCI. The Group has not mitigated its price risk arising from these financial assets.

For the Group's financial assets that are publicly traded, the fair value is determined with reference to quoted market prices. For the Group's financial assets that are not publicly traded, the Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the reporting date.

4 FINANCIAL RISK MANAGEMENT (Continued)

4.1 Financial risk factors (Continued)

(c) Price risk (Continued)

As at 31 March 2022, if the price of the listed equity securities (financial assets at FVOCI) had increased/decreased by 10% with all other variables being held constant, the Group's FVOCI investment reserve would have increased/decreased by HK$9,593,000 (2021: HK$9,695,000).

(d) Credit risk

(i) Risk management

Credit risk arises from cash and cash equivalents, contractual cash flows of debt instruments carried at amortised cost, deposits with bank and financial institutions, as well as credit exposures to customers and debtors, including trade and other receivables.

Credit risk is managed on a group basis. Majority of the Group's bank balances and deposits are placed in banks and financial institutions which are independently rated with investment grade credit rating (Moody's: Baa3 or above; Standard & Poor's: BBB- or above; Fitch: BBB- or above). Management does not expect any losses from non-performance by these banks and financial institutions as they have no default history in the past. Therefore, expected credit loss rate of cash at bank is assessed to be close to zero and no provision was made as at 31 March 2022.

The credit quality of the landlords is assessed based on the financial position of the landlords as well as past experience of the Group in dealing with the respective landlords. The Group has policies in place to ensure rental deposits are placed to landlords with appropriate credit histories and credit terms are granted to reliable debtors. The Group's historical experience in collection of deposits and other receivables falls within recorded allowance and the directors are of the opinion that expected credit loss rate of these balances is close to zero and no provision was made as at 31 March 2022.

There is no concentration of credit risk as the Group's bank balances and deposits are deposited in over ten financial institutions with investment grade credit ratings, and the Group has a large number of counterparties for rental deposits, trade and other receivables. Management does not expect any losses from non-performance by these financial institutions and counterparties.

(ii) Impairment of financial assets

The Group has three main types of financial assets that are subject to the expected credit loss model:

(1) Cash and cash equivalents;

(2) Trade receivables; and

(3) Other financial assets measured at amortised costs (including deposits and other receivables)

4 FINANCIAL RISK MANAGEMENT (Continued)

4.1 Financial risk factors (Continued)

(d) Credit risk (Continued)

(ii) Impairment of financial assets (Continued)

(1) Cash and cash equivalents

While cash and cash equivalents are also subject to the impairment requirements of HKFRS 9, as all financial institutions are rated with investment grade credit rating, the identified impairment loss was immaterial.

(2) Trade receivables

Trade receivables of the Group are subject to the expected credit loss model. The Group applies the HKFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for trade receivables. To measure the expected credit losses, trade receivables have been grouped based on the nature of customer accounts, shared credit risk characteristics and the days past due.

The expected loss rates are calculated using a "roll rate" method based on the probability of a receivable progressing through successive stages of delinquency to write-off. Roll rates are calculated separately for exposures in different segments based on the common credit risk characteristics. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The group has identified the GDP and the fixed investment growth rate of Hong Kong and PRC to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

On the basis, expected loss rate of trade receivables is assessed to be close to zero, as at 31 March 2022 and 31 March 2021. In respect of trade receivables, the loss allowance as at 31 March 2022 and 31 March 2021 was determined as follows:

31 March 2022	**0 – 30 days HK$'000**	**31 – 60 days HK$'000**	**61 – 90 days HK$'000**	**91 – 365 days HK$'000**	**Over 365 days HK$'000**	**Total HK$'000**
Gross carrying amount – Trade receivables	**39,931**	**4,621**	**3,658**	**2,799**	**77**	**51,086**
Loss allowance	**-**	**-**	**-**	**(2)**	**(77)**	**(79)**

31 March 2021	0 – 30 days HK$'000	31 – 60 days HK$'000	61 – 90 days HK$'000	91 – 365 days HK$'000	Over 365 days HK$'000	Total HK$'000
Gross carrying amount – Trade receivables	27,362	6,378	2,288	1,296	825	38,149
Loss allowance	-	-	-	-	(823)	(823)

4 FINANCIAL RISK MANAGEMENT (Continued)

4.1 Financial risk factors (Continued)

(d) Credit risk (Continued)

(ii) Impairment of financial assets (Continued)

(3) Other financial assets measured at amortised costs (including deposits and other receivables)

Other financial assets at amortised cost include the other receivables excluding prepayments. The credit quality of other financial assets at amortised cost has been assessed with reference to historical information about the counterparties default rates and financial position of the counterparties. Management is of the opinion that the risk of default by these counterparties is not significant and does not expect any losses from non-performance by the counterparties. Therefore, expected credit loss rate of the other financial assets at amortised cost is assessed to be close to zero and no provision was made as at 31 March 2022 and 31 March 2021.

(e) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of available credit facilities. The Group has considered the present and expected market conditions, including the impact of the COVID-19 outbreak and the expected pace of recovery. The Group continues to maintain a healthy net cash position by keeping credit lines available and to maintain flexibility in future funding.

The Group's primary cash requirements are payments for trade payables, other creditors and accrued liabilities and operating expenses. The Group mainly finances its working capital requirements through internal resources and borrowings from financial institutions.

The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on their contractual maturities.

The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

4 FINANCIAL RISK MANAGEMENT (Continued)

4.1 Financial risk factors (Continued)

(e) Liquidity risk (Continued)

	Within 1 year or on demand HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	More than 5 years HK$'000	Total undiscounted cash outflows HK$'000
At 31 March 2022					
Trade payables	**167,408**	**-**	**-**	**-**	**167,408**
Other creditors and accrued liabilities (excluding non-financial liabilities)	**502,520**	**-**	**-**	**-**	**502,520**
Lease liabilities	**741,870**	**552,315**	**786,341**	**81,855**	**2,162,381**
Bank borrowings	**191,891**	**903,768**	**-**	**-**	**1,095,659**
	1,603,689	**1,456,083**	**786,341**	**81,855**	**3,927,968**

	Within 1 year or on demand HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	More than 5 years HK$'000	Total undiscounted cash outflows HK$'000
At 31 March 2021					
Trade payables	178,183	-	-	-	178,183
Other creditors and accrued liabilities (excluding non-financial liabilities)	477,142	-	-	-	477,142
Lease liabilities	755,880	548,388	849,876	64,366	2,218,510
Bank borrowings	190,157	109,120	903,229	-	1,202,506
	1,601,362	657,508	1,753,105	64,366	4,076,341

4.2 Capital risk management

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

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

4 FINANCIAL RISK MANAGEMENT (Continued)

4.2 Capital risk management (Continued)

During the year ended 31 March 2022, the Group monitor capital on basis of gearing ratio, which is calculated based on total borrowings less cash and cash equivalents divided by total equity.

As at 31 March 2022 and 31 March 2021, as the Group is in a net cash position of HK$505,896,000 and HK$893,079,000 respectively, management considers that the Group's capital risk is minimal.

4.3 Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The difference levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's financial assets that are measured at fair value at 31 March 2022:

	Level 1 *HK$'000*	Total *HK$'000*
Assets		
Financial assets at fair value through other comprehensive income		
– Listed equity investments	**95,931**	**95,931**

4 FINANCIAL RISK MANAGEMENT (Continued)

4.3 Fair value estimation (Continued)

The following table presents the Group's financial assets that are measured at fair value at 31 March 2021:

	Level 1 *HK$'000*	Total *HK$'000*
Assets		
Financial assets at fair value through other comprehensive income		
– Listed equity investments	96,951	96,951

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. These instruments are included in level 1.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

The carrying values less loss allowance of trade and other receivables and payables are a reasonable approximation of their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments. There were no transfers between level 1, 2 and 3 during the year.

5 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. He assesses the business principally from a geographical perspective including Hong Kong and Mainland China. Segment result as presented below represents operating profit excluding fair value changes 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.

5 SEGMENT INFORMATION (Continued)

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

	Hong Kong *HK$'000*	Mainland China *HK$'000*	Group *HK$'000*
Year ended 31 March 2022			
Total segment revenue	**6,181,840**	**1,433,953**	**7,615,793**
Inter-segment revenue *(Note i)*	**(4,664)**	**(102,376)**	**(107,040)**
Revenue (from external revenue) *(Note ii)*	**6,177,176**	**1,331,577**	**7,508,753**
Represented by timing of revenue recognition:			
- At a point in time	**6,129,623**	**1,331,577**	**7,461,200**
- Over time	**47,553**	**-**	**47,553**
	6,177,176	**1,331,577**	**7,508,753**
Segment results *(Note iii)*	**415,189**	**99,031**	**514,220**
Depreciation and amortisation (excluding depreciation of right-of-use assets – properties)	**(303,741)**	**(73,338)**	**(377,079)**
Fair value loss on investment properties	**(27,900)**	**-**	**(27,900)**
Impairment loss of property, plant and equipment	**(18,341)**	**(991)**	**(19,332)**
Impairment loss of right-of-use assets	**(33,579)**	**(2,002)**	**(35,581)**
Finance income	**5,777**	**1,882**	**7,659**
Finance cost on bank borrowings	**(11,198)**	**-**	**(11,198)**
Income tax expense	**(16,391)**	**(11,548)**	**(27,939)**

	Hong Kong *HK$'000*	Mainland China *HK$'000*	Group *HK$'000*
Year ended 31 March 2021			
Total segment revenue	5,518,223	1,298,001	6,816,224
Inter-segment revenue *(Note i)*	(4,022)	(97,947)	(101,969)
Revenue (from external revenue) *(Note ii)*	5,514,201	1,200,054	6,714,255
Represented by timing of revenue recognition:			
- At a point in time	5,470,460	1,200,054	6,670,514
- Over time	43,741	-	43,741
	5,514,201	1,200,054	6,714,255
Segment results *(Note iii)*	674,219	149,405	823,624
Depreciation and amortisation (excluding depreciation of right-of-use assets – properties)	(302,586)	(63,042)	(365,628)
Fair value loss on investment properties	(42,900)	-	(42,900)
Impairment loss of property, plant and equipment	(2,705)	-	(2,705)
Impairment loss of right-of-use assets	(23,680)	-	(23,680)
Finance income	6,480	1,645	8,125
Finance cost on bank borrowings	(6,290)	-	(6,290)
Income tax expense	(15,646)	(14,350)	(29,996)

5 SEGMENT INFORMATION (Continued)

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

(ii) The Group has a large number of customers. For the years ended 31 March 2022 and 2021, no revenue was derived from transactions with a single external customer representing 10% or more of the Group's total revenue.

(iii) Information of segment results

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

	Hong Kong	Mainland China	Group
	HK$'000	*HK$'000*	*HK$'000*
Year ended 31 March 2022			
Depreciation – right-of-use assets – properties	**635,861**	**97,178**	**733,039**
Finance cost of lease liabilities	**54,204**	**22,642**	**76,846**
Year ended 31 March 2021			
Depreciation – right-of-use assets – properties	645,219	88,495	733,714
Finance cost of lease liabilities	62,611	22,258	84,869

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

	2022	2021
	HK$'000	*HK$'000*
Segment results	**514,220**	823,624
Depreciation and amortisation (excluding depreciation of right-of-use assets – properties)	**(377,079)**	(365,628)
Fair value loss on investment properties	**(27,900)**	(42,900)
Impairment loss of property, plant and equipment	**(19,332)**	(2,705)
Impairment loss of right-of-use assets	**(35,581)**	(23,680)
Finance income	**7,659**	8,125
Finance cost on bank borrowings	**(11,198)**	(6,290)
Profit before income tax	**50,789**	390,546

5 SEGMENT INFORMATION (Continued)

	Hong Kong *HK$'000*	Mainland China *HK$'000*	Group *HK$'000*
As at 31 March 2022			
Segment assets	**5,632,257**	**1,068,171**	**6,700,428**
Year ended 31 March 2022			
Segment assets include:			
Additions to non-current assets (other than financial instruments and deferred income tax assets)	**1,196,399**	**257,000**	**1,453,399**
As at 31 March 2021			
Segment assets	5,905,698	1,048,447	6,954,145
Year ended 31 March 2021			
Segment assets include:			
Additions to non-current assets (other than financial instruments and deferred income tax assets)	487,583	188,652	676,235

As at 31 March 2022, 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$3,800,772,000 (2021: HK$3,775,601,000) and HK$755,904,000 (2021: HK$695,857,000) respectively.

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

	As at 31 March 2022 ***HK$'000***	As at 31 March 2021 *HK$'000*
Total segment assets	**6,700,428**	6,954,145
Deferred income tax assets	**67,714**	70,733
Financial assets at fair value through other comprehensive income	**95,931**	96,951
Current income tax recoverable	**7,773**	32,844
Total assets	**6,871,846**	7,154,673

6 REVENUE

	2022	2021
	HK$'000	*HK$'000*
Sales of food and beverages	**7,409,202**	6,627,557
Rental income	**42,318**	38,341
Management and service fee income	**5,385**	5,400
Sundry income	**51,848**	42,957
	7,508,753	6,714,255

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

	2022	2021
	HK$'000	*HK$'000*
Dividend income from listed equity investments	**6,123**	3,572
Fair value loss on investment properties	**(27,900)**	(42,900)
Loss on disposal of other property, plant and equipment, net	**(11,374)**	(12,840)
Impairment loss of property, plant and equipment	**(19,332)**	(2,705)
Impairment loss of right-of-use assets	**(35,581)**	(23,680)
Government subsidies (Note a)	**130,360**	638,868
Others	**-**	696
	42,296	561,011

(a) These primarily represented government subsidies in relation to the COVID-19 pandemic which included subsidies of HK$127,810,000 (2021: HK$622,738,000 including HK$486,767,000 granted under the Employment Support Scheme) granted under the Anti-Epidemic Fund of the Government of the Hong Kong Special Administrative Region.

8 EXPENSES BY NATURE

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

	2022	2021
	HK$'000	*HK$'000*
Cost of raw materials and packing	**2,252,217**	2,008,142
Amortisation of intangible assets	**38**	194
Depreciation expenses		
- property, plant and equipment	**362,188**	351,182
- leasehold land and land use rights classified as right-of-use assets	**14,853**	14,252
- right-of-use assets — properties	**733,039**	733,714
Expenses relating to leases of		
- short-term leases	**31,487**	33,043
- variable lease payments not included lease liabilities	**50,435**	36,349
Gain on modification and termination of leases	**(17,758)**	(32,228)
Exchange losses, net	**877**	1,976
Employee benefit expenses (excluding share-based compensation expenses)	**2,552,767**	2,332,973
Share-based compensation expenses	**10,482**	33,123
Auditor's remuneration		
- audit services	**3,438**	3,438
- non-audit services	**579**	531
Electricity, water and gas	**369,034**	316,237
Advertising	**88,785**	88,639
Reversal of loss allowance on trade receivables (Note 13)	**(744)**	(52)
Sanitation	**122,397**	120,973
Repairs & maintenance	**125,977**	97,322
Building management fee, air conditioning and rates	**206,181**	183,889
Delivery expense	**75,048**	61,215
Insurance	**48,020**	49,839
Other expenses	**390,535**	366,935
	7,419,875	6,801,686
Representing:		
Cost of sales	**6,961,032**	6,339,067
Administrative expenses	**458,843**	462,619
	7,419,875	6,801,686

9 FINANCE INCOME AND FINANCE COSTS

	2022 *HK$'000*	2021 *HK$'000*
Finance income	**7,659**	8,125
Finance cost of lease liabilities	**(76,846)**	(84,869)
Finance cost on bank borrowings	**(11,198)**	(6,290)
Finance costs	**(88,044)**	(91,159)
Finance costs, net	**(80,385)**	(83,034)

10 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 16.5% (2021: 16.5%) on the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

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

	2022 *HK$'000*	2021 *HK$'000*
Current income tax:		
- Hong Kong profits tax	**20,027**	24,643
- PRC taxation	**8,606**	13,803
Deferred income tax relating to the origination and reversal of temporary differences	**5,619**	(588)
Over provision in prior years	**(6,313)**	(7,862)
	27,939	29,996

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

	2022 *HK$'000*	2021 *HK$'000*
Profit before income tax	**50,789**	390,546
Calculated at a taxation rate of 16.5% (2021: 16.5%)	**8,380**	64,440
Effect of different taxation rates in other territories	**(280)**	5,053
Income not subject to taxation	**(37,618)**	(115,125)
Expenses not deductible for taxation purposes	**19,814**	20,332
(Recognition of previously unrecognised)/reversal of previously recognised temporary difference	**(262)**	1,846
Tax losses not recognised	**44,479**	61,408
Over provision in prior years	**(6,313)**	(7,862)
Others	**(261)**	(96)
Taxation charge	**27,939**	29,996

11 EARNINGS PER SHARE

(a) 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 year excluding ordinary shares purchased by the Company for share award scheme.

	2022	2021
Profit attributable to equity holders of the Company (HK$'000)	**21,214**	359,130
Weighted average number of ordinary shares in issue ('000)	**579,070**	579,551
Basic earnings per share (HK$ per share)	**HK$0.04**	HK$0.62

(b) Diluted

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

	2022	2021
Profit attributable to equity holders of the Company (HK$'000)	**21,214**	359,130
Weighted average number of ordinary shares in issue ('000)	**579,070**	579,551
Adjustment for share award scheme ('000)	**1,206**	2,138
	580,276	581,689
Diluted earnings per share (HK$ per share)	**HK$0.04**	HK$0.62

12 DIVIDENDS

	2022	2021
	HK\$'000	*HK\$'000*
Interim dividend, paid, of HK10 cents (2021: HK10 cents) per ordinary share	**58,570**	58,570
Final dividend, proposed, of HK18 cents (2021: HK28 cents) per ordinary share	**105,427**	163,997
	163,997	222,567

A final dividend of HK18 cents (FY2020/21: HK28 cents) per ordinary share in respect of the year ended 31 March 2022 was proposed. Such final dividend is subject to approval by the shareholders at the upcoming annual general meeting. These financial statements do not reflect this dividend payable.

13 TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	2022	2021
	HK\$'000	*HK\$'000*
Trade receivables	**51,086**	38,149
Less: Loss allowance	**(79)**	(823)
Trade receivables – net (Note a)	**51,007**	37,326
Other receivables (Note b)	**148,543**	65,213
	199,550	102,539
Prepayments	**53,536**	49,260
Deposits	**1,538**	2,230
	254,624	154,029

(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) As at 31 March 2022, other receivables primarily comprise government subsidies in relation to the COVID-19 of HK\$95,800,000 (2021: HK\$14,650,000), value-added tax recoverable and receivable from a security logistic company.

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

The ageing analysis of trade receivables is as follows:

	2022	2021
	HK$'000	*HK$'000*
0 – 30 days	**39,931**	27,362
31 – 60 days	**4,621**	6,378
61 – 90 days	**3,658**	2,288
91 – 365 days	**2,799**	1,296
Over 365 days	**77**	825
	51,086	38,149

14 TRADE PAYABLES

The ageing analysis of trade payables is as follows:

	2022	2021
	HK$'000	*HK$'000*
0 – 30 days	**162,153**	174,377
31 – 60 days	**2,686**	2,641
61 – 90 days	**501**	816
Over 90 days	**2,068**	349
	167,408	178,183

15 COMMITMENTS

As at 31 March 2022, the Group had the following capital commitments:

	2022	2021
	HK$'000	*HK$'000*
Acquisition of property, plant and equipment		
Authorised and contracted for	**74,439**	37,598
Authorised but not contracted for	**637,930**	697,474
	712,369	735,072

FINAL DIVIDEND

The Board has recommended the payment of a final dividend of HK18 cents per share for the year ended 31 March 2022 (FY2020/21: HK28 cents). The proposed final dividend is subject to approval by the shareholders of the Company at the annual general meeting ("AGM") to be held on 8 September 2022. Upon shareholders' approval, the proposed dividend will be paid on 26 September 2022 to shareholders whose names shall appear on the Register of Members of the Company on 15 September 2022.

Together with the interim dividend of HK10 cents per share (FY2020/21: HK10 cents), the total dividend for the year ended 31 March 2022 will amount to HK28 cents per share (FY2020/21: HK38 cents).

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determination of eligibility to attend and vote at the AGM, the Register of Members of the Company will be closed from 5 September 2022 (Monday) to 8 September 2022 (Thursday) during which no transfer of shares will be registered. In order to be entitled to attend and vote at the AGM, 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 2 September 2022 (Friday).

For the purpose of determination of entitlement to the final dividend, the Register of Members of the Company will be closed on 15 September 2022 (Thursday) on which no transfer of shares will be registered. In order to qualify for the final 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 September 2022 (Wednesday).

CORPORATE GOVERNANCE

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

The Group's corporate governance framework and practices adhere to the principles of the Corporate Governance Code (the "CG Code") set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange"). For the year ended 31 March 2022, the Company complied with all code provisions as set out in the CG Code and adopted the recommended best practices of the CG Code in force during the year insofar as they are relevant and practicable.

Details of the Company's corporate governance practices are set out in the Corporate Governance Report which will be included in the Company's Annual Report for the year ended 31 March 2022.

AUDIT COMMITTEE AND REVIEW OF ANNUAL 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 audited consolidated financial statements of the Group for the year ended 31 March 2022 with management and the external auditor, PricewaterhouseCoopers ("PwC").

The figures in respect of the Group's consolidated statement of financial position, consolidated income statement and consolidated statement of comprehensive income and the related notes thereto for the year ended 31 March 2022 as set out in this results announcement have been agreed by PwC to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PwC in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PwC on this results announcement.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 March 2022, 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, 15 June 2022

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.