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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

(Stock Code: 341)

ANNUAL RESULTS ANNOUNCEMENT

FOR THE YEAR ENDED 31 MARCH 2023

HIGHLIGHTS

- **The Group's revenue for the year increased to HK$8,024.0 million (FY2021/22: HK$7,508.8 million). Profit attributable to shareholders amounted to HK$110.4 million (FY2021/22: HK$21.2 million), including government COVID-19 subsidies of HK$40.9 million received during the year (FY2021/22: HK$127.8 million).**

- **Compared to the results of FY2021/22, which were severely impacted by the fifth wave of the COVID-19 pandemic in Hong Kong, the Group's results improved as Hong Kong business began to pick up from the second quarter of the year. However, business results for the second half of the year were affected by the slower than anticipated pace of economic recovery in Hong Kong, and a nation-wide COVID-19 outbreak in Mainland China during the third quarter.**

- **The Group's business in Hong Kong continued focusing on prudent cost control during the year to drive margin improvement. Successful brand and product marketing campaigns helped to boost sales, coupled with multiple initiatives in digitalisation and automation to enhance productivity and efficiency.**

- **The Mainland China business saw a V-shaped recovery at the beginning of 2023 following the relaxation of pandemic-related controls. The business remained healthy overall with satisfactory progress in network expansion amidst adverse market conditions during the year.**

- **A final dividend of HK28 cents per share is recommended (FY2021/22: HK18 cents), with a total dividend payout ratio of 201.7% for the year.**

* *For identification purposes only*

CHAIRMAN'S MESSAGE

We began this reporting year facing the fifth wave of the COVID-19 pandemic, which swept throughout Hong Kong, the Greater Bay Area and beyond – accompanied by strict social and health protection measures that impacted lives, commerce and travel throughout the region. The second half of the year brought additional challenges, and the Group's business was affected by a slower-than-anticipated economic recovery in Hong Kong, as well as a nation-wide COVID-19 outbreak during the third quarter which seriously impacted our business in Mainland China.

Despite this difficult operating environment, we have seen the ongoing success of our management transition, a continuous improvement in business fundamentals, and our solid return to growth following the worst of the COVID-19 pandemic.

Building on these efforts, I am pleased to report that the Group delivered revenue of HK$8,024.0 million and profit attributable to shareholders of HK$110.4 million for the year ended 31 March 2023.

SOLID FOUNDATIONS FOR SUSTAINABLE GROWTH

The Group's management team continues to evolve for the future, riding on the expertise of our Managing Directors for Hong Kong and Mainland China, Piony Leung and James Yang. Their impressive performance under extremely challenging economic conditions inspires well-earned confidence in their talent, capabilities and management skills.

Sustainable success is built from within. With a constant focus on business fundamentals, we maintained diligent cost controls while leveraging technology, digitalisation and automation to enhance productivity and efficiency. At the same time, successful marketing campaigns not only improved sales, but also enhanced our brand value and reputation as an industry leader.

With strong fundamentals now in place, the Group is well positioned to take advantage of the post-pandemic economic recovery. Constant refinement of our business models not only protects our operations in difficult economic conditions, but also allows us to recover at a faster pace as better times return.

MARKETS ON TRACK FOR STEADY RECOVERY

Hong Kong and Mainland China reopened to travel and removed most pandemic-related restrictions in early 2023. This return to normal lifestyles led to a visible improvement in the economy, however the pace of recovery remains measured for now.

Our business in Hong Kong is well on track to recover and grow, and our management team will continue to focus on building, operating and optimising a multi-brand business. Improvements in digitalisation and automation will continue to strengthen margins, while CRM efforts like our popular Club 100 programme build direct relationships with loyal customers and drive repeat visits.

I am writing this year's message after returning from a tour of our stores in Mainland China – the first trip I made after the reopening of the border – and I am greatly encouraged and inspired by our achievements in the Greater Bay Area. The business is pushing the boundaries of its comfort zone, expanding into new markets beyond traditional dining and commercial districts, and into residential zones. Although we witnessed a few growing pains, we took any mis-steps in stride and learned from the experience to make our business stronger and more competitive in the long run.

I visited a bustling breakfast service at a shop in Zhongshan, where we successfully changed consumer habits by introducing a new mealtime in a market that traditionally eats breakfast at home. I also spoke to customer after customer who shared that Café de Coral is not just an eating place, but a meeting place. The highest credit goes to our management and staff for consistently recreating the warm, welcoming atmosphere that is our brand signature in Hong Kong, and for spreading "A Taste of Togetherness" throughout the Greater Bay Area.

CHALLENGES AND GOALS

Due to the pandemic, many experienced staff left Hong Kong's catering industry for roles in other sectors. As a result, the re-opening of Hong Kong's economy at the beginning of 2023 left the catering industry short staffed in the face of exploding demand. Our business was also affected by these manpower issues, which led to an unfortunate incident that affected some customers of Luncheon Star, one of our institutional catering brands. Although any slip in quality is regrettable, the incident provided us with a good opportunity to reinforce our emphasis on quality and food safety, and we are confident that the business will maintain its market-leading position and continue to grow as the economy recovers.

In last year's annual report, I shared our internal goals of improving profit margins in Hong Kong and expanding our shop network in Mainland China over the next three years. We remain strongly committed to these targets, however it may be wise to adjust our timeline due to severe pandemic-related challenges faced during the year under review.

ACKNOWLEDGEMENTS

Once again, I must express my sincere gratitude to all of our management and staff for their loyalty and outstanding effort during extraordinarily difficult times. Our success is built by our people, and the challenging market of the past few years has truly brought out their best. I would also like to thank our Board of Directors, investors, business partners and customers for their continued support.

We were saddened by the unexpected loss of Mr. Choi Ngai Min, Michael, BBS, JP, who had served as an Independent Non-executive Director of the Company since 1994. He was the Chairman of the Remuneration Committee and a member of the Audit Committee and the Nomination Committee. A veteran of the real estate industry with over 40 years of experience, his strong business acumen, keen insight and practical advice made valuable contributions to the Group's development over the years. Michael was a long-time friend, and he will be deeply missed.

Now that the clouds of the pandemic have begun to part, I look forward to a return to steady growth as rays of sunlight begin to pierce through. Our management, staff, business and operations are all aligned and coordinated for growth, and we are willing to experiment with new ideas – learning and growing from the process to build an even stronger, more resilient business. As we finalise the transition to our new management team, I am confident the Group has the right people, the right business and the right conditions to return to strong, sustainable growth.

Lo Hoi Kwong, Sunny
Chairman

Hong Kong, 15 June 2023

MANAGEMENT DISCUSSION AND ANALYSIS

INTRODUCTION AND HIGHLIGHTS

The Group's revenue for the year ended 31 March 2023 increased by 6.9% to HK$8,024.0 million. Profit attributable to shareholders amounted to HK$110.4 million, compared to HK$21.2 million for the year ended 31 March 2022. The Group received COVID-19 subsidies of HK$40.9 million from the government during the year under review (FY2021/22: HK$127.8 million).

Compared to the results of FY2021/22, which were severely hit by the fifth wave of the COVID-19 pandemic in Hong Kong, the Group's results improved as Hong Kong business performance started to pick up from the second quarter of the year under review. However, business results for the second half of the year were affected by a slower than anticipated pace of economic recovery in Hong Kong, and a nation-wide COVID-19 outbreak during the third quarter which seriously impacted the Group's business in Mainland China. In addition, the Group recorded for the year under review a fair value loss of investment properties of HK$20.1 million (FY2021/22: HK$27.9 million), an impairment loss on property, plant and equipment and right-of-use assets of HK$44.7 million (FY2021/22: HK$54.9 million), as well as additional provision for long service payment of HK$17.1 million recognised due to the enactment of the Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 which abolishes the use of the accrued benefits of employers' mandatory contributions under the Mandatory Provident Fund Schemes Ordinance and/or Occupational Retirement Schemes Ordinance to offset severance payment and long service payment.

In Hong Kong, the beginning of the financial year was still impacted by the fifth wave of the pandemic. Navigating the challenging environment, the business maintained diligent focus on cost controls during the year, coupled with multiple initiatives in digitalisation and automation to enhance productivity and efficiency. The Group remains on-track to improve its profit margins and believes the Hong Kong business is well positioned to take advantage of economic recovery in the market.

Successful brand and product marketing campaigns helped to boost sales, and strengthened the Group's brand proposition and reputation as an industry leader. Our "有大家 就有大家樂 (A Taste of Togetherness)" branding campaign won a Gold Effie at the 2022 Effie Awards, the 2022 YouTube Works Award for Best Brand Campaign with 14 million audited views on YouTube, a gold award for Excellence in Advertising at the Marketing Excellence Awards Hong Kong 2022, a gold award at the Kam Fan Awards 2022, and gold awards for "Best Idea – Video" and "Best Idea – Integrated Marketing" at the MARKies Awards 2023 organised by Marketing-Interactive. Also, **The Spaghetti House** was named the HKRMA 2022 Quality Service Retailer of the Year (fastfood / restaurants category) for the seventh consecutive year.

Recovery of the economy has led to challenges in staffing and labour supply in Hong Kong. Due to the pandemic, many experienced staff left the catering industry for roles in other sectors, and this shortage of labour has become a challenge to operations. Taking proactive action to address the situation, the Group has been focusing on recruitment, retention and redevelopment of our work force.

Mainland China experienced a severe, nation-wide COVID-19 outbreak in the third quarter, following months of intermittent outbreaks during the first half of the year. As a result, the Group's business throughout the Greater Bay Area was seriously impacted. Following the relaxation of pandemic-related controls, the business saw a V-shaped recovery and a return to normal business levels from mid-January. Overall, the business remained healthy, and the Group made good progress in network expansion, although we chose to adopt a more deliberate pace due to the uncertainties of the pandemic during the year. As the Greater Bay Area returns to normalcy following the pandemic, the Group anticipates its business in Mainland China will continue to grow and flourish.

RESULTS OVERVIEW

Revenue

For the year ended 31 March 2023, the Group recorded revenue of HK$8,024.0 million, a 6.9% increase as compared to HK$7,508.8 million in FY2021/22. Revenue by business division is set out below:

	FY2022/23	FY2021/22	**Change**
	HK$'m	*HK$'m*	*%*
Hong Kong			
Quick Service Restaurants	**4,808.4**	4,563.1	**5.4**
Casual Dining	**857.8**	770.5	**11.3**
Institutional Catering	**863.9**	695.5	**24.2**
Others*	**170.4**	148.1	**15.1**
Subtotal	**6,700.5**	6,177.2	**8.5**
Mainland China	**1,323.5**	1,331.6	**(0.6)**
Group	**8,024.0**	7,508.8	**6.9**

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

Gross Profit Margin

Gross profit margin increased to 8.8% during the year (FY2021/22: 7.3%), primarily due to controls on food costs and manpower expenses.

Administrative Expenses

Administrative expenses increased by 5.9% to HK$486.1 million (FY2021/22: HK$458.8 million).

Key Costs

The breakdown of major expenses is set out below:

	FY2022/23		FY2021/22	
	HK$'m	***% of revenue***	*HK$'m*	*% of revenue*
Cost of raw materials and packing	**2,307.3**	**28.8**	2,252.2	30.0
Staff cost	**2,701.2**	**33.7**	2,563.2	34.1
Rental costs*	**913.3**	**11.4**	874.0	11.6

** 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$55.0 million, mainly because the Group received COVID-19 subsidies of HK$40.9 million from the government during the year (FY2021/22: HK$127.8 million).

Income Tax Expense

Income tax expense increased by 18.1% to HK$33.0 million (FY2021/22: HK$27.9 million).

Profit Attributable to Equity Holders

The Group's profit attributable to equity holders increased 420.2% to HK$110.4 million for the year ended 31 March 2023 (FY2021/22: HK$21.2 million), primarily due to business recovery.

	FY2022/23	FY2021/22	**Change**
	HK$'m	*HK$'m*	*%*
Profit Attributable to Equity Holders	**110.4**	21.2	**420.2**
If excluding:			
COVID-19 subsidies	**(40.9)**	(127.8)	
Adjusted net profit / (loss)	**69.5**	(106.6)	**165.1**

Segment Results

Hong Kong segment results increased 12.9% to HK$468.8 million in FY2022/23 (FY2021/22: HK$415.2 million) and Mainland China segment results increased 27.4% to HK$126.2 million (FY2021/22: HK$99.0 million) during the year.

Basic Earnings Per Share

The Group's basic earnings per share increased 375.0% to HK19 cents for the year ended 31 March 2023 (FY2021/22: HK4 cents).

Dividend

The Board has recommended the payment of a final dividend of HK28 cents per share to shareholders for the year ended 31 March 2023 (FY2021/22: HK18 cents). Together with the interim dividend of HK10 cents per share paid during the year, the dividend payout ratio for the year is 201.7%.

BUSINESS REVIEW

As of 31 March 2023, the Group had a network of 376 stores in Hong Kong (31 March 2022: 364) and 153 stores in Mainland China (31 March 2022: 136).

Hong Kong Retail Operations

Quick Service Restaurants (QSR)

Revenue from the QSR division increased by 5.4% to HK$4,808.4 million (2022: HK$4,563.1 million) during FY2022/23. **Café de Coral** fast food and **Super Super Congee & Noodles** recorded same store sales growth of 1% and 2%, respectively. The business contributed 59.9% of the Group's total revenue for the reporting year, operating 216 total shops at 31 March 2023 (31 March 2022: 204).

Although business performance started to pick up from the second quarter, business results for the second half of the year were affected by the slower than expected pace of economic recovery in Hong Kong. During the year under review, the business continued to fine-tune business models, focusing on margin improvement, manpower efficiency and productivity improvements. A well-received rebranding campaign – combined with marketing campaigns highlighting hero products, baked series, value meals, seasonal dishes such as hotpot and iron plate specialties – helped to strengthen performance of **Café de Coral** fast food in the second half. **Super Super Congee & Noodles** continued its success in driving its hero products, including Soupy Wonton Noodles, clay pot rice and congee.

Digitalisation efforts continue to enhance our overall customer experience, with electronic ordering kiosks enhanced and fully integrated into each shop's operating service model and KVS system – creating a frictionless and personal customer experience, and a seamless end-to-end digital workflow.

Our newly revamped mobile ordering app and Club 100 app drove a significant increase in mobile orders and club membership, and are also encouraging users to leverage in-app pre-order BYOD (Bring Your Own Device) to further streamline in-store customer flows. Serving robots, which lower manpower costs while providing a unique and novel dining experience for customers, have been deployed with positive results, and will be featured in more stores with appropriate size and layout.

A new, smaller store format was introduced during the year, offering lower and more flexible running costs per location. The new format allows for better fine-tuning of operating margins in a competitive market where rental costs have remained stubbornly high and profitable locations are difficult to secure.

During the year, food costs surged due to supply chain disruption caused by the pandemic. Utilities and other running expenses have also been driven upward by inflationary pressures. Actively addressing these issues, management has been monitoring and managing inventory levels, minimising food costs, and eliminating bad costs. At the same time, the business continues to explore ways to enhance staff productivity and operational efficiency.

The business took advantage of favourable market conditions to open new shops in strategic locations. **Café de Coral** fast food opened 13 new stores, ending the year with 169 stores (31 March 2022: 162). **Super Super Congee & Noodles** opened 6 new stores, operating 47 stores at the end of the financial year (31 March 2022: 42). At present, 5 new QSR shops are in the pipeline. Branch re-imaging is also in progress to vitalise our brand image, and 11 branches have been renovated this year with more scheduled for completion in the coming months.

Casual Dining

Revenue from the Casual Dining business increased by 11.3% during the year to HK$857.8 million (FY2021/22: HK$770.5 million). The business benefitted from improving economic momentum since the end of the third quarter, particularly in the dinner market, following the gradual relaxation of pandemic-related restrictions.

In line with the Group's emphasis on strengthening business fundamentals, the division reengineered menus to balance customer preferences with food costs, and strengthened signature products across all key brands with robust marketing support and festive seasonal promotions.

Catering to modern dining trends, plant-based meat alternatives are being piloted at selected outlets and serving robots are being introduced at appropriate store locations. At the same time, promotional campaigns with third party delivery providers are helping to drive sustainable business momentum.

The division operated 66 shops at the end of the financial year (31 March 2022: 63). **Shanghai Lao Lao** opened 2 new shops, **Mixian Sense** opened 1 new shop, and together the two brands operated 14 and 18 shops, respectively as of 31 March 2023 (31 March 2022: 13 and 18, respectively). **The Spaghetti House** opened 1 new shop during the year and operated 8 shops at the end of the year (31 March 2022: 8), while **Oliver's Super Sandwiches** opened 4 new shops during the year, operating 21 shops at the financial year end (31 March 2022: 19).

Institutional Catering

Revenue from the business increased by 24.2% to HK$863.9 million (FY2021/22: HK$695.5 million). Following the strategic rationalisation of shops to balance growth and profitability, **Asia Pacific Catering** ended the year with 94 operating units (31 March 2022: 97).

The business was severely impacted as hospitals restricted visitors and outpatients, and middle schools and universities banned in-person classes due to public health concerns. However, business began to pick up in September as the pandemic waned and government restrictions were relaxed. A return to in-classroom university studies for the new school year has seen a recovery in the academic sector close to pre-pandemic levels. Recovery in the government and public/private institutions sector has been hindered by a sustained work-from-home trend, as well as global political and economic issues – especially the air freight and cargo shipping industries.

Business operations at **Luncheon Star** have been significantly affected by the suspension of in-person classes since the beginning of the pandemic in 2020. During this time, the business repurposed under-utilised production lines to support the community. The suddenly announced resumption of full-time face-to-face teaching in February 2023 left the business tight-staffed, as many previous employees had switched careers due to the pandemic. This sudden demand of more than 100,000 lunch boxes every day, a jump of three to four times in daily production, severely stressed manpower and production capacity, which led to a lapse in quality that affected some of our customers.

Following this unfortunate incident, the business took immediate steps to address the situation: halting supply for two full days to conduct a complete cleaning of our facilities, confirmation of hygiene standards and quality assurance, and independent lab testing of production lines and lunch boxes. Employees from other business units have been deployed to assist, and active recruitment is underway. A fully automatic rice cooking line will be introduced later this year to enhance production efficiency.

Luncheon Star has always strictly complied with food safety management guidelines and is certified to international food safety standards including ISO 22000 and HACCP. As the clear market leader in the sector, the Group remains strongly committed to growing its operations and market share in the institutional catering industry.

Mainland China Operations

Revenue from Mainland China operations decreased by 0.6% to HK$1,323.5 million (FY2021/22: HK$1,331.6 million) as a result of 6.4% decrease in Renminbi against Hong Kong dollars as compared to last year.

The South China fast food business experienced a 6.1% increase in revenue to RMB1,121.5 million and negative same store sales growth of 4% for the year.

From April to November 2022, occasional outbreaks in Shenzhen, Zhuhai, Macau and Guangzhou resulted in suspension of business and restrictions on dine-in service, which impacted performance. In December 2022, the removal of pandemic-related restrictions coincided with nearly the entire population being infected. Business closures and dine-in restrictions accounted for a significant loss of operating days during the year under review. Subsequently, the Group witnessed a V-shaped recovery at the beginning of 2023, with a return to normal sales performance.

Although the pace of branch expansion continued at a more deliberate pace due to pandemic-related uncertainties, the business opened a record-high number of 20 new shops during the year under review. With 7 new shops in the pipeline, we continue to seek prime locations for network expansion throughout the Great Bay Area.

Adapting to changing consumer preferences during the pandemic, we actively developed our OTO (online to offline) business – which has increased significantly over the past year. The launch of core products has been well received, including chicken steaks and instant fried beef steaks, as well as curry, baked rice and minced pork meals. Our newly launched kids meal is gaining strong inroads into the family market, along with a number of value packages targeting different customer segments.

Celebrating the 30th anniversary of **Café de Coral**'s entry into Mainland China, we launched our "Enjoy Happiness Right Here" campaign on TikTok, which attracted more than 70 million views online. Working together with platform influencers, we launched a group purchase / live broadcast which boosted sales revenue. Digital marketing efforts also helped to drive improvement in sales. The first phase launch of our CRM membership project focused on building membership numbers and launching campaigns for existing members, attracting over 3 million members so far.

The business is increasing investment in automation and digitalisation to improve productivity and efficiency. Robots have been deployed in 49 stores, improving operation productivity and bringing high-tech joy to families with children. We have also improved the customer experience in digital ordering, and enhanced relationships through our CRM programme.

During the past few years under the pandemic, the business stepped up its efforts to optimise its organisational structure and corporate infrastructure, addressing efficiency and overhead to strengthen margins. Back office improvements in digitalisation and process streamlining, including human resources management system and office automation system, have significantly upgraded our system building and organisational capabilities for future sustainable growth.

FINANCIAL REVIEW

Financial Position

The Group's financial position remained healthy during the year under review. The Group also secured additional banking facilities during the year to ensure sufficient reserves of working capital.

As of 31 March 2023, the Group had cash of approximately HK$1,672 million, with HK$873 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 borrowings of HK$980 million (31 March 2022: HK$1,080 million) and a gearing ratio of nil (ratio of total borrowing less cash and cash equivalents to total equity) (31 March 2022: nil).

Capital Expenditure and Commitment

During the year under review, the Group's capital expenditure (excluding right-of-use assets) was HK$465 million (FY2021/22: HK$507 million). As at 31 March 2023, the Group's outstanding capital commitments were HK$531 million (31 March 2022: HK$712 million).

Contingent Liabilities

As of 31 March 2023, the Company provided guarantees of approximately HK$2,226 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 31 March 2023 (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, but we will remain vigilant and closely monitor our exposure to movements in relevant currencies.

HUMAN RESOURCES

As of 31 March 2023, the Group had a workforce of 19,555 employees (31 March 2022: 17,954).

Facing labour shortages due to the pandemic, the Group has been reaching out to potential employees through multiple recruitment channels. Targeted local recruitment for neighbourhood stores, efforts to re-hire previous employees and referral bonuses for existing staff have helped to stabilise manpower supply. Job fairs are becoming increasingly effective. Online and social media recruitment channels are now standard recruitment tools, and have received positive response.

Staff training and development are consistent focal points. The Group's internal training programmes include Qualifications Framework accredited frontline operations courses, as well as shift, branch and regional management courses to prepare staff for leadership roles. Despite an inevitable slowdown caused by the pandemic, over 20% of eligible staff have graduated from these programmes, spanning over 90,000 learning hours and including 27,000 hours of face-to-face training. Graduation from these programmes is now a pre-requisite for promotions into key operational roles, and has greatly enhanced the Group's management bench strength and succession planning.

The Group regularly reviews internal equity and market benchmarking on pay level for proper staff retention. 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 options schemes. The Group has recently reviewed our long term incentives and offered share options to senior executives in Hong Kong and China in December 2022. This new share grant was made to retain and motivate talent in the face of an unprecedented manpower shortage and demanding business environment in the post-pandemic world.

In June 2022, the Hong Kong Government enacted the Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 which abolishes the use of the accrued benefits of employers' mandatory contributions under the Mandatory Provident Fund Schemes Ordinance and/or Occupational Retirement Schemes Ordinance to offset severance payment and long service payment. As a result, an additional provision on long service payment liabilities to the Group's qualifying employees in the amount of HK$17.1 million was recognised.

SUSTAINABILITY

The Group remains strongly committed to environmental, social and governance (ESG) initiatives as a core component of our strategy and operations. We have been a constituent of the Hang Seng Corporate Sustainability Benchmark Index for eight consecutive years with an “AA” rating, and have also obtained a MSCI ESG “A” rating.

Committed to reducing waste, the Group is taking early steps to gradually eliminate the use of disposable plastic tableware, including plastic straws, stirrers, cutlery and plates, and switching to more eco-friendly, non-plastic options before the amended Product Eco-responsibility Ordinance comes into effect in the fourth quarter of 2023 at the earliest.

During the year, the Group adopted the recommendations of the Task Force on Climate-Related Financial Disclosure (TCFD) and performed an analysis to understand the potential risks and opportunities for our business from extreme climate-related events, and developed long-term planning and measures to manage the related transitional and physical risks.

We also continued the Group’s “Bon Appetit Café” food assistance programme for the second year, offering nutritious meals to support vulnerable members of our society.

Full details of our sustainability programmes can be found in the Group’s Sustainability Report 2022/23.

OUTLOOK

With the lifting of pandemic restrictions and the reopening of borders, the pace of recovery in our operating markets is expected to be gradual and the Group remains cautiously optimistic about the economic outlook for the coming year. However, a deep culture of continuous internal improvement and a focus on business fundamentals have positioned the Group well for sustainable success. We remain confident in continuously improving profit margins in Hong Kong and expanding our store network in Mainland China although timing may need to be adjusted due to the pandemic.

In Hong Kong, the Group is driving sales in a slower-than-expected economic recovery through promotions and marketing activities. In addition to signature hero products, the business is introducing more limited-time offers and value meals to increase customer appeal and encourage repeat visits. Our ongoing digitalisation efforts will play a key role in building brand affiliation, recruiting new, younger customers, and enabling an integrated customer experience and services through our Omni-channel strategy. The active membership enrolment strategy of Club 100 has helped to triple membership to over 1.4 million with a high percentage of active users, and established deeper customer relationships, brand affiliation and engagement.

We are also taking the opportunity to expand our network, especially for **Café de Coral** fast food, as we cautiously capture market opportunities by mapping our portfolio of house brands to the right locations.

Facing surging food and supply chain costs, we have established cross-business task forces to address these issues through strategic sourcing, menu re-engineering, smart business planning and execution enhancement. Although labour shortages remain a challenge for the industry as a whole, the Group is actively recruiting, retaining and redeveloping our work force to meet long-term business needs.

Although the performance of the Group's Institutional Catering businesses, **Asia Pacific Catering** and **Luncheon Star**, was severely impacted by the pandemic, the division is by far the market leader in Hong Kong and is a preferred long-term strategic partner amongst educational, medical and other institutions. Building on its infrastructure and scale, and with continued re-shaping and consolidation of the market, we are confident in leveraging our leadership position to return to business growth.

In Mainland China, the Group has proven its ability to grow its network and deliver healthy margins despite uncertain conditions. Although the pace of network expansion was deliberately held in check, we expect to accelerate new openings as the economy recovers. The Group is enthusiastic and remains optimistic about the long-term prospects for its business in the nine cities of the Great Bay Area and Macau.

As the economy recovers, our optimised business models, customer experience and productivity will pave the way for continuous, sustainable growth in Hong Kong and Mainland China.

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 2023, together with comparative figures for the previous year, are as follows:

CONSOLIDATED INCOME STATEMENT
- BY FUNCTION OF EXPENSE
FOR THE YEAR ENDED 31 MARCH 2023

	Note	**2023** *HK$'000*	2022 *HK$'000*
Revenue	*6*	**8,024,044**	7,508,753
Cost of sales	*8*	**(7,321,395)**	(6,961,032)
Gross profit		**702,649**	547,721
Other income and other (losses)/gains, net	*7*	**(12,733)**	42,296
Administrative expenses	*8*	**(486,079)**	(458,843)
Operating profit		**203,837**	131,174
Finance income	*9*	**38,847**	7,659
Finance costs	*9*	**(98,508)**	(88,044)
Profit before income tax		**144,176**	50,789
Income tax expense	*10*	**(32,989)**	(27,939)
Profit for the year		**111,187**	22,850
Profit attributable to:			
Equity holders of the Company		**110,353**	21,214
Non-controlling interests		**834**	1,636
		111,187	22,850
Dividends	*12*	**222,567**	163,997
Earnings per share for profit attributable to the equity holders of the Company			
Basic	*11(a)*	**HK$0.19**	HK$0.04
Diluted	*11(b)*	**HK$0.19**	HK$0.04

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2023

	2023 *HK$'000*	2022 *HK$'000*
Profit for the year	**111,187**	22,850
Other comprehensive (loss)/income:		
Item that may be reclassified to profit or loss		
Exchange differences arising from translation of foreign subsidiaries	**(35,710)**	18,991
Items that will not be reclassified subsequently to profit or loss		
Revaluation surplus of property, plant and equipment and right-of-use assets prior to transferring to investment properties	**53,447**	-
Remeasurement of retirement benefit liabilities and provision for long service payments	**(10,471)**	(13,507)
Fair value loss on financial assets at fair value through other comprehensive income	**(9,185)**	(1,020)
Total comprehensive income for the year	**109,268**	27,314
Total comprehensive income for the year attributable to:		
– Equity holders of the Company	**108,434**	25,678
– Non-controlling interests	**834**	1,636
	109,268	27,314

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2023

	Note	As at 31 March 2023 HK$'000	As at 31 March 2022 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**1,617,702**	1,586,070
Right-of-use assets		**2,413,162**	2,158,474
Investment properties		**559,200**	514,800
Intangible assets		**1,153**	1,191
Deferred income tax assets		**62,955**	67,714
Financial assets at fair value through other comprehensive income		**86,746**	95,931
Retirement benefit assets		**3,098**	2,878
Non-current prepayments and deposits		**303,725**	293,263
		5,047,741	4,720,321
Current assets			
Inventories		**268,243**	303,542
Trade and other receivables	*13*	**138,036**	199,550
Prepayments and deposits	*13*	**44,832**	55,074
Current income tax recoverable		**4,510**	7,773
Cash and cash equivalents		**1,671,978**	1,585,586
		2,127,599	2,151,525
Total assets		**7,175,340**	6,871,846
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		**(98,979)**	(130,939)
Other reserves		**522,679**	515,201
Retained earnings			
- Proposed dividends		**163,997**	105,427
- Others		**1,516,205**	1,649,360
		2,783,594	2,818,741
Non-controlling interests		**8,469**	7,635
Total equity		**2,792,063**	2,826,376

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 31 MARCH 2023

	Note	As at 31 March 2023 HK$'000	As at 31 March 2022 HK$'000
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		**32,946**	36,225
Provision for long service payments		**62,080**	41,548
Lease liabilities		**1,508,455**	1,341,995
Long-term borrowings		**-**	899,690
		1,603,481	2,319,458
Current liabilities			
Trade payables	*14*	**225,881**	167,408
Other creditors and accrued liabilities		**798,895**	682,823
Current income tax liabilities		**14,441**	14,365
Lease liabilities		**760,629**	681,416
Current portion of long-term borrowings		**899,950**	100,000
Short-term borrowings		**80,000**	80,000
		2,779,796	1,726,012
Total liabilities		**4,383,277**	4,045,470
Total equity and liabilities		**7,175,340**	6,871,846
Net current (liabilities)/assets		**(652,197)**	425,513
Total assets less current liabilities		**4,395,544**	5,145,834

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 2023.

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.

As at 31 March 2023, the Group had net current liabilities of HK$652,197,000. The net current liabilities were mainly attributable to the change of classification of bank borrowings amounting to HK$899,950,000 from non-current liabilities as at 31 March 2022 to current liabilities as at 31 March 2023 in accordance with their payment terms.

As of 31 March 2023, the Group had available unutilised banking facilities of HK$872,890,000 (see Note 4.1(e)). In May 2023, the Group has obtained additional banking facilities, primarily long-term, of approximately HK$800,000,000.

The directors of the Company have reviewed the Group's cash flows projections, which cover a period of not less than twelve months from 1 April 2023. The directors are of the opinion that, taking into account the anticipated cash flows generated from the Group's operations, the possible changes in its operating performance and the 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 31 March 2023. Accordingly, the directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

3 ACCOUNTING POLICIES

3.1 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.

3 ACCOUNTING POLICIES (Continued)

3.2 New and amended standards and interpretation not yet adopted by the Group

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
Amendments to HKAS 1	Non-current Liabilities with Covenants	1 January 2024
Amendments to HKFRS 16	Lease Liabilities in a Sale and Leaseback	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.

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 the 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 2023, 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$4,091,000 (2022: HK$4,508,000) and increased/decreased by HK$2,750,000 (2022: HK$1,654,000), 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 2023, 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$8,675,000 (2022: HK$9,593,000).

(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 2023 and 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 the 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 2023 and 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 Mainland China 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 2023 and 31 March 2022. In respect of trade receivables, the loss allowance as at 31 March 2023 and 31 March 2022 was determined as follows:

31 March 2023	**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	**51,900**	**14,409**	**4,724**	**4,837**	**74**	**75,944**
Loss allowance	-	-	-	**(2)**	**(74)**	**(76)**

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)

4 FINANCIAL RISK MANAGEMENT (Continued)

4.1 Financial risk factors (Continued)

(d) Credit risk (Continued)

(ii) Impairment of financial assets (Continued)

(2) Trade receivables (Continued)

A credit-impaired financial asset is when the counterparty fails to make contractual payments within 90 days of when they fall due or it becomes probable the counterparty will enter bankruptcy. A default on a financial asset is when the counterparty fails to make contractual payments within 120 days of when they fall due. Trade and other receivables are written off where there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 120 days past due. Impairment losses on trade and other receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

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

Other financial assets at amortised costs include the deposits and other receivables excluding prepayments. The credit quality of other financial assets at amortised costs has been assessed with reference to historical information about the counterparties default rates and financial position of the counterparties. Other financial assets at amortised costs are considered to be low credit risk where they have a low risk of default and the counterparties have strong capacities to meet their contractual cashflow obligations in the near term. Management compares the risk of a default occurring on the assets as at the reporting date with the risk of default as at the date of initial recognition and considers that their credit risks have not increased significantly since initial recognition. 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 costs is assessed to be close to zero and no provision was made as at 31 March 2023 and 31 March 2022.

4 FINANCIAL RISK MANAGEMENT (Continued)

4.1 Financial risk factors (Continued)

(e) Liquidity risk

Prudent liquidity risk management, after considering the expected market conditions, implies maintaining sufficient cash and the availability of funding through an adequate amount of available credit facilities. The Group continues to maintain a healthy net cash position by keeping credit lines available and to maintain flexibility in future funding. As at 31 March 2023, the Group had total banking facilities amounting to HK$2,016,350,000 (2022: HK$2,129,937,000) of which HK$1,143,460,000 were utilised (2022: HK$1,230,484,000). As at 31 March 2023, the Group had available unutilised banking facilities of HK$872,890,000 (2022: HK$899,453,000). In May 2023, the Group has obtained additional banking facilities, primarily long-term, of approximately HK$800,000,000.

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 2023					
Trade payables	**225,881**	**-**	**-**	**-**	**225,881**
Other creditors and accrued liabilities (excluding non-financial liabilities)	**580,099**	**-**	**-**	**-**	**580,099**
Lease liabilities	**838,402**	**640,692**	**881,941**	**77,629**	**2,438,664**
Bank borrowings	**994,135**	-	-	-	**994,135**
	2,638,517	**640,692**	**881,941**	**77,629**	**4,238,779**

	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

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 2023, 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 2023 and 31 March 2022, as the Group is in a net cash position of HK$692,028,000 and HK$505,896,000 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 2023:

	Level 1 *HK$'000*	Total *HK$'000*
Assets		
Financial assets at fair value through other comprehensive income		
– Listed equity investments (Note a)	**86,746**	**86,746**

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 2022:

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

(a) Amount represented the equity investment in Tao Heung Holdings Limited.

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 2023			
Total segment revenue	**6,704,615**	**1,429,472**	**8,134,087**
Inter-segment revenue *(Note i)*	**(4,098)**	**(105,945)**	**(110,043)**
Revenue (from external revenue) *(Note ii)*	**6,700,517**	**1,323,527**	**8,024,044**
Represented by timing of revenue recognition:			
- At a point in time	**6,655,471**	**1,323,527**	**7,978,998**
- Over time	**45,046**	**-**	**45,046**
	6,700,517	**1,323,527**	**8,024,044**
Segment results *(Note iii)*	**468,828**	**126,163**	**594,991**
Depreciation and amortisation (excluding depreciation of right-of-use assets – properties)	**(313,008)**	**(81,766)**	**(394,774)**
Fair value loss on investment properties	**(20,100)**	**-**	**(20,100)**
Impairment loss of property, plant and equipment	**(15,623)**	**(6,301)**	**(21,924)**
Impairment loss of right-of-use assets	**(13,973)**	**(8,758)**	**(22,731)**
Finance income	**37,597**	**1,250**	**38,847**
Finance cost on bank borrowings	**(30,133)**	**-**	**(30,133)**
Income tax expense	**(24,166)**	**(8,823)**	**(32,989)**

	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)

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 2023 and 2022, 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 2023			
Depreciation – right-of-use assets – properties	**683,440**	**99,014**	**782,454**
Finance cost of lease liabilities	**49,732**	**18,643**	**68,375**
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

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

	2023	2022
	HK$'000	*HK$'000*
Segment results	**594,991**	514,220
Depreciation and amortisation (excluding depreciation of right-of-use assets – properties)	**(394,774)**	(377,079)
Fair value loss on investment properties	**(20,100)**	(27,900)
Impairment loss of property, plant and equipment	**(21,924)**	(19,332)
Impairment loss of right-of-use assets	**(22,731)**	(35,581)
Finance income	**38,847**	7,659
Finance cost on bank borrowings	**(30,133)**	(11,198)
Profit before income tax	**144,176**	50,789

5 SEGMENT INFORMATION (Continued)

	Hong Kong *HK$'000*	Mainland China *HK$'000*	Group *HK$'000*
As at 31 March 2023			
Segment assets	**5,883,097**	**1,138,032**	**7,021,129**
Year ended 31 March 2023			
Segment assets include:			
Additions to non-current assets (other than financial instruments and deferred income tax assets)	**1,314,323**	**286,455**	**1,600,778**
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 2023, 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$4,117,381,000 (2022: HK$3,800,772,000) and HK$780,659,000 (2022: HK$755,904,000) respectively.

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

	As at 31 March 2023 ***HK$'000***	As at 31 March 2022 *HK$'000*
Total segment assets	**7,021,129**	6,700,428
Deferred income tax assets	**62,955**	67,714
Financial assets at fair value through other comprehensive income	**86,746**	95,931
Current income tax recoverable	**4,510**	7,773
Total assets	**7,175,340**	6,871,846

6 REVENUE

	2023	2022
	HK$'000	*HK$'000*
Sales of food and beverages	**7,918,008**	7,409,202
Rental income	**38,911**	42,318
Management and service fee income	**6,135**	5,385
Sundry income	**60,990**	51,848
	8,024,044	7,508,753

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

	2023	2022
	HK$'000	*HK$'000*
Dividend income from listed equity investments	**6,123**	6,123
Fair value loss on investment properties	**(20,100)**	(27,900)
Gain/(loss) on disposal of other property, plant and equipment, net	**698**	(11,374)
Impairment loss of property, plant and equipment	**(21,924)**	(19,332)
Impairment loss of right-of-use assets	**(22,731)**	(35,581)
Government subsidies (Note a)	**45,201**	130,360
	(12,733)	42,296

(a) These primarily represented government subsidies in relation to the COVID-19 pandemic which included subsidies of HK$40,943,000 (2022: HK$127,810,000) 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:

	2023	2022
	HK$'000	*HK$'000*
Cost of raw materials and packing	**2,307,332**	2,252,217
Amortisation of intangible assets	**38**	38
Depreciation expenses		
- property, plant and equipment	**378,196**	362,188
- leasehold land and land use rights classified as right-of-use assets	**16,540**	14,853
- right-of-use assets — properties	**782,454**	733,039
Expenses relating to leases of		
- short-term leases	**24,700**	31,487
- variable lease payments not included lease liabilities	**47,686**	50,435
Gain on modification and termination of leases	**(9,868)**	(17,758)
Exchange losses, net	**1,332**	877
Employee benefit expenses (excluding share-based compensation expenses) (Note)	**2,681,659**	2,552,767
Share-based compensation expenses	**19,536**	10,482
Auditor's remuneration		
- audit services	**3,593**	3,438
- non-audit services	**1,485**	579
Electricity, water and gas	**406,144**	369,034
Advertising	**102,255**	88,785
Reversal of loss allowance on trade receivables (Note 13)	**(3)**	(744)
Sanitation	**126,476**	122,397
Repairs & maintenance	**132,848**	125,977
Building management fee, air conditioning and rates	**219,838**	206,181
Delivery expense	**98,170**	75,048
Insurance	**39,274**	48,020
Other expenses	**427,789**	390,535
	7,807,474	7,419,875
Representing:		
Cost of sales	**7,321,395**	6,961,032
Administrative expenses	**486,079**	458,843
	7,807,474	7,419,875

8 EXPENSES BY NATURE (Continued)

Note:

Included in the employee benefit expenses, past service cost of HK$17,076,000 (2022: Nil) was recognised for the year ended 31 March 2023 for additional long service payment obligations resulting from the amendment of Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 which the Hong Kong Government enacted in June 2022. The amendment will come into effect prospectively from a date to be appointed by the Hong Kong Government ("Transition Date"). The amendment results in:

a) Change in the offsetting arrangement, such that the accrued benefits attributable to the employers' mandatory contributions under the Mandatory Provident Fund and certain employers' contributions under the Occupational Retirement Schemes would no longer be eligible to offset against the severance payment and long service payment accrued from the Transition Date; and

b) Change of the calculation basis of last monthly wages for the portion of the long service payment accrued before the Transition Date.

9 FINANCE INCOME AND FINANCE COSTS

	2023 ***HK$'000***	2022 *HK$'000*
Finance income	**38,847**	7,659
Finance cost of lease liabilities	**(68,375)**	(76,846)
Finance cost on bank borrowings	**(30,133)**	(11,198)
Finance costs	**(98,508)**	(88,044)
Finance costs, net	**(59,661)**	(80,385)

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% (2022: 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:

	2023	2022
	HK$'000	*HK$'000*
Current income tax:		
- Hong Kong profits tax	**24,136**	20,027
- PRC taxation	**7,936**	8,606
Deferred income tax relating to the origination and reversal of temporary differences	**1,924**	5,619
Over provision in prior years	**(1,007)**	(6,313)
	32,989	27,939

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:

	2023	2022
	HK$'000	*HK$'000*
Profit before income tax	**144,176**	50,789
Calculated at a taxation rate of 16.5% (2022: 16.5%)	**23,789**	8,380
Effect of different taxation rates in other territories	**514**	(280)
Income not subject to taxation	**(24,742)**	(37,618)
Expenses not deductible for taxation purposes	**15,154**	19,814
Recognition of previously unrecognised temporary difference	**(29)**	(262)
Tax losses not recognised	**19,391**	44,479
Over provision in prior years	**(1,007)**	(6,313)
Others	**(81)**	(261)
Taxation charge	**32,989**	27,939

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.

	2023	2022
Profit attributable to equity holders of the Company (HK$'000)	**110,353**	21,214
Weighted average number of ordinary shares in issue ('000)	**580,046**	579,070
Basic earnings per share (HK$ per share)	**HK$0.19**	HK$0.04

(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.

	2023	2022
Profit attributable to equity holders of the Company (HK$'000)	**110,353**	21,214
Weighted average number of ordinary shares in issue ('000)	**580,046**	579,070
Adjustment for share award scheme ('000)	**1,606**	1,206
	581,652	580,276
Diluted earnings per share (HK$ per share)	**HK$0.19**	HK$0.04

12 DIVIDENDS

	2023	2022
	HK$'000	*HK$'000*
Interim dividend, paid, of HK10 cents (2022: HK10 cents) per ordinary share	**58,570**	58,570
Final dividend, proposed, of HK28 cents (2022: HK18 cents) per ordinary share	**163,997**	105,427
	222,567	163,997

A final dividend of HK28 cents (FY2021/22: HK18 cents) per ordinary share in respect of the year ended 31 March 2023 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

	2023	2022
	HK$'000	*HK$'000*
Trade receivables	**75,944**	51,086
Less: Loss allowance	**(76)**	(79)
Trade receivables – net (Note a)	**75,868**	51,007
Other receivables (Note b)	**62,168**	148,543
	138,036	199,550
Prepayments	**43,190**	53,536
Deposits	**1,642**	1,538
	182,868	254,624

(a) The Group's sales to customers are mainly on a cash basis. The Group also grants a credit period between 30 to 90 days to certain customers for the provision of the Group's institutional catering services, sales of merchandise for the Group's food manufacturing business and its franchisees.

(b) Other receivables primarily comprise value-added tax recoverable and receivable from a security logistic company. As at 31 March 2022, the Group had government subsidies in relation to the COVID-19 of HK$95,800,000.

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

The ageing analysis of trade receivables is as follows:

	2023	2022
	HK$'000	*HK$'000*
0 – 30 days	**51,900**	39,931
31 – 60 days	**14,409**	4,621
61 – 90 days	**4,724**	3,658
91 – 365 days	**4,837**	2,799
Over 365 days	**74**	77
	75,944	51,086

14 TRADE PAYABLES

The ageing analysis of trade payables is as follows:

	2023	2022
	HK$'000	*HK$'000*
0 – 30 days	**223,573**	162,153
31 – 60 days	**2,062**	2,686
61 – 90 days	**106**	501
Over 90 days	**140**	2,068
	225,881	167,408

15 COMMITMENTS

As at 31 March 2023, the Group had the following capital commitments:

	2023	2022
	HK$'000	*HK$'000*
Acquisition of property, plant and equipment		
Authorised and contracted for	**61,578**	74,439
Authorised but not contracted for	**469,850**	637,930
	531,428	712,369

FINAL DIVIDEND

The Board has recommended the payment of a final dividend of HK28 cents per share for the year ended 31 March 2023 (FY2021/22: HK18 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 7 September 2023. Upon shareholders' approval, the proposed dividend will be paid on 25 September 2023 to shareholders whose names shall appear on the Register of Members of the Company on 14 September 2023.

Together with the interim dividend of HK10 cents per share (FY2021/22: HK10 cents), the total dividend for the year ended 31 March 2023 will amount to HK38 cents per share (FY2021/22: HK28 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 4 September 2023 (Monday) to 7 September 2023 (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 1 September 2023 (Friday).

For the purpose of determination of entitlement to the final dividend, the Register of Members of the Company will be closed on 14 September 2023 (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 13 September 2023 (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 2023, the Company complied with all code provisions as set out in the CG Code and adopted the recommended best practices of the CG Code 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 2023.

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 three independent non-executive directors and two non-executive directors 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 2023 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 2023 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 2023, 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, 15 June 2023

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 Li Kwok Sing, Aubrey, Mr Kwok Lam Kwong, Larry, Mr Au Siu Cheung, Albert and Ms Fang Suk Kwan, Katherine as independent non-executive directors; and Mr Lo Tak Shing, Peter (Chief Executive Officer) and Mr Lo Ming Shing, Ian as executive directors.