Tam Jai International Co. Limited
譚仔國際有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 2217)

INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2023

The board (the "**Board**") of directors (the "**Directors**") of Tam Jai International Co. Limited ("**TJI**", "**Tam Jai International**" or the "**Company**", and together with its subsidiaries, the "**Group**", "**we**", "**us**" or "**our**") announces the unaudited consolidated results of the Group for the six months ended 30 September 2023 ("**1H2024**").

HIGHLIGHTS

- Group's revenue grew 10.0% to HK$1,387.4 million, driven by 14 net openings in restaurant network and moderate comparable restaurant revenue growth in Hong Kong
- Profit for the period decreased by 1.4% to HK$81.6 million
- Profit for the period excluding government subsidies(1) increased by 153.1% to HK$81.4 million
- Operating profit margin(2) in Hong Kong stood high at 20.2%
- Narrowed operating loss(2) outside Hong Kong by 68.3% to HK$5.3 million
- Exploring franchise arrangements to enter Australia and the Philippines, and brand diversification in Hong Kong
- The Board has resolved to declare an interim dividend of HK3.0 cents per share (1H2023: Nil)

Notes:

(1) This is a non-HKFRS measure, defined as profit for the relevant period deducting government subsidies, which are non-recurring income.

(2) This is a non-HKFRS measure, defined as revenue less restaurant and central kitchen costs and excluding costs attributable to headquarters and office.

FINANCIAL HIGHLIGHTS

	Six months ended 30 September 2023 HK$'000 (Unaudited)	2022 HK$'000 (Unaudited)	Change in percentage %
Consolidated statement of profit or loss			
Revenue	**1,387,369**	1,261,721	10.0%
Profit before taxation	**101,622**	101,413	0.2%
Profit for the period	**81,629**	82,775	−1.4%
Profit margin	**5.9%**	6.6%	
Adjustment for non-HKFRS measure:			
Less: Government subsidies	**181**	50,589	−99.6%
Profit for the period excluding government subsidies[1]	**81,448**	32,186	153.1%
Profit margin excluding government subsidies[2]	**5.9%**	2.6%	
Per share data *(HK cents)*			
Basic earnings	**6.1**	6.2	
Diluted earnings	**6.1**	6.2	

	At 30 September 2023 HK$'000 (Unaudited)	At 31 March 2023 HK$'000 (Audited)	Change in percentage %
Consolidated statement of financial position			
Non-current assets	**1,225,531**	1,161,080	5.6%
Current assets	**1,469,900**	1,513,927	−2.9%
Non-current liabilities	**563,752**	502,625	12.2%
Current liabilities	**650,144**	630,534	3.1%
Capital and reserves	**1,481,535**	1,541,848	−3.9%
Key financial ratios			
Current ratio[3]	**2.3**	2.4	
Quick ratio[4]	**2.2**	2.4	
Return on assets[5]	**6.1%**	5.4%	
Return on equity[6]	**10.8%**	9.1%	

Notes:

(1) This is a non-HKFRS measure, defined as profit for the relevant period deducting government subsidies, which are non-recurring income.

(2) This is a non-HKFRS measure, calculated based on our profit for the relevant periods excluding government subsidies divided by our revenue for the corresponding periods and multiplied by 100%.

(3) Calculated based on our total current assets as at the end of the relevant periods divided by our total current liabilities as at the end of the corresponding periods.

(4) Calculated based on our total current assets less inventories as at the end of the relevant periods divided by our total current liabilities as at the end of the corresponding periods.

(5) Calculated based on our annualised profit for the relevant periods divided by our average total assets as at the beginning and the end of the corresponding periods and multiplied by 100%.

(6) Calculated based on our annualised profit for the relevant periods divided by our average total equity attributable to our equity shareholders as at the beginning and the end of the corresponding periods and multiplied by 100%.

CHAIRMAN STATEMENT

Emerging Stronger from Pandemic

Five years ago, I took the helm of Tam Jai International with a clear vision in mind: to expand our presence beyond Hong Kong and secure funding through an initial public offering, enabling us to bring the distinguished home-grown "Tam Jai Taste" all over the world. In the first chapter of our journey, we made significant progress towards our goals.

We have not only weathered the perfect storm from the unprecedented pandemic, but also emerged bigger, stronger and more resilient. Over the past three years, even in the face of social distancing measures, we have successfully grown our restaurant network to 222 restaurants as of 30 September 2023, with record-breaking revenue every year since 2019. This success is a testament to our agile management and operations, effective business strategies, and relentless dedication to innovation in every aspect of our business.

1H2024 has been no exception. We have sustained growth in both revenue and our restaurant network, building upon the momentum generated in the fourth quarter of the financial year ended 31 March 2023 ("**FY2023**"). In 1H2024, our Group's revenue rose by 10.0% as compared to the six months ended 30 September 2022 ("**1H2023**") to HK$1,387.4 million with an expanded restaurant network of 222 restaurants as at 30 September 2023, representing a net increase of 14 restaurants year-on-year. Profit excluding government subsidies for 1H2024 jumped by 153.1% year-on-year to HK$81.4 million. In Hong Kong, our operating profit margin, representing revenue less restaurant and central kitchen costs and excluding costs attributable to headquarters and office, stood high at around 20.2%. This achievement further solidifies TJI's position as one of the leading players in the food and beverages ("**F&B**") sector in Hong Kong.

To share success with the Company's shareholders, the Board has resolved to declare an interim dividend of HK3.0 cents per share of the Company (the "**Share(s)**") for 1H2024 (1H2023: Nil), representing a payout ratio of approximately 49.2%.

Strengthened Foundation

Beyond Hong Kong, as we sought to replicate our successful model in other regions, we encountered various challenges, both significant and minor ones. These challenges encompassed increased competition in the mass market segment, evolving consumer preferences, global inflation and a softening economy. These factors have impacted our overseas expansion plans and the pace of building brand awareness and making local adaptations in these markets. Nevertheless, by overcoming these challenges, we have not only developed capabilities in running a restaurant business in different cultures and countries, but also strengthened our infrastructure, management team, and international operating systems to equip us to fly higher and farther.

During our journey of growing beyond our home market, we have obtained resounding affirmation on the huge growth potential through extensive market research, strengthening our brand competitiveness. Our noodles, soup, spiciness, services, and standardised operating model have demonstrated remarkable adaptability in every market we operate in. We are improving restaurant layouts and adjusting our menu to make our brand and culinary offerings more appealing to local customers in Mainland China, which remains our vital market. This model will serve as a blueprint for accelerating our business presence in other overseas markets and expediting our expansion into upcoming new markets.

Scaling New Heights with New Business Models

As we reflect on our achievements, we are thrilled to announce the commencement of a new chapter, brimming with exciting possibilities.

In this new chapter, our strengthened management team empowers us to explore different partnership approaches in our expansion plan. Firstly, our primary focus is to realise our plan to enter the Australian market with a fresh business model. To achieve this, we have established a joint venture ("**JV**") and entered into a JV agreement with ST Group Food Industries Holdings Limited ("**ST Group**"), a company listed on the Singapore Stock Exchange and a renowned expert in the F&B business in Australia and New Zealand. This strategic collaboration allows us to venture into this new western market through the restaurants operated by the JV, with a potential franchise model under negotiations. By leveraging the JV partner's franchisee network, established infrastructure and proven track record of our JV partner, it is expected that we will be able to enter the Australian market at lower initial investment and set up costs, as well as reduced risks. We believe that not only would this partnership enable a faster expansion in Australia, but it would also establish a solid foundation for future forays into other western markets, propelling our mission to bring the "Tam Jai Taste" to the world.

In Southeast Asia, we have made progress by entering into a memorandum of understandings with BVCUISINE Inc., a subsidiary of the Philippine conglomerate, Suyen Corporation ("**Suyen**"), regarding the proposed entry into the Philippine market through potential franchising arrangement. With Suyen's extensive experience in operating five restaurant brands and their well-established business network within their conglomerate, their profound expertise in the local market will undoubtedly be an asset to our global expansion plan.

In our core market of Hong Kong, we are embarking on a new venture with a multi-branding strategy. Building on our success in providing store management services for the Japanese udon noodle brand "Marugame Seimen", we have entered into a franchise agreement with a subsidiary of Toridoll Holdings Corporation ("**Toridoll Japan**"), a controlling shareholder of the Company, regarding operating restaurants under the brand name of "Marugame Seimen" through franchise arrangement in Hong Kong. This strategic partnership marks a significant milestone as we expand our brand portfolio while leveraging synergies with our controlling shareholder. Moreover, this pilot programme is expected to pave the way for further exploration of brand portfolio diversification and driving overall business growth for the Group.

Acknowledgment

I am honoured to lead Tam Jai International, working alongside a dedicated management team and workforce. Together, we will forge an even more resilient, agile, and innovative company. I extend my heartfelt gratitude to our valued customers, business partners, suppliers, employees, families and friends. Your unwavering support, tireless efforts and trust have been instrumental in enabling us to overcome challenges and embark on new and innovative ventures. Hand-in-hand, we have achieved significant milestones, and together, we will continue to explore new horizons, ensure sustainability, and generate stable returns for all stakeholders. Thank you for your continued support.

Lau Tat Man
Chairman of the Board and Chief Executive Officer
Tam Jai International Co. Limited

MANAGEMENT DISCUSSION AND ANALYSIS

Business overview

Entering the financial year ending 31 March 2024, the COVID-19 pandemic became a bygone, with social distancing measures lifted and borders reopened in Hong Kong and Mainland China. This created new opportunities for F&B operators as well as the Group, which has successfully navigated through the challenges and emerged stronger.

For 1H2024, the Group's revenue reached HK$1,387.4 million (1H2023: HK$1,261.7 million), representing a 10.0% year-on-year increase as compared with 1H2023. The increase was mainly driven by the net additions of 14 restaurants into its network, along with comparable restaurant revenue growth in Hong Kong. As of 30 September 2023, the Group operated an extensive restaurant network of 222 restaurants, covering Hong Kong, Mainland China, Singapore, and Japan.

In addition to the satisfactory performance in Hong Kong, it is also noteworthy that the Group reported a narrowed operating loss at the restaurant level, representing revenue less restaurant and central kitchen costs and excluding costs attributable to headquarters and office, for the combined markets outside of Hong Kong, down by 68.3% to HK$5.3 million, mainly driven by the improved business performance in Mainland China and Japan.

On cost control, despite various geopolitical incidents exerting notable pressure on the global supply chain, the Group was able to maintain a relatively stable cost-to-revenue ratio for its cost of food and beverages consumed. Such accomplishment was made possible through the Group's meticulous inventory control practices, standardised operations and its agility in procurement and supply chain management, which facilitated a reduction in both food ingredient expenses and logistics costs as a percentage to revenue. The Group also implemented initiatives such as strategic price adjustment, product substitution and supplier network expansion, in order to proactively address and minimise potential risks arising from the supply chain.

In addition, the Group effectively sustained stability in its team and operational costs even in the face of challenges such as labour shortage and the overall F&B changing dynamics. The Group has continued to enhance staff productivity and efficiency through the implementation of smart rostering system and streamlined production processes in restaurant kitchens, benefitting from robust support from its central kitchen operations. As a result, the staff cost-to-revenue ratio also remained stable, underscoring the Group's commitment to maintaining operational efficiency and cost control. During 1H2024, the Group recorded profit for the period of HK$81.6 million (1H2023: HK$82.8 million). The Group's profit for the period excluding government subsidies increased by 153.1% year-on-year to HK$81.4 million.

To share success with the Company's shareholders, the Board has resolved to declare an interim dividend of HK3.0 cents per Share for 1H2024 (1H2023: Nil), representing a payout ratio of approximately 49.2%.

Regional Analysis — Hong Kong

Despite emerging from the shadow of the pandemic, the catering industry still saw a complex, dynamic, and challenging operating environment in 1H2024. Although social distancing measures were totally lifted during the reporting period, the industry experienced slower-than-anticipated revenue growth due to an obvious number of local residents traveling abroad, driven by pent-up demand. Furthermore, there has been an increase in weekend visitors to neighbouring cities in Mainland China. On the other hand, cost inflation and labour shortage continued to burden restaurants alike. According to data from the Census and Statistics Department of the Hong Kong Government, the average nominal wages in Hong Kong reported an increase of 3.5%, of which accommodation and food service activities rose by 4.1% in June 2023 compared to a year ago.

Nonetheless, the Group demonstrated agile, resilient, and innovative management, allowing it to maintain its prominent market position and attain steady growth in the various phases surrounding the pandemic, encompassing the pre-pandemic era, throughout the pandemic's course, and into the subsequent period. In the past five financial years ended 31 March 2023, the Group reported a compounded annual revenue growth of 12.0% in Hong Kong, despite the severe impact from the COVID-19 pandemic and tremendous changes in the industry landscape. In 1H2024, the Group continued with another set of stellar performance, with revenue from Hong Kong increased by 8.2% year-on-year to HK$1,296.1 million, primarily driven by the improvement in comparable restaurant revenue performance since the fourth quarter of FY2023, where a year-on-year increase of 2.9% has been recorded for 1H2024. Notable improvement was observed in commercial areas as a result of the growing number of commuters returning to their physical offices after the pandemic.

In terms of network, there were 2 net openings in Hong Kong in 1H2024, with the total number reaching 184 restaurants as of 30 September 2023, strategically located across residential and commercial areas, as well as bustling shopping districts. The well-balanced footprint allowed the Group to navigate the challenging market environment and deliver growth, while playing a pivotal role in expanding its reach to capture an increasingly diverse customer base.

To drive further growth on the enlarged revenue base and aiming at raising the relatively lower average daily number of bowls served per seat during the traditionally less busy periods, the Group strategically expanded its product offerings with the introduction of afternoon tea set "Me More Tea Set" in July 2023, which expanded its target customers to a wider base of demographics. The strategy proves to be a success, contributing to the increase in average daily revenue per restaurant during 1H2024.

Besides, the Group also extended the business hours of its restaurants, launched attractive promotions, and engaged a new aggregator, KeeTa, to grow its comparable restaurant revenue. The introduction of premium toppings, new snacks, special drinks and adjusted menu pricing also increased the average customer spending during 1H2024 slightly by 0.8% to HK$61.6, the increase of which was partially offset by the lower average spending for the afternoon tea sets as well as the impact from promotional offers aiming to stimulate revenue due to weak consumption sentiment. Thanks to the successful business strategies, enhanced operational efficiency, and effective cost control, operating profit margin of the Group's Hong Kong business improved to 20.2% during the 1H2024, compared to 19.4% in 1H2023.

Regional Analysis — Mainland China

Beyond the initial surge in consumption, the Mainland China market remained sluggish in general, with uncertain market conditions, softening economy and high unemployment rates casting doubts on daily spendings. In particular, urban unemployment rate has maintained at above 5% in 2023, with youth unemployment rate hitting record high of 21.3% in June 2023.

During 1H2024, the Group encountered a slight decline in comparable restaurant revenue in Mainland China, primarily attributable to challenging market conditions in Shenzhen, the location of the majority of the Group's comparable restaurants in Mainland China. The economic slowdown in Shenzhen adversely affected consumption sentiment, leading to reduced customer spending. Additionally, the intense competition in the region, where our competitors offered more substantial discounts to customers, further impacted our revenue performance. Recognising the need for a change in store strategy, the Group took decisive action by closing three under-performing restaurants in Shenzhen, and made a strategic shift to redirect its expansion focus to Guangzhou and other second-tier cities in the Greater Bay Area ("**GBA**"), capitalising on the lower operating costs and larger domestic populations in the pursuit of scale and improved profitability.

During 1H2024, there were 7 new openings in Mainland China, primarily located in Guangzhou, Dongguan, Zhongshan, and Zhuhai. As of 30 September 2023, the Group had 24 restaurants in Mainland China, among which, the number of the Group's restaurants in Shenzhen was reduced to 10 after closing 3 underperforming restaurants during 1H2024, with the remaining 14 restaurants located in other cities in the GBA. The new restaurants demonstrated satisfactory financial performance. This did not only contribute to a substantial increase in the Group's revenue from the Mainland China market during 1H2024, up by 58.6% as compared to 1H2023. Improved business performance also enabled the Group to narrow its operating loss in this market.

The Group remains steadfast in investing in the Mainland China market, and is expecting notable opportunities in the F&B sector as the economy recovers. During 1H2024, the Group advanced localisation efforts, introducing local food offerings, streamlining the supply chain through local sourcing, and implementing marketing campaigns on popular social media platforms like TikTok and Xiaohongshu to increase brand awareness in Mainland China.

Regional Analysis — Singapore

The F&B industry in Singapore has been hindered by the significant labour shortage, which has been magnified by the increasing number of new market entrants. As a result, the Group's business in Singapore experienced a decrease in comparable restaurant revenue performance during 1H2024, primarily attributable to the understaffed operation. The Group scaled back its expansion efforts and added only one new opening in 1H2024, bringing the total number of restaurants in Singapore to 11 as of 30 September 2023. Overall, there was to an increase of 38.8% in total revenue from the Singapore market during 1H2024 as compared to 1H2023.

The Group also focused on localising its menu and optimising its raw material supply chain in order to drive better customer acquisition and spending. Going forward, the Group will consider further openings after the existing operation ramps up, taking into account the prevailing market conditions and the ability to address the labour shortage challenges.

Regional Analysis — Japan

The Group's business in Japan saw a year-on-year revenue growth of 22.2% during 1H2024, with similar growth in comparable restaurant revenue, driven by the addition of delivery channels and enhanced operational standards and efficiencies, as well as a growing brand profile. Key operational metrics, including the average daily number of bowls per seat and average daily revenue per restaurant, also experienced significant double-digit growth.

These improvements were led by the Group's new local management team, which successfully launched various localisation projects to highlight the positioning of "Hong Kong No.1 Noodle". While the restaurant count remained at three during 1H2024, the Group collaborated with a new delivery partner, Demaecan, in June 2023. This collaboration expanded the Group's reach and generated incremental revenue, leading to an enhanced average daily number of bowls per seat within its existing network. As a result, combined with the revenue generated from Uber Eats, delivery revenue in the Japanese market accounted for approximately 16.7% of the total revenue in Japan in 1H2024. Benefitted from the increasing economies of scale and stringent control on staff and food cost, the overall operating margin in Japan recorded an uptick during 1H2024.

SUSTAINABLE DEVELOPMENT

On top of business expansion and improving performance, the Group also places a strong emphasis on sustainability to drive long-term development. The Group made significant progress in phasing out single-use plastic cutlery by implementing a new takeaway cutlery policy, where single-use cutlery is only provided upon customers' request starting in October 2023. In addition, the Group replaced plastic cutlery with eco-friendly alternatives for takeaway customers, in order to cut back on single-use plastic in its daily operation.

To go one step further on its commitment to reduce food waste, the Group expanded its efforts to cover 40% of the Group's restaurants in Hong Kong in its food waste collection and recycling initiatives. Besides, in view of the municipal solid waste charging policy, which is expected to take effect in April 2024, the Group is actively exploring cost-effective measures to mitigate other forms of solid waste. These initiatives should not only help the Group to generate savings on waste management in the long-rum, but also align with its vision of a low-carbon business.

OUTLOOK AND STRATEGIES

In the future, the Group will continue to expand its business footprint in existing and overseas markets. As for the Australian market, as disclosed in the announcement of the Company dated 1 November 2023, the Group has established a JV and entered into a JV agreement on 31 October 2023 with ST Group, an established F&B group headquartered in Australia. TJI indirectly holds a 49% stake in the JV, which is also currently under negotiations with the Group for a potential grant of master franchise rights of the TamJai SamGor Mixian (譚仔三哥米線) ("**SamGor**") brand in Australia and New Zealand. Listed on the Singapore Stock Exchange, ST Group holds exclusive franchise and license rights to nine internationally popular brands, including "IPPUDO", "Gong Cha", etc, with a total of 173 outlets across its key geographical markets.

Australia marks the Group's first foray into a western market. Comparing to setting up self-operated restaurants, the adoption of JV and franchising model would enable the Group to leverage JV partner's expertise and local market connections for market entry activities. ST Group's support in supply chain management, central kitchen and logistics support, identification of restaurant premises and locations, liaison with local governmental entities, application of all relevant licenses, and regulatory compliances, as well as people management, will be instrumental in TJI's successful entry. The adoption of JV and franchising arrangements reduces the Group's capital input, lowers risk and fosters a scalable business model for rapid expansion and market penetration. The success of this model in Australia will serve as a blueprint for the Group's future expansion into other western markets.

The franchisee model facilitates the Group's rapid expansion into new geographies, including the Philippine market as disclosed in the announcement of the Company dated 1 November 2023. In August 2023, the Group entered into a memorandum of understanding and heads of terms with a subsidiary of Suyen Corporation, a Philippine-based conglomerate, to explore a franchise partnership, enabling the opening of restaurants under the Group's brands in the Philippines, leveraging Suyen Corporation's strong local presence in the fashion, retail, and F&B industries.

In Hong Kong, the Group will pursue a multi-brand strategy to diversify its brand portfolio. On 13 November 2023, TJI Marugame Company Limited ("**TJI Marugame**"), a wholly-owned subsidiary of the Company, entered into a master franchise agreement with Toridoll Japan (a controlling shareholder of the Company). This marks the Group's inaugural entry into the franchising model in Hong Kong, potentially opening up new brands, new possibilities, and new growth drivers by leveraging its management expertise and local knowledge.

For its hero brands, Tamjai Yunnan Mixian (譚仔雲南米線) ("**TamJai**") and SamGor in Hong Kong, the two major revenue contributors, the Group will focus on introducing new product categories to expand its customer reach, enhance its customer relationship management (CRM) system and regularly implements value-for-money promotions and innovative food offerings to boost consumer demand and strengthen customers' engagement and brand stickiness. Besides, the Group will actively explore new restaurant opening possibilities, while using aggregators to extend its reach beyond traditional restaurant radius, pivoting existing network to raise brand profile and revenue leverage.

Outside of Hong Kong, the Group's restaurants in Mainland China, Singapore and Japan have entered into a second phase of growth. This phase requires a greater emphasis on localisation and branding enhancement to strengthen competitiveness, deepen market penetration and prepare for the upcoming phase of rapid expansion.

In the Mainland China market, in response to the economic slowdown, the Group plans to decelerate its expansion in the rest of the financial year ending 31 March 2024. New openings will primarily be focused on Guangzhou and second-tier cities in the GBA. The Group is taking advantage of this opportunity to enhance its competitiveness through local adaptation and the improvement of branding elements, including restaurant design and food menu. The goal is to become the preferred choice among local patrons while maintaining a lighter capital expenditure.

The Group's businesses in Singapore and Japan will be prioritising organic growth. In addition to local adaptation, the Group will concentrate on nurturing brand awareness while enhancing operational efficiency. After stabilising the management team and addressing the manpower shortage in Singapore, the Group will resume new openings in this market, further solidifying its role as a stepping stone for the Group's expansion in Southeast Asia.

Performance of restaurant operations

Non-HKFRS financial measures — Operating profit and operating profit margin

To supplement the consolidated statement of profit or loss presented in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**"), we also use operating profit and operating profit margin which are not required by, or presented in accordance with, HKFRSs. These supplemental measures will be helpful for the management, the investors and other interested parties to assess the profitability of our business operation. Although some of these financial measures are reconcilable to the line items in our consolidated statement of profit or loss as reported under HKFRSs, the use of the non-HKFRS financial measures has limitations as an analytical tool, and shareholders of the Company and potential investors should not consider them in isolation from, or as a substitute for or superior to analysis of, our results of operations or financial conditions as reported under HKFRSs. Furthermore, these financial measures may not be comparable to other similarly titled measures used by other companies.

The following table sets forth the reconciliation of the Group's operating profit and operating profit margin, which provide additional information of our restaurant-level performance and are non-HKFRS financial measures:

	Six months ended 30 September		Change in
	2023	2022	percentage
	HK$'000	*HK$'000*	*%*
Revenue	**1,387,369**	1,261,721	10.0%
Restaurant and central kitchen operating costs:			
— Cost of food and beverages consumed	**(327,793)**	(302,083)	8.5%
— Staff costs[(1)]	**(359,720)**	(327,154)	10.0%
— Depreciation of right-of-use assets, rental and related expenses[(1)]	**(255,479)**	(234,170)	9.1%
— Consumables and packaging	**(32,504)**	(41,109)	–20.9%
— Utilities expenses	**(45,181)**	(35,488)	27.3%
— Handling charges	**(45,207)**	(40,582)	11.4%
— Advertising and promotion	**(22,754)**	(25,230)	–9.8%
— Cleaning expenses	**(12,200)**	(10,839)	12.6%
— Repairs and maintenance	**(10,346)**	(8,451)	22.4%
— Other expenses[(1)]	**(19,166)**	(21,128)	–9.3%
Operating profit	**257,019**	215,487	19.3%
Operating profit margin	**18.5%**	17.1%	

Note:

(1) Represent relevant costs attributable to our restaurants and central kitchens and exclude any costs attributable to headquarters and office. For details, please refer to the paragraphs headed "Financial review — Staff costs", "Financial review — Depreciation of right-of-use assets, rental and related expenses" and "Financial review — Other expenses".

	Six months ended 30 September		
	2023	2022	Change in percentage
Operating profit/(loss) by geographical location	***HK$'000***	*HK$'000*	*%*
Hong Kong	**262,366**	232,357	12.9%
Mainland China and overseas markets	**(5,347)**	(16,870)	−68.3%
Total	**257,019**	215,487	19.3%
Operating profit margin by geographical location			
Hong Kong	**20.2%**	19.4%	
Mainland China and overseas markets	**−5.9%**	−26.6%	
Overall	**18.5%**	17.1%	

The operating profit margin of our restaurant operations increased from 17.1% in 1H2023 to 18.5% in 1H2024, mainly due to (i) the decrease in our consumables and packaging expenses as a percentage of revenue owing to the decrease in the volume of our takeaway and delivery orders; and (ii) the decrease in cost of food and beverages consumed as a percentage of revenue as a result of price adjustment and product substitution.

Restaurant network

As at 30 September 2023, we had a total number of 222 self-operated restaurants located in Hong Kong, Mainland China, Singapore and Japan. In 1H2024, we recorded revenue amounting to HK$1,387.4 million. The following table sets forth the number of restaurants by geographic location as at the dates indicated:

	Number of SamGor restaurants at 30 September		**Number of TamJai restaurants at 30 September**	
	2023	2022	**2023**	2022
Number of restaurants				
Hong Kong	**92**	90	**92**	89
Mainland China	**—**	—	**24**	17
Singapore	**11**	9	**—**	—
Japan	**3**	3	**—**	—
Total	**106**	102	**116**	106

Revenue

Our revenue increased by 10.0% from HK$1,261.7 million in 1H2023 to HK$1,387.4 million in 1H2024. The increase was mainly due to the increase in the number of restaurants in operation and the increase in comparable restaurant revenue in Hong Kong.

Revenue by geographic location

The table below sets forth the overall revenue of our restaurants by geographic location for the periods indicated:

	Six months ended 30 September		Change in percentage
	2023	2022	
	HK$'000	*HK$'000*	*%*
Hong Kong	**1,296,102**	1,198,391	8.2%
Mainland China and overseas markets	**91,267**	63,330	44.1%
Total	**1,387,369**	1,261,721	10.0%
— Dine-in	**60.3%**	51.4%	
— Takeaway and delivery[1]	**39.7%**	48.6%	

Note:

(1) Comprises takeaway orders made at the restaurants and delivery orders fulfilled through online delivery platforms.

Comparable restaurants revenue by geographic location

The table below sets forth the revenue of our comparable restaurants[1] by geographic location for the periods indicated:

	Six months ended 30 September		Change in
	2023	2022	percentage
	HK$'000	*HK$'000*	*%*
Hong Kong	**1,096,009**	1,065,177	2.9%
Mainland China and overseas markets	**38,131**	40,449	−5.7%
Total	**1,134,140**	1,105,626	2.6%

Note:

(1) Comparable restaurants are defined as restaurants in full operation throughout the periods under comparison, which exclude restaurants that are newly-opened, closed or renovated for a period over 30 days during the periods concerned. Comparable restaurants of Mainland China and overseas markets located in Mainland China, Singapore and Japan.

Key performance indicators of our restaurants

The table below sets forth the overall key performance indicators of our restaurants by geographic location for the periods indicated:

	Six months ended 30 September	
	2023	2022
Average spending per customer (HK$)(1)		
Hong Kong	**61.6**	61.1
Mainland China	**41.5**	49.1
Singapore	**88.8**	82.7
Japan	**65.7**	64.1
Overall	**61.3**	61.2
Average daily number of bowls served per seat(2)		
Hong Kong	**6.1**	6.0
Mainland China	**3.3**	3.1
Singapore	**3.1**	4.4
Japan	**5.5**	5.2
Overall	**5.8**	5.9
Average daily revenue per restaurant (HK$)(3)		
Hong Kong	**39,137**	38,581
Mainland China	**10,017**	11,540
Singapore	**19,970**	25,511
Japan	**22,020**	20,265
Overall	**35,015**	36,213

Notes:

(1) Calculated by dividing the revenue generated from our restaurants by the total number of customers served. We use the number of bowls of mixian sold as a proxy for the number of customers served.

(2) Calculated by dividing the total number of bowls served (including dine-in, takeaway and delivery orders) by the total seating capacity calculated with reference to the number of seats in the respective floor area of our restaurants by total operation days divided by the total number of restaurants.

(3) Calculated by dividing the revenue generated from our restaurants by the total restaurant operation days.

FINANCIAL REVIEW

Revenue

Our revenue increased by 10.0% from HK$1,261.7 million in 1H2023 to HK$1,387.4 million in 1H2024. The increase was mainly due to the rise in the number of restaurants in operation and the increase in comparable restaurant revenue in Hong Kong.

Cost of food and beverages consumed

Our cost of food and beverages consumed increased by 8.5% from HK$302.1 million in 1H2023 to HK$327.8 million in 1H2024, which was mainly due to the expansion of our restaurant operation. Our cost of food and beverages consumed as a percentage of revenue was 23.9% and 23.6% in 1H2023 and 1H2024, respectively.

Other net income

Our other net income in 1H2024 mainly represented the interest income from bank deposits. There was a significant decrease from HK$50.6 million in 1H2023 to HK$0.2 million in 1H2024, which was primarily attributable to the absence of government subsidies in 1H2024. These subsidies were provided to the Group to alleviate the impact caused by COVID-19 in 1H2023.

Staff costs

Our overall staff costs (including restaurant, central kitchen and headquarters and office staff) increased by 7.8% from HK$405.2 million in 1H2023 to HK$436.9 million in 1H2024, which was primarily due to the increase in restaurant headcount due to the expansion of restaurant network. Our staff costs as a percentage of revenue were 32.1% and 31.5% in 1H2023 and 1H2024, respectively.

The following table sets forth a breakdown of our staff costs by function for the periods indicated:

	Six months ended 30 September			
	2023		2022	
	HK$'000	%	*HK$'000*	%
Restaurant staff	**345,333**	79.0%	314,665	77.6%
Central kitchen staff	**14,387**	3.3%	12,489	3.1%
Headquarters and office staff	**77,184**	17.7%	78,092	19.3%
Total	**436,904**	100%	405,246	100%

Depreciation of property, plant and equipment

Our depreciation of property, plant and equipment remained comparable in 1H2023 and 1H2024 at HK$59.7 million and HK$60.2 million, respectively.

Depreciation of right-of-use assets, rental and related expenses

Our depreciation of right-of-use assets, rental and related expenses increased by 9.0% from HK$241.7 million in 1H2023 to HK$263.6 million in 1H2024, mainly attributable to the increase in the number of our restaurants and expansion of headquarters and office.

The following table sets forth a breakdown of our depreciation of right-of-use assets, rental and related expenses for the periods indicated:

	Six months ended 30 September			
	2023		2022	
	HK$'000	*%*	*HK$'000*	*%*
Depreciation of right-of-use assets, rental and related expenses attributable to:				
— Restaurants	**248,412**	**94.3%**	227,860	94.3%
— Central kitchen	**7,067**	**2.7%**	6,310	2.6%
— Headquarters and office	**8,073**	**3.0%**	7,577	3.1%
Total	**263,552**	**100%**	241,747	100%

Consumables and packaging

Our consumables and packaging decreased by 20.9% from HK$41.1 million in 1H2023 to HK$32.5 million in 1H2024, mainly attributable to the decrease in the volume of our takeaway and delivery orders. Our consumables and packaging as a percentage of revenue was 3.3% and 2.3% in 1H2023 and 1H2024, respectively.

Utilities expenses

Our utilities expenses increased by 27.3% from HK$35.5 million in 1H2023 to HK$45.2 million in 1H2024, mainly attributable to the increase in the number of our restaurants. Our utilities expenses as a percentage of revenue was 2.8% and 3.3% in 1H2023 and 1H2024, respectively.

Advertising and promotion

Our advertising and promotion expenses decreased by 9.8% from HK$25.2 million in 1H2023 to HK$22.8 million in 1H2024. Our advertising and promotion expenses as a percentage of revenue was 2.0% and 1.6% in 1H2023 and 1H2024, respectively.

Other expenses

Our other expenses increased by 21.1% from HK$31.9 million in 1H2023 to HK$38.6 million in 1H2024, mainly attributable to the headquarters and office expansion.

The following table sets forth a breakdown of our other expenses by function for the periods indicated:

	Six months ended 30 September			
	2023		2022	
	HK$'000	*%*	*HK$'000*	*%*
Other expenses attributable to:				
— Restaurants[1]	**9,459**	**24.5%**	13,176	41.3%
— Central kitchen[2]	**9,707**	**25.1%**	7,952	24.9%
— Headquarters and office[3]	**19,467**	**50.4%**	10,785	33.8%
Total	**38,633**	**100%**	31,913	100%

Notes:

(1) Mainly consisted of insurance expenses and point-of-sale system maintenance costs.

(2) Mainly consisted of logistics expenses.

(3) Mainly consisted of service fees provided by Toridoll Holding Limited and Toridoll Japan, professional fees and other miscellaneous expenses.

Finance costs

Our finance costs increased by 22.2% from HK$9.0 million in 1H2023 to HK$11.0 million in 1H2024, which was the effect of the increase in interest on lease liabilities recognised in accordance with HKFRS 16 associated with our leases as a result of the expansion of our restaurant network during 1H2024.

Income tax expense

Our income tax increased from HK$18.6 million in 1H2023 to HK$20.0 million in 1H2024, which was attributable to the increase in the assessable profits in 1H2024.

Right-of-use assets

Our right-of-use assets increased from HK$768.6 million as at 31 March 2023 to HK$858.3 million as at 30 September 2023 as we entered into more tenancy agreements for our restaurants and offices.

Inventories

Our inventories mainly consist of our food ingredients and beverages consumed in our restaurant operations, including meat, meat balls, offal, vegetables and mixian. Our inventories remained stable from HK$23.2 million as at 31 March 2023 to HK$23.7 million as at 30 September 2023. Our inventory turnover days increased from 11.5 days for the year ended 31 March 2023 to 13.1 days in 1H2024.

Trade and other receivables and deposits and prepayments

Our trade and other receivables and deposits and prepayments mainly included (i) trade balances with our customers with smart card settlement; (ii) cash-in-transit pending to be deposited into our bank accounts held by a secured logistics service provider; (iii) rental deposits to our landlords and utilities deposits; and (iv) prepayments for purchases of fixed assets and insurance. Our trade and other receivables and deposits and prepayments remained stable at HK$215.1 million as at 31 March 2023 and HK$213.8 million as at 30 September 2023.

Trade and other payables and accruals and deposits received

Our trade and other payables and accruals and deposits received mainly included (i) trade payables for the purchase of food ingredients and beverages for restaurant operations; (ii) accrued operating costs of our restaurants, offices and central kitchens; (iii) contract liabilities arising from the loyalty programme and coupons distributed; and (iv) deposits received from the logistics service provider. Our trade and other payables and accruals and deposits received decreased from HK$238.4 million as at 31 March 2023 to HK$206.2 million as at 30 September 2023.

Lease liabilities

Our lease liabilities increased from HK$787.8 million as at 31 March 2023 to HK$881.6 million as at 30 September 2023, which was mainly due to new tenancy agreements for restaurants entered into by us during 1H2024.

Liquidity and financial resources

We principally fund our working capital from internally generated cash flows. As at 30 September 2023, our cash and cash equivalents (representing the cash and bank balances) were HK$1,339.0 million (31 March 2023: HK$1,375.7 million). The majority of the bank deposits and cash were denominated in Hong Kong dollars.

As at 30 September 2023, we did not have any interest-bearing bank and other borrowings (31 March 2023: Nil). Accordingly, the gearing ratio is not provided.

Pledge of assets

As at 30 September 2023, we had no pledge of assets (31 March 2023: Nil).

Foreign currency exposures

The Group's revenue and costs are mostly denominated in Hong Kong dollars, Renminbi, Singapore dollars and Japanese Yen. The fluctuations of Renminbi, Singapore dollars and Japanese Yen against Hong Kong dollars may affect the Group's results. The Group does not have any currency hedging policy and has not entered into any hedging or other instrument to reduce currency risks. The Group will continue to closely monitor the foreign currency exposure and take appropriate measures to mitigate the risk when necessary.

Capital commitments

As at 30 September 2023, we had capital commitments of HK$3.6 million (31 March 2023: HK$2.3 million).

Contingent liabilities

As at 30 September 2023, we did not have any significant contingent liabilities.

Significant investments held by the Group

There were no significant investments held by us as at 30 September 2023.

Material acquisitions and disposals by the Group

There were no material acquisitions and disposals of subsidiaries, associates and joint ventures in 1H2024.

Future plans for material investments

We will continue to focus on our business strategies as set out in the prospectus of the Company dated 23 September 2021 (the "**Prospectus**"). As at the date of this announcement, save as disclosed in the Prospectus, we have no plan for any other material investments or capital assets.

Employees, remuneration policy and pension scheme

As at 30 September 2023, we had 3,406 employees. The remuneration package of our employees (including full-time and part-time employees) generally includes basic salary, discretionary bonus and incentives, and equity settled share-based payments (eligible employees only). The basic salary is generally based on the particular employee's work experience, academic and professional qualifications (if relevant) and the prevailing market salary levels. The discretionary bonus and incentives are generally based on, among other things, the financial performance of the restaurant(s) which the particular employee is responsible for (or the financial performance at group-level if he/she assumes a group-level position), the mystery shopper scores of the restaurant(s) which he/she is responsible for and his/her work performance (e.g. punctuality). The equity settled share-based payments are to motivate and retain eligible employees to optimise their performance efficiency for the benefit of the long term growth of the Group.

We also provided frontline restaurant staff with training in various aspects, such as operational procedures, customer services, cleaning and sanitation, food safety and work safety. Our operations management teams will monitor and supervise our new staff in terms of quality of food and services, hygiene and manpower planning. We also provided our managerial staff with various types of on-the-job training in relation to, among other things, cost control, complaints handling, human resources, environmental, social and governance and legal issues.

Net proceeds from the listing and over-allotment option

The Shares were listed on the Stock Exchange on 7 October 2021 following the completion of issue of 335,008,000 new Shares at an offer price of HK$3.33 per Share. The net proceeds from the Global Offering (as defined in the Prospectus), after deducting the underwriting fees, commissions and other related expenses payable by the Company, amounted to approximately HK$1,051.0 million (the "**Net Proceeds**").

The Company intends to use the Net Proceeds for the purposes as set out in the Prospectus. As at 30 September 2023, an analysis of the utilisation of the Net Proceeds is as follows:

Proposed use of Net Proceeds as set out in the Prospectus	Approximate% of Net Proceeds	Net Proceeds *(HK$ million)*	Unutilised Net Proceeds as at 1 April 2023 *(HK$ million)*	Utilised Net Proceeds during the period ended 30 September 2023 *(HK$ million)*	Unutilised Net Proceeds as at 30 September 2023 *(HK$ million)*	Expected timeline of full utilisation
Expansion of the restaurant network *(Note)*	57.4%	603.3	388.0	21.7	366.3	Before 31 March 2024
Expanding the central kitchen in Hong Kong and establishing new central kitchens in Mainland China, Singapore and Australia	9.4%	98.8	93.3	0.2	93.1	Before 31 March 2024
Refurbishment of the restaurants and enhancing the operating equipment	10.5%	110.4	76.7	11.6	65.1	Before 31 March 2024
Implementing a customer relationship management system, a voice ordering system, an enterprise resources planning system and upgrading the information and technology infrastructure	5.1%	53.6	41.4	1.7	39.7	Before 31 March 2024
International brand building and new market entry promotion	7.8%	82.0	34.1	8.5	25.6	Before 31 March 2024
General corporate purposes and working capital	9.8%	102.9	—	—	—	N/A
Total	100%	1,051.0	633.5	43.7	589.8	

Note: The use of Net Proceeds under this category has been changed from expansion of the restaurant network comprising self-operated restaurants only to include the opening of restaurants in selected overseas markets through joint venture and/or franchising arrangements. For details, please refer to the announcement of the Company dated 1 November 2023.

The expected timeline for the usage of the unutilised Net Proceeds is made based on the Directors' best estimation, which is subject to the current and future development of the Group and market conditions.

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
for the six months ended 30 September 2023
(Expressed in Hong Kong dollars)

	Notes	**Six months ended 30 September 2023** **$'000**	2022 *$'000*
Revenue	3	**1,387,369**	1,261,721
Cost of food and beverages consumed		**(327,793)**	(302,083)
Other net income	4	**20,551**	51,039
Staff costs		**(436,904)**	(405,246)
Depreciation of property, plant and equipment		**(60,217)**	(59,651)
Depreciation of right-of-use assets, rental and related expenses		**(263,552)**	(241,747)
Consumables and packaging		**(32,504)**	(41,109)
Utilities expenses		**(45,181)**	(35,488)
Handling charges		**(45,207)**	(40,582)
Advertising and promotion		**(22,754)**	(25,230)
Cleaning expenses		**(12,200)**	(10,839)
Repairs and maintenance		**(10,346)**	(8,451)
Other expenses		**(38,633)**	(31,913)
Finance costs	5(a)	**(11,007)**	(9,008)
Profit before taxation	5	**101,622**	101,413
Income tax expense	6	**(19,993)**	(18,638)
Profit for the period		**81,629**	82,775
Earnings per share (cents)	8		
— Basic		**6.1**	6.2
— Diluted		**6.1**	6.2

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six months ended 30 September 2023
(Expressed in Hong Kong dollars)

	Six months ended 30 September	
	2023	2022
	$'000	*$'000*
Profit for the period	**81,629**	82,775
Other comprehensive income for the period		
Item that may be reclassified subsequently to profit or loss:		
— Exchange differences on translation of financial statements of subsidiaries outside Hong Kong (with nil tax effect)	**(3,205)**	(9,417)
Total comprehensive income attributable to equity shareholders of the Company for the period	**78,424**	73,358

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 September 2023
(Expressed in Hong Kong dollars)

	Notes	**At 30 September 2023** **_$'000_**	At 31 March 2023 *$'000*
Non-current assets			
Property, plant and equipment		**217,233**	243,665
Right-of-use assets		**858,322**	768,627
Deposits and prepayments		**122,269**	123,648
Deferred tax assets		**27,707**	25,140
		1,225,531	1,161,080
Current assets			
Inventories		**23,746**	23,176
Trade and other receivables	9	**30,522**	27,880
Deposits and prepayments		**61,036**	63,532
Current tax recoverable		**15,564**	23,689
Cash and bank balances		**1,339,032**	1,375,650
		1,469,900	1,513,927
Current liabilities			
Trade and other payables and accruals	10	**205,952**	238,238
Deposits received		**200**	200
Lease liabilities		**388,170**	351,590
Current tax payable		**29,838**	13,867
Provisions		**25,984**	26,639
		650,144	630,534
Net current assets		**819,756**	883,393
Total assets less current liabilities		**2,045,287**	2,044,473

	Notes	At 30 September 2023 $'000	At 31 March 2023 $'000
Non-current liabilities			
Lease liabilities		**493,472**	436,212
Provisions		**50,792**	45,832
Long service payment obligation		**16,197**	15,493
Deferred tax liabilities		**3,291**	5,088
		563,752	502,625
Net Assets		**1,481,535**	1,541,848
Capital and reserves			
Share capital	11	**1,116,399**	1,116,189
Reserves		**365,136**	425,659
Total equity attributable to equity shareholders of the Company		**1,481,535**	1,541,848

NOTES TO THE UNAUDITED INTERIM FINANCIAL RESULTS

1 BASIS OF PREPARATION

These interim financial results have been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard ("**HKAS**") 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). It was authorised for issue on 13 November 2023.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2022/23 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2023/24 annual financial statements. Details of any changes in accounting policies are set out in note 2.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2022/23 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with HKFRSs.

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA. In addition, the interim financial results have been reviewed by the Company's Audit Committee.

The financial information relating to the financial year ended 31 March 2023 that is included in the interim financial report as comparative information does not constitute the Company's statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Further information relating to these statutory financial statements disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 31 March 2023 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

The Company's auditor has reported on those financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under section 406(2), 407(2) or (3) of the Companies Ordinance.

2 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued the following amendments to HKFRSs that are first effective for the current accounting period of the Group:

— HKFRS 17, *Insurance contracts*

— Amendments to HKAS 8, *Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates*

— Amendments to HKAS 1, *Presentation of financial statements and HKFRS Practice Statement 2, Making materiality judgements: Disclosure of accounting policies*

— Amendments to HKAS 12, *Income taxes: Deferred tax related to assets and liabilities arising from a single transaction*

— Amendments to HKAS 12, *Income taxes: International tax reform — Pillar Two model rules*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the amended HKFRSs are discussed below:

HKFRS 17, *Insurance contracts*

HKFRS 17, which replaces HKFRS 4, sets out the recognition, measurement, presentation and disclosure requirements applicable to issuers of insurance contracts. The standard does not have a material impact on these financial statements as the Group does not have contracts within the scope of HKFRS 17.

Amendments to HKAS 8, *Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates*

The amendments provide further guidance on the distinction between changes in accounting policies and changes in accounting estimates. The amendments do not have a material impact on these financial statements as the Group's approach in distinguishing changes in accounting policies and changes in accounting estimates is consistent with the amendments.

Amendments to HKAS 1, *Presentation of financial statements and HKFRS Practice Statement 2, Making materiality judgements: Disclosure of accounting policies*

The amendments require entities to disclose material accounting policy information and provide guidance on applying the concept of materiality to accounting policy disclosure. The Group has revisited the accounting policy information it has been disclosing and considered it is consistent with the amendments.

Amendments to HKAS 12, *Income taxes: Deferred tax related to assets and liabilities arising from a single transaction*

The amendments narrow the scope of the initial recognition exemption such that it does not apply to transactions that give rise to equal and offsetting temporary differences on initial recognition such as leases and decommissioning liabilities. For leases and decommissioning liabilities, the associated deferred tax assets and liabilities are required to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. For all other transactions, the amendments are applied to those transactions that occur after the beginning of the earliest period presented.

Prior to the amendments, the Group did not apply the initial recognition exemption to lease transactions and had recognised the related deferred tax, except that the Group previously determined the temporary difference arising from a right-of-use asset and the related lease liability on a net basis on the basis they arise from a single transaction. Following the amendments, the Group has determined the temporary differences in relation to right-of-use assets and lease liabilities separately. The change primarily impacts disclosures of components of deferred tax assets and liabilities in the annual financial statements, but does not impact the overall deferred tax balances presented in the consolidated statement of financial position as the related deferred tax balances qualify for offsetting under HKAS 12.

Amendments to HKAS 12, *Income taxes: International tax reform — Pillar Two model rules*

The amendments introduce a temporary mandatory exception from deferred tax accounting for the income tax arising from tax laws enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development ("**OECD**") (income tax arising from such tax laws is hereafter referred to as "**Pillar Two income taxes**"), including tax laws that implement qualified domestic minimum top-up taxes described in those rules. The amendments also introduce disclosure requirements about such tax including the estimated tax exposure to Pillar Two income taxes. The amendments are immediately effective upon issuance and require retrospective application.

3 REVENUE AND SEGMENT REPORTING

(a) Revenue

The principal activities of the Group are the operation of restaurants. The restaurants trade in the name of "TamJai" and "SamGor".

The Group manages its business as a single unit and, accordingly, the operation of restaurants is the only reporting segment and virtually all of the revenue and operating profits are derived from this business segment. The financial statements are already presented in a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment. Accordingly, no separate business segment information is disclosed.

Revenue represents the sales value of food and beverages and excludes value added tax or other sales taxes and is after deduction of any trade discounts.

(b) Geographic information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's property, plant and equipment and right-of-use assets ("**specified non-current assets**"). The geographical location of customers is based on the location at which the services were provided or the goods delivered. The geographical location of the specified non-current assets is based on the physical location of the asset, in the case of property, plant and equipment and right-of-use assets.

	Revenue from external customers		**Specified non-current assets**	
	Six months ended 30 September		**At 30 September**	At 31 March
	2023	2022	**2023**	2023
	$'000	$'000	***$'000***	$'000
Hong Kong (place of domicile)	**1,296,102**	1,198,391	**928,750**	845,588
Mainland China and overseas markets	**91,267**	63,330	**146,805**	166,704
	1,387,369	1,261,721	**1,075,555**	1,012,292

4 OTHER NET INCOME

	Six months ended 30 September	
	2023	2022
	$'000	*$'000*
Bank interest income	**19,403**	3,516
Government subsidies *(Note)*	**181**	50,589
Management fee income	**1,396**	955
COVID-19-related rent concessions	**—**	210
Loss on disposal/write-off of property, plant and equipment and right-of-use assets, net	**(890)**	(345)
Exchange loss, net	**(1,791)**	(6,110)
Others	**2,252**	2,224
	20,551	51,039

Note: During the six months ended 30 September 2023, these mainly represented government subsidies to the Group for the employee benefit. During the six months ended 30 September 2022, these mainly represented subsidies provided by governments of the Hong Kong Special Administrative Region ("**HKSAR**") and Singapore to the Group for the purpose of easing the impact caused by COVID-19. There were no unfulfilled conditions attaching to these government subsidies.

5 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

	Six months ended 30 September 2023 $'000	2022 $'000
(a) Finance costs		
Interest on lease liabilities	**11,007**	9,008
(b) Other items		
Cost of inventories	**327,793**	302,083
Depreciation		
— property, plant and equipment	**60,217**	59,651
— right-of-use assets	**215,562**	204,513
Variable lease payments, net of COVID-19-related rent concessions, not included in the measurement of lease liabilities		
— variable lease payments	**4,129**	3,351
— COVID-19-related rent concessions	**—**	(2,234)
Impairment loss on property, plant and equipment and right-of-use assets	**3,325**	1,757

6 INCOME TAX EXPENSE

	Six months ended 30 September 2023 $'000	2022 $'000
Current tax — Hong Kong Profits Tax		
Provision for the period	**24,488**	20,549
Deferred tax		
Origination and reversal of temporary differences	**(4,495)**	(1,911)
	19,993	18,638

The provision for Hong Kong Profits Tax for the six months ended 30 September 2023 is calculated at 16.5% (six months ended 30 September 2022: 16.5%) of the estimated assessable profits, except for one qualifying entity (the "**Qualifying Entity**") of the Group that is under the two-tiered Profits Tax rate regime.

For the Qualifying Entity, the first $2 million of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. The provision for Hong Kong Profits Tax for this entity was calculated at the same basis in 2022. The profits of group entities not qualifying for the two-tiered Profits Tax rate regime will continue to be taxed at a flat rate of 16.5%.

Taxation for subsidiaries outside Hong Kong is charged at the appropriate current rates of taxation ruling in the relevant jurisdictions. No provision for tax outside Hong Kong has been made as the Group did not have any assessable profits generated by these subsidiaries for the six months ended 30 September 2023 and 2022.

7 DIVIDENDS

(i) Dividend declared and payable to equity shareholders of the Company after the interim period:

	Six months ended 30 September	
	2023	2022
	$'000	*$'000*
Interim dividend declared and payable after the interim period of 3.0 cents per share (2022: Nil cents per share)	**40,167**	—

The interim dividend has not been recognised as a liability at the end of the reporting period.

(ii) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the interim period:

	Six months ended 30 September	
	2023	2022
	$'000	*$'000*
Final dividend in respect of the previous financial year of 10.5 cents per share (2022: 11.4 cents per share)	**140,584**	152,417

In respect of the final dividend for the year ended 31 March 2023, there were a difference of $27,000 between the final dividend disclosed in the FY2023 annual financial statements and amount approved and paid during the interim period which represented dividends attributable to new shares issued upon the exercise of share options, before the closing date of the Register of Members.

8 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share based on the profit attributable to ordinary equity shareholders of the Company of $81,629,000 (six months ended 30 September 2022: $82,775,000) and the weighted average of 1,338,819,000 ordinary shares (2022: 1,336,966,000 ordinary shares) in issue during the interim period, is as follows:

Weighted average number of ordinary shares

	Six months ended 30 September	
	2023	2022
	'000	*'000*
Issued ordinary shares at the beginning of the period	**1,338,638**	1,336,955
Effect of share options exercised	**181**	11
Weighted average number of ordinary shares at the end of the period	**1,338,819**	1,336,966

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of $81,629,000 (six months ended 30 September 2022: $82,775,000) and the weighted average number of ordinary shares of 1,341,253,000 shares (2022: 1,341,691,000 shares), calculated as follows:

Weighted average number of ordinary shares (diluted)

	Six months ended 30 September	
	2023	2022
	'000	*'000*
Weighted average number of ordinary shares at the end of the period used in calculating basic earnings per share	**1,338,819**	1,336,966
Effect of deemed issue of ordinary shares under the Company's share award scheme	**1,772**	3,378
Effect of outstanding share options	**662**	1,347
Weighted average number of ordinary shares (diluted) at the end of the period	**1,341,253**	1,341,691

9 TRADE AND OTHER RECEIVABLES

As of the end of the reporting period, the ageing analysis of trade receivables, based on the invoice date and net of loss allowance, is as follows:

	At 30 September 2023 $'000	At 31 March 2023 $'000
Less than 30 days	**19,875**	17,776
31 to 60 days	**371**	21
61 to 90 days	**5**	25
Trade receivables, net of loss allowance	**20,251**	17,822
Other receivables	**10,271**	10,058
Trade and other receivables	**30,522**	27,880

The Group's trading terms with its customers are mainly on cash and smart card settlement, except for well-established corporate debtors for which the credit term is generally 30 days.

10 TRADE AND OTHER PAYABLES AND ACCRUALS

As of the end of the reporting period, the ageing analysis of trade payables, based on the invoice date, is as follows:

	At 30 September 2023 $'000	At 31 March 2023 $'000
Less than 30 days	**55,566**	56,422
31 to 60 days	**196**	13
61 to 90 days	**—**	5
Trade payables	**55,762**	56,440
Other payables and accruals	**146,012**	179,554
Contract liabilities	**4,178**	2,244
Trade and other payables and accruals	**205,952**	238,238

All of the trade and other payables and accruals are expected to be settled or recognised as income within one year or are repayable on demand.

11 SHARE CAPITAL

	Number of shares	Amount $'000$
Ordinary shares, issued and fully paid:		
At 1 April 2022	1,340,484,740	1,115,972
Shares issued under share option schemes *(Note i)*	255,630	217
At 31 March 2023 and 1 April 2023	**1,340,740,370**	**1,116,189**
Shares issued under share option schemes *(Note i)*	**246,920**	**210**
At 30 September 2023	**1,340,987,290**	**1,116,399**

Notes:

(i) During the six months ended 30 September 2023, share options were exercised to subscribe 246,920 ordinary shares (year ended 31 March 2023: 255,630) of the Company at a consideration of $210,000 (year ended 31 March 2023: $217,000) credited to share capital under the Company's share option schemes.

Corporate governance

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the shareholders of the Company and to enhance corporate value and accountability. During 1H2024, the Company has applied the principles of good corporate governance and complied with the code provisions as set out in Part 2 of the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), save for the deviations for reasons set out below. The Company will continue to review and monitor its corporate governance practices with reference to the applicable requirements under the CG Code.

According to code provision C.2.1 of Part 2 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Lau Tat Man ("**Mr. Lau**") is currently the chairman of the Board and chief executive officer of the Company. In view of the fact that Mr. Lau has been assuming the responsibilities in the overall management and supervision of the daily operations of the Group since October 2018, the Board believes that it is in the best interest of the Group to have Mr. Lau taking up both roles for effective management and operations. Therefore, the Directors consider that the deviation from such code provision is appropriate. Notwithstanding such deviation, the Directors are of the view that the Board is able to work efficiently and perform its responsibilities with all key and appropriate issues discussed in a timely manner.

Compliance with the Model Code for Directors' securities transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as the standard for securities transactions by the Directors during 1H2024. The Company has made specific enquiries with each Director, and all Directors have confirmed that they have complied with the Model Code during 1H2024.

Purchase, sale or redemption of the Company's listed securities

During 1H2024, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

Events after the reporting period

Subsequent to 30 September 2023 and up to the date of this announcement, the Group had no significant events occurred which have a material impact on the performance and the value of the Group.

Audit committee

The audit committee of the Company (the "**Audit Committee**") currently comprises three independent non-executive Directors, namely Mr. Lee Kwok Ming, Mr. Loo Kwok Wing and Mr. Yeung Yiu Keung. Mr. Lee Kwok Ming is the chairman of the Audit Committee, who possesses appropriate professional qualifications as required under Rule 3.10(2) of the Listing Rules. The Audit Committee has reviewed the unaudited interim results of the Company for 1H2024, the accounting principles and practices adopted by the Company as well as internal control and financial reporting matters.

Interim dividend

The Board has resolved to declare an interim dividend of HK3.0 cents per Share for 1H2024 (1H2023: Nil) (the "**Interim Dividend**"), representing a total payout of approximately HK$40.2 million (1H2023: Nil), payable on Friday, 15 December 2023, to shareholders whose names appear on register of members of the Company at the close of business on Friday, 1 December 2023, being the record date for determining shareholders' entitlement to the Interim Dividend.

Closure of register of members

The register of members of the Company will be closed from Wednesday, 29 November 2023 to Friday, 1 December 2023 (both days inclusive), during which period no transfer of Shares will be effected. In order to qualify for the Interim Dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong no later than 4:30 p.m. on Tuesday, 28 November 2023.

Publication of interim results announcement and interim report

This interim results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.tamjai-intl.com) respectively. The interim report of the Company for 1H2024 will be despatched to shareholders of the Company and available on the same websites in due course.

By order of the Board
Tam Jai International Co. Limited
Lau Tat Man
Chairman of the Board and Chief Executive Officer

Hong Kong, 13 November 2023

As at the date of this announcement, the executive Directors are Mr. Lau Tat Man, Ms. Chan Ping, Rita and Mr. Yeung Siu Cheong, the non-executive Directors are Mr. Sugiyama Takashi, Mr. Tomitani Takeshi and Mr. Someya Norifumi, and the independent non-executive Directors are Mr. Lee Kwok Ming, Mr. Loo Kwok Wing and Mr. Yeung Yiu Keung.