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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 2022**

#### **HIGHLIGHTS**

- ◆ **The Group's revenue for the first half of FY2022/23 amounted to HK\$3,898.2 million (2021: HK\$3,870.1 million). Profit attributable to shareholders increased to HK\$108.7 million (2021: HK\$81.2 million), including government COVID-19 subsidies of HK\$40.9 million recorded during the period (2021: Nil).**
- ◆ **The Group's business was severely hit by the fifth wave of the COVID-19 pandemic in Hong Kong during the fourth quarter of FY2021/22, and the adverse impact remained in the first quarter of FY2022/23. Profitability of the Hong Kong business recovered significantly in the second quarter, attributable to the successful launches of various brand and product marketing campaigns, as well as effective cost controls and multiple initiatives in digitalisation and automation.**
- ◆ **The Mainland China business was affected by COVID-19 outbreaks in Shenzhen, Zhuhai, Macau and Guangzhou during the reporting period, whilst business results remained healthy in other cities unaffected by the pandemic. Revenue generated from steady growth in new shops, coupled with the results of cost control and menu engineering initiatives, partly offset the negative impact from loss of sales in locked-down markets.**
- ◆ **An interim dividend of HK10 cents was declared for the six months ended 30 September 2022 (2021: HK10 cents).**

*\* For identification purposes only*

# MANAGEMENT DISCUSSION AND ANALYSIS

## INTRODUCTION AND HIGHLIGHTS

After experiencing the worst of the fifth wave of COVID-19 in Hong Kong at the beginning of the calendar year, the first six months of FY2022/23, in particular since the second quarter, saw a gradual recovery in market conditions.

The Group's revenue for the six months ended 30 September 2022 increased by 0.7% to HK\$3,898.2 million. Profit attributable to shareholders amounted to HK\$108.7 million, an increase of 33.9% as compared to that of HK\$81.2 million for the six months ended 30 September 2021. The Group recorded COVID-19 subsidies of HK\$40.9 million from the government during the period (2021: Nil).

The Group's business in Hong Kong was severely hit by the fifth wave of the COVID-19 pandemic during the fourth quarter of FY2021/22. The adverse impact remained in the first quarter of FY2022/23. In light of the volatile environment, the Group continued its focus on cost control, and also continued investments in efficiency and productivity through multiple initiatives in digitalisation and automation. These efforts, combined with successful launches of various brand and product marketing campaigns, allowed the business to recover its bottom line performance more significantly during the second quarter of the financial year.

During the first six months of FY2022/23, business in Mainland China was affected by occasional outbreaks of COVID-19 in Shenzhen, Zhuhai, Macau and Guangzhou. However, business results remained healthy in other cities unaffected by the pandemic, and a series of cost control and menu engineering initiatives taken mitigated the negative impact from loss of sales. Additional revenue generated from steady growth in new shops opened under the Company's network expansion effort also partly offset the impact of locked-down markets. Although the Group has chosen to open stores at a more deliberate pace due to COVID-related uncertainties, the rate of new store openings recorded during the reporting period was in line with its previous growth trajectory.

## RESULTS OVERVIEW

### Revenue

For the six months ended 30 September 2022, the Group recorded revenue of HK\$3,898.2 million, a 0.7% increase as compared to HK\$3,870.1 million in 2021. Revenue by business division is set out below:

	Six months ended 30 September		
	2022	2021	Change
	HK\$'m	HK\$'m	%
<b>Hong Kong</b>			
Quick Service Restaurants	2,348.0	2,370.0	(0.9)
Casual Dining	414.0	415.9	(0.5)
Institutional Catering	378.3	337.1	12.3
Others*	73.7	73.6	0.1
<b>Subtotal</b>	<b>3,214.0</b>	<b>3,196.6</b>	<b>0.5</b>
<b>Mainland China</b>	<b>684.2</b>	<b>673.5</b>	<b>1.6</b>
<b>Group</b>	<b>3,898.2</b>	<b>3,870.1</b>	<b>0.7</b>

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

### Gross Profit Margin

Gross profit margin decreased to 8.8% for the six months ended 30 September 2022 (2021: 9.8%), primarily due to adverse impact of the fifth wave of the COVID-19 pandemic during the first quarter of FY2022/23.

### Administrative Expenses

Administrative expenses decreased by 4.5% to HK\$226.9 million during the six months ended 30 September 2022 (2021: HK\$237.7 million) mainly due to cost control.

### Key Costs

The breakdown of major expenses is set out below:

	Six months ended 30 September			
	2022		2021	
	HK\$'m	% of revenue	HK\$'m	% of revenue
Cost of raw materials and packing	1,128.5	28.9	1,157.2	29.9
Staff cost	1,292.6	33.2	1,254.3	32.4
Rental costs*	446.8	11.5	439.4	11.4

\* 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 increased by HK\$43.0 million, mainly because the Group recorded COVID-19 subsidies of HK\$40.9 million from the government during the period (2021: Nil).

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

Income tax expense increased by 11.1% to HK\$15.9 million (2021: HK\$14.3 million).

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

The Group's profit attributable to equity holders increased 33.9% to HK\$108.7 million for the six months ended 30 September 2022 (2021: HK\$81.2 million), primarily because the Group recorded COVID-19 subsidies of HK\$40.9 million from the government during the period (2021: Nil). Excluding the government COVID-19 subsidies, the Group's profit decreased by 16.5%.

	Six months ended 30 September		
	2022	2021	Change
	HK\$m	HK\$m	%
Profit attributable to equity holders	108.7	81.2	33.9
If excluding:			
COVID-19 subsidies	(40.9)	-	
<b>Adjusted net profit</b>	<b>67.8</b>	<b>81.2</b>	<b>(16.5)</b>

### ***Segment Results***

Hong Kong segment results increased 17.2% to HK\$255.8 million for the six months ended 30 September 2022 (2021: HK\$218.4 million), mainly because it recorded COVID-19 subsidies of HK\$40.9 million from the government during the period (2021: Nil). Mainland China results increased 16.4% to HK\$77.0 million during the same period (2021: HK\$66.2 million).

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

The Group's basic earnings per share increased 34.3% to HK18.8 cents for the six months ended 30 September 2022 (2021: HK14.0 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 2022 (2021: HK10 cents).

## BUSINESS REVIEW

As of 30 September 2022, the Group had a network of 375 stores in Hong Kong (31 March 2022: 364) and 146 stores in Mainland China (31 March 2022: 136).

### *Hong Kong Retail Operations*

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

Revenue from the QSR division decreased by 0.9% to HK\$2,348.0 million (2021: HK\$2,370.0 million) during the six months ended 30 September 2022. The business contributed 60.2% of the Group's total revenue for the reporting period, operating 216 total shops at 30 September 2022 (31 March 2022: 204).

The lingering impact of the fifth wave of the pandemic on the QSR business remained in the first quarter of the financial year, resulting in **Café de Coral** fast food and **Super Super Congee & Noodles** recording negative same store sales growth of 6% and 3%, respectively, during the period. Profitability of the business recovered more significantly in the second quarter due to effective cost control. Furthermore, the business focused on productivity and efficiency improvements through digitalisation and automation – which strengthened our core competitiveness.

Sales during the breakfast, lunch and tea sessions have largely recovered, driven by successful marketing programmes including a hero baked rice campaign and the launch of vegetarian spaghetti Bolognese and vegetarian baked rice dishes, as well as value meal promotions designed to attract a broader and more diverse group of target diners. Successful combo meal promotions and seasonal festive promotions such as rice dumplings and mooncakes helped to further boost sales.

A newly launched brand campaign, “A Taste of Togetherness”, aimed to bring together people from all walks of life in Hong Kong, connecting through three heart-warming stories. The campaign received overwhelmingly positive response, won a Gold Effie at the 2022 Effie Awards Hong Kong, and generated a noticeable boost in sales since its launch at the end of June. In addition to appealing to a new, younger customer segment, the campaign has also increased frequency of visits from our existing customer base.

Alliances with five payment gateways helped the Group tap into consumer spending spurred by government consumption coupons. Launched in August 2022, the coupons helped to benefit sales in the second quarter. Dinner sales are recovering at a relatively slower pace due to remaining restrictions on social gatherings, which have impacted consumer dining preferences.

The six-month period under review has demonstrated the effectiveness of the Group's continued emphasis on digital transformation, automation and process simplification. Creating a frictionless experience for customers, most shops have installed self-ordering kiosks and KVS systems, and we are piloting the use of robots to help service the floor area. Ordering via mobile app has been revamped with a simplified flow, which doubled the percentage of overall transactions conducted through the app.

Club 100 membership surpassed 1.3 million users, and Club 100 mobile apps were recently enhanced to simplify enrolment, improve navigation and increase engagement activity. Our online platform, eatCDC.com, recorded significant growth in traffic and sales, while partnerships with third-party delivery platforms have captured takeaway and delivery business from a vastly different customer base.

Signs of broader economic recovery have been accompanied by rising labour, food and supply chain costs, which are pressuring margins. A task force has been set up to address costs through smart sourcing, menu reengineering, and enhanced business planning and execution.

Taking advantage of the sluggish market, the business was able to open new stores in high-potential and greenfield locations. **Café de Coral** fast food opened 10 new stores, ending the six-month period with 171 stores (31 March 2022: 162). **Super Super Congee & Noodles** opened 4 new stores, operating 45 stores at the end of the period (31 March 2022: 42). At present, 3 new QSR shops are in the pipeline. Rollout of a new store format is being accelerated, driving enhanced productivity and per-square-foot sales.

### **Casual Dining**

Revenue from the Casual Dining business decreased by 0.5% during the period to HK\$414.0 million (2021: HK\$415.9 million). Business momentum improved slightly in the second quarter of the financial year, in line with easing restrictions on seating capacity and operating hours.

The division introduced an array of initiatives to address business challenges, including signature products and value-based menus to boost traffic, refined and re-engineered menus, targeted VIP customer promotions and close collaboration with third-party delivery service providers. Improvements in operational efficiency have delivered tighter control over capital expenditure, manpower costs and headcount, as well as continuous strengthening of our business fundamentals.

The division operated 65 shops at the end of the operating period (31 March 2022: 63). During the period, **Shanghai Lao Lao** opened 2 new shops, and together with 1 new shop under **Mixian Sense**, the two brands operated 14 and 18 shops as of 30 September 2022, respectively (31 March 2022: 13 and 18, respectively). **The Spaghetti House** opened 1 new shop and operated 8 shops at the end of the review period (31 March 2022: 8), while **Oliver's Super Sandwiches** opened 2 new shops during the period, operating 20 shops at 30 September 2022 (31 March 2022: 19).

### ***Institutional Catering***

The Institutional Catering division continued to be impacted by COVID-19 during the first half of FY2022/23. Strict restrictions on seating capacity and outside visitors at hospitals have remained in place since the beginning of the pandemic, while schools have only recently returned to half-day classes. The sustaining work-from-home trend and the overall pace of economic recovery continued to influence the pace of business in the government, public and private institutional sectors. Revenue from the business increased by 12.3% to HK\$378.3 million (2021: HK\$337.1 million).

**Asia Pacific Catering** successfully renegotiated most of its major contracts, and also won a number of new contracts during the six-month period. After making a strategic decision to rationalise its branch portfolio, the business ended the period with 94 operating units (31 March 2022: 97).

**Luncheon Star** repurposed under-utilised production lines to support the community. In addition to providing meals to quarantine hotels and facilities, we worked with the Hong Kong Association of Gerontology to distribute meals to nursing homes, and cooperated with the NGO "Food Angel" to prepare frozen dishes and soup for the needy and elderly. We are exploring other market opportunities, including lunchbox vending machines, and microwave lunch boxes at convenience stores.

The Group remains confident in the strength of its market leadership position, and will leverage its reputation as a preferred business partner to quickly recapture growth opportunities when pandemic-related restrictions are removed.

## *Mainland China Operations*

Revenue from Mainland China operations increased by 1.6% to HK\$684.2 million (2021: HK\$673.5 million). The South China fast food business experienced a 5.1% increase in revenue to RMB567.8 million and negative same store sales growth of 5% due to strict anti-pandemic measures.

Isolated outbreaks of COVID-19 impacted Shenzhen, Zhuhai, Macau and Guangzhou between April and October 2022, affecting same store sales growth in these cities. However, business results remained healthy in all other markets throughout the Greater Bay Area – testament to the underlying resilience of our business model, management and operations. Additional revenue from new store openings partly offset the impact of markets affected by lock-downs, contributing to overall growth in revenue during the period.

Our “Enjoy Happiness Right Here” brand campaign was successfully launched in late August, marking another key milestone on our digitalisation and e-commerce journey by targeting a younger customer segment through multiple channels. The campaign was wildly popular on the Douyin (TikTok) platform, increasing brand awareness, top-of-mind recall and brand likability.

Despite adjusting our short-term network expansion target in light of the sluggish market conditions caused by continuous isolated outbreaks, the Group opened 12 new stores in the first half of the year - a recent record-high in terms of new store openings for the first half of the year – reaching a total of 146 stores as of 30 September 2022 (31 March 2022: 136). 9 new stores are in the pipeline for the remainder of the financial year.

Investment in a standardised store format has led to an improved layout for office buildings and high-traffic trade areas, aimed at improving productivity and sales efficiency. At the same time, the Group is taking continuous measures to reduce capital investment in network expansion.

Emphasis on OTO business has delivered a solid increase in online ordering, while the successful launch of kid’s meal sets has improved penetration in the family dining segment. Increased consumer price sensitivity led to the successful introduction of new products at the mid-range price level. Actively developing new promotion channels, our debut Douyin livestream promotion campaign reached a market-leading number of sales in one week. A new CRM system launched in June, and the loyalty programme has recruited 2.8 million members so far.

Continuous investment in robotics, automation and digitalisation has seen up to half of stores using robots for dine-in services, and more than half of all orders are now coming through digital platforms. Active management of procurement, menus and vendors has improved underlying cost structures.

## FINANCIAL REVIEW

### *Financial Position*

The Group's financial position remained healthy during the period under review. As of 30 September 2022, the Group had cash of approximately HK\$1,580.4 million, with HK\$875 million in available banking facilities. The Group's current ratio as of the same date was 0.8 (31 March 2022: 1.2) and the cash ratio was 0.6 (31 March 2022: 0.9). The Group had external borrowing of HK\$1,030 million (31 March 2022: HK\$1,080 million) and nil gearing ratio (ratio of total borrowing less cash and cash equivalents to total equity) (31 March 2022: Nil).

### *Capital Expenditure and Commitment*

During the period under review, the Group's capital expenditure (excluding right-of-use assets) was HK\$261.3 million (2021: HK\$199.3 million). As at 30 September 2022, the Group's outstanding capital commitments were HK\$462 million (31 March 2022: HK\$712 million).

### *Contingent Liabilities*

As of 30 September 2022, the Company provided guarantees of approximately HK\$2,222 million (31 March 2022: HK\$2,233 million) to financial institutions in connection with banking facilities granted to its subsidiaries. The Group had no charge on assets as of 30 September 2022 (31 March 2022: 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 during the reporting period, but we will remain vigilant and closely monitor our exposure to movements in relevant currencies.

## HUMAN RESOURCES

As of 30 September 2022, the Group had a workforce of 18,560 employees (31 March 2022: 17,954).

During the reporting period, the Group's staff training and development continued to focus around key areas including succession and development, customer service and product quality, compliance and sustainability, as well as government Qualification Framework accredited training programmes. Going beyond, an external consultant was engaged for senior management staff to participate in an inspiration session on the Metaverse. Focusing on building harmonious community relations, QSR operations management were specially trained by the Hong Kong Alzheimer's Disease Association with knowledge to provide proper assistance to customers suffering from dementia.

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. In an update to the Group's Long Term Incentive Plan, a new share option scheme was approved by shareholders in September 2022.

Looking after employees' well-being during the pandemic, we continued distributing free Rapid Antigen Testing kits, and organising classes to support personal health and build engagement.

## OUTLOOK

Challenging economic conditions during the first half of the financial year tested the Group's core competitiveness and operating models, as well as the capabilities of our management team.

Looking ahead, the Group remains cautiously optimistic about market conditions for the second half of the financial year. Continuing pandemic-related restrictions have dampened the operating environment, and consumer preferences have changed after years of lockdowns and social distancing. However, Hong Kong is reopening to international travel, dining restrictions are being lifted and consumption vouchers are expected to stimulate the local economy.

Navigating in this uncertain market, the Group will retain its focus on fine-tuning its own cost base, productivity and efficiency – delivering on its long-term goal of continuous improvement in margins. Digital solutions such as mobile ordering, our Club 100 member apps as well as our eatCDC.com e-commerce platform have seen significant growth in active customers and sales revenue.

Following severe impact from the pandemic, the situation has gradually improved in Hong Kong. The Group expects to drive additional sales promotions, marketing activities and value-oriented offers, taking advantage of the festive season in the second half of the financial year. As we anticipate the gradual relaxation of social restrictions, both the QSR and Casual Dining businesses stand to directly benefit. The Institutional Catering business is also expected to rebound quickly when restrictions on schools, hospitals and other institutions are lifted.

In Mainland China, the Group has proven its ability to grow its network despite uncertain conditions. We remain confident in achieving our goal of new store openings throughout the Greater Bay Area. Paving the way for sustainable growth, we continue to invest in branding and long-term CRM. The Group is carefully observing the market and will accelerate network expansion when conditions are favourable.

# CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2022

	Note	Six months ended 30 September	
		2022	2021
		<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	3	3,898,185	3,870,061
Cost of sales	5	<u>(3,553,723)</u>	<u>(3,491,250)</u>
Gross profit		344,462	378,811
Other income and other losses, net	4	38,877	(4,132)
Administrative expenses	5	<u>(226,895)</u>	<u>(237,653)</u>
<b>Operating profit</b>		<b>156,444</b>	<b>137,026</b>
Finance income	6	9,161	4,074
Finance costs	6	<u>(40,917)</u>	<u>(44,786)</u>
<b>Profit before income tax</b>		<b>124,688</b>	<b>96,314</b>
Income tax expense	7	<u>(15,921)</u>	<u>(14,331)</u>
<b>Profit for the period</b>		<b><u>108,767</u></b>	<b><u>81,983</u></b>
<b>Profit attributable to:</b>			
<b>Equity holders of the Company</b>		<b>108,742</b>	<b>81,211</b>
Non-controlling interests		<u>25</u>	<u>772</u>
		<b><u>108,767</u></b>	<b><u>81,983</u></b>
<b>Earnings per share for profit attributable to the equity holders of the Company during the period</b>			
- Basic earnings per share	8	<u>HK18.8 cents</u>	<u>HK14.0 cents</u>
- Diluted earnings per share	8	<u>HK18.7 cents</u>	<u>HK14.0 cents</u>
		<i>HK\$'000</i>	<i>HK\$'000</i>
Dividend			
- Interim	9	<u>58,570</u>	<u>58,570</u>

**CONDENSED CONSOLIDATED STATEMENT OF  
COMPREHENSIVE INCOME (UNAUDITED)  
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2022**

	<b>Six months ended 30 September</b>	
	<b>2022</b>	<b>2021</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Profit for the period	<b>108,767</b>	81,983
<b>Other comprehensive (loss)/income:</b>		
<i>Item that may be reclassified to profit or loss:</i>		
Exchange differences arising from translation of foreign subsidiaries	<b>(50,305)</b>	7,929
<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>(14,288)</b>	(4,082)
<b>Total comprehensive income for the period</b>	<b>44,174</b>	85,830
<b>Total comprehensive income for the period attributable to:</b>		
– Equity holders of the Company	<b>44,149</b>	85,058
– Non-controlling interests	<b>25</b>	772
	<b>44,174</b>	85,830

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL  
POSITION (UNAUDITED)  
AS AT 30 SEPTEMBER 2022**

	Note	As at 30 September 2022 <i>HK\$'000</i> (Unaudited)	As at 31 March 2022 <i>HK\$'000</i> (Audited)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		1,615,184	1,586,070
Right-of-use assets		2,420,410	2,158,474
Investment properties		514,800	514,800
Intangible assets		1,172	1,191
Deferred income tax assets		66,680	67,714
Financial assets at fair value through other comprehensive income		81,643	95,931
Retirement benefit assets		3,386	2,878
Non-current prepayments and deposits		318,025	293,263
		<u>5,021,300</u>	<u>4,720,321</u>
<b>Current assets</b>			
Inventories		297,549	303,542
Trade and other receivables	10	123,143	199,550
Prepayments and deposits	10	68,852	55,074
Current income tax recoverable		1,735	7,773
Cash and cash equivalents		1,580,382	1,585,586
		<u>2,071,661</u>	<u>2,151,525</u>
<b>Total assets</b>		<u><b>7,092,961</b></u>	<u><b>6,871,846</b></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		(99,201)	(130,939)
Other reserves		436,932	515,201
Retained earnings			
– Proposed dividends		58,570	105,427
– Others		1,690,733	1,649,360
		<u>2,766,726</u>	<u>2,818,741</u>
<b>Non-controlling interests</b>		<u>7,660</u>	<u>7,635</u>
<b>Total equity</b>		<u><b>2,774,386</b></u>	<u><b>2,826,376</b></u>

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL  
POSITION (UNAUDITED) (CONTINUED)  
AS AT 30 SEPTEMBER 2022**

	Note	As at 30 September 2022 HK\$'000 (Unaudited)	As at 31 March 2022 HK\$'000 (Audited)
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Deferred income tax liabilities		36,653	36,225
Provision for long service payments		41,437	41,548
Lease liabilities		1,534,093	1,341,995
Long-term borrowings		250,000	899,690
		<u>1,862,183</u>	<u>2,319,458</u>
<b>Current liabilities</b>			
Trade payables	11	214,349	167,408
Other creditors and accrued liabilities		709,368	682,823
Current income tax liabilities		16,764	14,365
Lease liabilities		736,091	681,416
Current portion of long-term borrowings		699,820	100,000
Short-term borrowings		80,000	80,000
		<u>2,456,392</u>	<u>1,726,012</u>
<b>Total liabilities</b>		<u>4,318,575</u>	<u>4,045,470</u>
<b>Total equity and liabilities</b>		<u>7,092,961</u>	<u>6,871,846</u>
<b>Net current (liabilities)/assets</b>		<u>(384,731)</u>	<u>425,513</u>
<b>Total assets less current liabilities</b>		<u>4,636,569</u>	<u>5,145,834</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 2022 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 2022, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

As at 30 September 2022, the Group was in the net current liabilities position of HK\$384,731,000 (31 March 2022: net current assets of HK\$425,513,000), which was mainly due to the reclassification of bank borrowings of HK\$699,820,000 from non-current liabilities to current liabilities in accordance with their payment terms.

The directors of the Company have reviewed the Group’s cash flows projections, which cover a period of twelve months from 30 September 2022. The directors are of the opinion that, taking into account the anticipated cash flows generated from the Group’s operations and the continued availability of the Group’s banking facilities, the Group will have sufficient working capital to fulfill its financial obligations as and when they fall due in the coming twelve months from 30 September 2022. Accordingly, these condensed consolidated interim financial statements have been prepared on a going concern basis.

Except as described below, the accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 March 2022, as described in those annual financial statements.

- (i) Amendments to existing standards, annual improvements and accounting guideline adopted by the Group:

The following amendments to existing standards, annual improvements and accounting guideline have been adopted by the Group for the first time for the financial year beginning on or after 1 April 2022:

- Amendments to Annual Improvements Project “Annual Improvements to HKFRSs 2018–2020”
- Amendments to HKFRS 3, HKAS 16 and HKAS 37 “Narrow-scope amendments”
- Revised Accounting Guideline 5 “Merger Accounting for Common Control Combinations”

The adoption of these amendments to existing standards, annual improvements and accounting guideline 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 interpretation not yet adopted

The following new and amended standards and interpretation have been issued but are not effective for the financial year beginning on 1 April 2022 and have not been early adopted:

		Effective for annual periods beginning on or after
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
HKFRS 17	Insurance Contracts	1 January 2023
HKFRS 17	Amendments to HKFRS 17	1 January 2023
HKFRS 17	Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information	1 January 2023
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	1 January 2024
Hong Kong Interpretation 5 (Revised)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2024
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 amended standards and interpretation, 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. 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.

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

	<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 2022</b>			
Total segment revenue	3,215,796	735,278	3,951,074
Inter-segment revenue ( <i>Note i</i> )	<u>(1,848)</u>	<u>(51,041)</u>	<u>(52,889)</u>
<b>Revenue (from external revenue) (<i>Note ii</i>)</b>	<b><u>3,213,948</u></b>	<b><u>684,237</u></b>	<b><u>3,898,185</u></b>
Represented by timing of revenue recognition:			
- At a point in time	3,189,554	684,237	3,873,791
- Over time	<u>24,394</u>	<u>-</u>	<u>24,394</u>
	<b><u>3,213,948</u></b>	<b><u>684,237</u></b>	<b><u>3,898,185</u></b>
<b>Segment results (<i>Note iii</i>)</b>	<b><u>255,800</u></b>	<b><u>77,034</u></b>	<b><u>332,834</u></b>
Depreciation and amortisation (excluding depreciation of right-of-use assets – properties)	(156,142)	(40,595)	(196,737)
Impairment loss of property, plant and equipment	(3,010)	(2,016)	(5,026)
Impairment loss of right-of-use assets	(2,839)	(3,817)	(6,656)
Finance income	8,614	547	9,161
Finance cost on bank borrowings	(8,888)	-	(8,888)
Income tax expense	<u>(10,079)</u>	<u>(5,842)</u>	<u>(15,921)</u>

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

- (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 2022 and 2021, no revenue was derived from transactions with a single external customer representing 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 2022</b>			
Depreciation expenses			
- right-of-use assets – properties	(335,061)	(48,872)	(383,933)
Finance cost of lease liabilities	(22,409)	(9,620)	(32,029)
	<u>(357,470)</u>	<u>(58,492)</u>	<u>(415,962)</u>
	<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	(313,533)	(46,019)	(359,552)
Finance cost of lease liabilities	(27,959)	(11,182)	(39,141)
	<u>(341,492)</u>	<u>(57,201)</u>	<u>(398,693)</u>

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

	<b>Six months</b> <b>ended 30 September</b> <b>2022</b> <i>HK\$'000</i> <b>(Unaudited)</b>	<b>2021</b> <i>HK\$'000</i> <b>(Unaudited)</b>
Segment results	<b>332,834</b>	284,519
Depreciation and amortisation (excluding depreciation of right-of-use assets – properties)	<b>(196,737)</b>	(184,652)
Impairment loss of property, plant and equipment	<b>(5,026)</b>	(765)
Impairment loss of right-of-use assets	<b>(6,656)</b>	(1,217)
Finance income	<b>9,161</b>	4,074
Finance cost on bank borrowings	<b>(8,888)</b>	(5,645)
	<u><b>124,688</b></u>	<u>96,314</u>
Profit before income tax	<b>124,688</b>	96,314

## 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</b> <b>China</b> <i>HK\$'000</i> (Unaudited)	<b>Group</b> <i>HK\$'000</i> (Unaudited)
<b>As at 30 September 2022</b>			
<b>Segment assets</b>	<u>5,859,776</u>	<u>1,083,127</u>	<u>6,942,903</u>
<b>For the six months ended</b>			
<b>30 September 2022</b>			
Segment assets include:			
Additions to non-current assets (other than financial instruments and deferred income tax assets)	<u>894,648</u>	<u>152,833</u>	<u>1,047,481</u>
	<b>Hong Kong</b> <i>HK\$'000</i> (Audited)	<b>Mainland</b> <b>China</b> <i>HK\$'000</i> (Audited)	<b>Group</b> <i>HK\$'000</i> (Audited)
<b>As at 31 March 2022</b>			
<b>Segment assets</b>	<u>5,632,257</u>	<u>1,068,171</u>	<u>6,700,428</u>
<b>For the six months ended</b>			
<b>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>

As at 30 September 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\$4,145,092,000 (As at 31 March 2022: HK\$3,800,772,000) and HK\$727,885,000 (As at 31 March 2022: HK\$755,904,000) 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 2022 HK\$'000 (Unaudited)</b>	31 March 2022 HK\$'000 (Audited)
Total segment assets	6,942,903	6,700,428
Deferred income tax assets	66,680	67,714
Financial assets at fair value through other comprehensive income	81,643	95,931
Current income tax recoverable	1,735	7,773
Total assets	<u>7,092,961</u>	<u>6,871,846</u>

## 3 REVENUE

	<b>Six months ended 30 September</b>	
	<b>2022 HK\$'000 (Unaudited)</b>	2021 HK\$'000 (Unaudited)
Sales of food and beverages	3,849,198	3,823,746
Rental income	21,260	21,599
Management and service fee income	3,134	2,553
Sundry income	24,593	22,163
	<u>3,898,185</u>	<u>3,870,061</u>

## 4 OTHER INCOME AND OTHER LOSSES, NET

	<b>Six months ended 30 September</b>	
	<b>2022 HK\$'000 (Unaudited)</b>	2021 HK\$'000 (Unaudited)
Dividend income from listed equity investments	3,062	6,123
Gain/(loss) on disposals of property, plant and equipment	3,675	(9,443)
Impairment loss of property, plant and equipment	(5,026)	(765)
Impairment loss of right-of-use assets	(6,656)	(1,217)
Government subsidies (Note a)	43,822	1,170
	<u>38,877</u>	<u>(4,132)</u>

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

- (a) These primarily represented government subsidies in relation to the COVID-19 pandemic which included subsidies of HK\$40,900,000 (2021: Nil) granted under the Anti-Epidemic Fund of the Government of the Hong Kong Special Administrative Region.

#### 5 EXPENSES BY NATURE

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

	Six months ended 30 September	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Cost of raw materials and packing	1,128,459	1,157,205
Amortisation of intangible assets	19	19
Depreciation expenses		
- property, plant and equipment	188,444	177,494
- leasehold land and land use rights classified as right-of-use assets	8,274	7,139
- right-of-use assets - properties	383,933	359,552
Expenses relating to leases of		
- short-term leases	11,349	17,232
- variable lease payments not included lease liabilities	24,465	27,061
Gain on modification and termination of leases	(4,987)	(3,578)
Exchange (gain)/losses, net	(328)	413
Employee benefit expenses (excluding share-based compensation expenses)	1,283,700	1,240,002
Share-based compensation expenses	8,903	14,328
Auditor's remuneration	1,719	1,886
Electricity, water and gas	200,746	186,692
Advertising	52,294	46,021
Provision/(reversal) of loss allowance on trade receivables	83	(688)
Sanitation	63,593	62,189
Repairs and maintenance	56,569	58,918
Building management fee, air conditioning and rates	107,937	99,567
Delivery expense	40,332	33,340
Insurance	21,120	24,136
Other expenses	203,994	219,975
	<b>3,780,618</b>	<b>3,728,903</b>
Representing:		
Cost of sales	3,553,723	3,491,250
Administrative expenses	226,895	237,653
	<b>3,780,618</b>	<b>3,728,903</b>

## 6 FINANCE COSTS, NET

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2022</b>	2021
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Finance income	<b>9,161</b>	4,074
Finance cost of lease liabilities	<b>(32,029)</b>	(39,141)
Finance cost on bank borrowings	<b>(8,888)</b>	(5,645)
Finance costs	<b>(40,917)</b>	(44,786)
Finance costs, net	<b>(31,756)</b>	(40,712)

## 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% (2021: 8.25%) on the estimated assessable profits up to HK\$2,000,000 (2021: HK\$2,000,000) and 16.5% (2021: 16.5%) on any part of estimated assessable profit over HK\$2,000,000 (2021: HK\$2,000,000) for the six months ended 30 September 2022.

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:

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2022</b>	2021
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Current income tax:		
– Hong Kong profits tax	<b>10,728</b>	11,002
– Mainland China taxation	<b>3,111</b>	5,387
Deferred income tax relating to the origination and reversal of temporary differences	<b>2,082</b>	(2,083)
Under-provision in prior years	<b>-</b>	25
	<b>15,921</b>	14,331

## 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 the share award scheme.

	<b>Six months ended 30 September</b>	
	<b>2022</b>	2021
	<b>(Unaudited)</b>	(Unaudited)
Profit attributable to equity holders of the Company (HK\$ '000)	<u>108,742</u>	<u>81,211</u>
Weighted average number of ordinary shares in issue ( '000)	<u>579,609</u>	<u>578,937</u>
Basic earnings per share (HK cents per share)	<u><b>HK18.8 cents</b></u>	<u>HK14.0 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>2022</b>	2021
	<b>(Unaudited)</b>	(Unaudited)
Profit attributable to equity holders of the Company (HK\$ '000)	<u>108,742</u>	<u>81,211</u>
Weighted average number of ordinary shares in issue ( '000)	<u>579,609</u>	578,937
Adjustment for share award scheme ( '000)	<u>1,075</u>	<u>1,449</u>
	<u><b>580,684</b></u>	<u>580,386</u>
Diluted earnings per share (HK cents per share)	<u><b>HK18.7 cents</b></u>	<u>HK14.0 cents</u>

## 9 DIVIDEND

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2022</b>	2021
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Dividend declared		
– Interim dividend, HK10 cents (2021: HK10 cents) per ordinary share	<u><b>58,570</b></u>	<u>58,570</u>

The interim dividend was declared on 28 November 2022. This condensed consolidated interim financial information does not reflect this dividend payable.

## 10 TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	<b>30 September</b>	31 March
	<b>2022</b>	2022
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Audited)
Trade receivables	57,289	51,086
Less: Loss allowance	<u>(162)</u>	<u>(79)</u>
Trade receivables – net ( <i>Note a</i> )	57,127	51,007
Other receivables ( <i>Note b</i> )	<u>66,016</u>	<u>148,543</u>
	<b>123,143</b>	199,550
Prepayments	67,154	53,536
Deposits	<u>1,698</u>	<u>1,538</u>
	<u><b>191,995</b></u>	<u>254,624</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) As at 30 September 2022, other receivables primarily comprise government subsidies in relation to the COVID-19 of HK\$6,120,000 (31 March 2022: HK\$95,800,000), value-added tax recoverable and receivable 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 2022 HK\$'000 (Unaudited)</b>	31 March 2022 HK\$'000 (Audited)
0 – 30 days	42,292	39,931
31 – 60 days	10,357	4,621
61 – 90 days	2,726	3,658
91 – 365 days	1,748	2,799
Over 365 days	166	77
	<u>57,289</u>	<u>51,086</u>

## 11 TRADE PAYABLES

The ageing analysis of trade payables is as follows:

	<b>30 September 2022 HK\$'000 (Unaudited)</b>	31 March 2022 HK\$'000 (Audited)
0 – 30 days	209,592	162,153
31 – 60 days	3,140	2,686
61 – 90 days	554	501
Over 90 days	1,063	2,068
	<u>214,349</u>	<u>167,408</u>

## **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 2022 (2021: HK10 cents) payable on 23 December 2022 to shareholders whose names appear on the Register of Members of the Company on 14 December 2022.

## **CLOSURE OF REGISTER OF MEMBERS**

For the purpose of determination of entitlement to the interim dividend, the Register of Members of the Company will be closed on 14 December 2022 (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 13 December 2022 (Tuesday).

## **CORPORATE GOVERNANCE**

The corporate governance principles and practices adopted by the Group during the six months ended 30 September 2022 were in line with the corporate governance statements set out in the Corporate Governance Report in the Company's Annual Report 2021/22. During the six months ended 30 September 2022, 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 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 2022.

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

During the six months ended 30 September 2022, neither the Company nor any of its subsidiaries purchased, sold or redeemed the Company's listed securities.

By order of the Board  
**Lo Hoi Kwong, Sunny**  
*Chairman*

Hong Kong, 28 November 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.*