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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)

INTERIM RESULTS ANNOUNCEMENT

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2023

HIGHLIGHTS

- ◆ **The Group's revenue for the first half of FY2023/24 increased by 10.8% to HK\$4,318.6 million, and profit attributable to shareholders increased by 84.4% to HK\$200.6 million. If excluding the government COVID-19 subsidies received last year, the Group's profit attributable to shareholders for the period under review was about three times that of the same period last year.**
- ◆ **Our business in Hong Kong picked up significantly, driven by robust planning on product design and menu offerings, successful brand building campaign and marketing promotion. The Quick Service Restaurant business has achieved substantial improvement in margins through significant efforts in operating cost control, manpower productivity enhancement, supply chain efficiency and strategic sourcing, as well as digitalisation and automation.**
- ◆ **Our Mainland China business recorded encouraging results, especially during the second quarter. Although economic situation in Mainland China is not without challenges, the business has recovered with strong same store sales growth because of our focus on the vast mass-market consumer segment and continuous effort in network expansion in the Greater Bay Area.**
- ◆ **An interim dividend of HK15 cents per share is declared for the six months ended 30 September 2023 (2022: HK10 cents).**

** For identification purposes only*

MANAGEMENT DISCUSSION AND ANALYSIS

INTRODUCTION AND HIGHLIGHTS

The Group's revenue for the six months ended 30 September 2023 increased by 10.8% to HK\$4,318.6 million (2022: HK\$3,898.2 million). Profit attributable to shareholders increased by 84.4% to HK\$200.6 million (2022: HK\$108.7 million). The Group did not receive any government COVID-19 subsidies during the six months ended 30 September 2023 (2022: HK\$40.9 million). If excluding the pandemic subsidies, the Group's profit attributable to shareholders was approximately three times that of the same period last year.

Performance during the six months ended 30 September 2022 was impacted by the 5th wave of the COVID-19 pandemic. However, market conditions had begun to recover by the period under review, and the Group's business performance notably improved.

Our business in Hong Kong picked up significantly, driven by robust planning focused on product design and promotional offerings including hero products, innovative dishes tapping into new product segments, limited time offers and year-round value meals, coupled with successful brand building campaign and marketing promotion. The Quick Service Restaurant business has achieved substantial improvement in margins through significant efforts in operating cost control, manpower productivity enhancement, supply chain efficiency and strategic sourcing, as well as digitalisation and automation.

Our Mainland China business recorded encouraging results, especially during the second quarter. Although economic situation in Mainland China is not without challenges, the business has recovered with strong same store sales growth because of our focus on the vast mass-market consumer segment and continuous effort in network expansion in the Greater Bay Area.

Although the overall performance of the Group has not completely returned to pre-pandemic levels amidst the slower-than-expected pace of economy recovery, we are confident that our multi-brand platform offers a wide range of dining options catering to different customer segments, providing a solid foundation for sustainable business growth.

Committed to giving back to society, the Group continued its "Bon Appetit Café" food assistance programme, reaching 4,000 beneficiaries in 2023 with an emphasis on supporting carers. The programme provided total subsidies of HK\$12 million, offering each beneficiary a Bon Appetit card redeemable for HK\$3,000 worth of free meals at Café de Coral stores. Through these efforts, the Group hopes to raise public awareness towards the mental and physical wellbeing of carers in Hong Kong.

RESULTS OVERVIEW

Revenue

For the six months ended 30 September 2023, the Group recorded revenue of HK\$4,318.6 million, a 10.8% increase as compared to HK\$3,898.2 million in 2022. Revenue by business division is set out below:

	Six months ended 30 September		
	2023 HK\$'m	2022 HK\$'m	Change %
Hong Kong			
Quick Service Restaurants	2,565.4	2,348.0	9.3
Casual Dining	449.1	414.0	8.5
Institutional Catering	457.6	378.3	21.0
Others*	71.7	73.7	(2.6)
Subtotal	3,543.8	3,214.0	10.3
Mainland China	774.8	684.2	13.2
Group	4,318.6	3,898.2	10.8

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

Gross Profit Margin

Gross profit margin increased to 12.1% for the six months ended 30 September 2023 (2022: 8.8%), primarily due to significant efforts in operating cost control, manpower productivity enhancement and supply chain efficiency.

Administrative Expenses

Administrative expenses increased by 13.6% to HK\$257.7 million during the six months ended 30 September 2023 (2022: HK\$226.9 million).

Key Costs

The breakdown of major expenses is set out below:

	Six months ended 30 September			
	2023		2022	
	HK\$'m	% of revenue	HK\$'m	% of revenue
Cost of raw materials and packing	1,202.3	27.8	1,128.5	28.9
Staff cost	1,422.8	32.9	1,292.6	33.2
Rental costs*	464.3	10.8	446.8	11.5

* 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\$38.1 million, mainly because the Group did not receive any COVID-19 subsidies from the government during the period (2022: HK\$40.9 million).

Income Tax Expense

Income tax expense increased by 116.1% to HK\$34.4 million (2022: HK\$15.9 million).

Profit Attributable to Equity Holders

The Group's profit attributable to equity holders increased 84.4% to HK\$200.6 million for the six months ended 30 September 2023 (2022: HK\$108.7 million), primarily because of substantial improvement of profit margin through operating cost control and manpower productivity improvement. Excluding the government COVID-19 subsidies, the Group's profit attributable to equity holders increased by 195.7%.

	Six months ended 30 September		
	2023 HK\$'m	2022 HK\$'m	Change %
Profit attributable to equity holders	200.6	108.7	84.4
If excluding:			
COVID-19 subsidies	-	(40.9)	
Adjusted net profit	200.6	67.8	195.7

Segment Results

Hong Kong segment results increased 26.9% to HK\$324.6 million for the six months ended 30 September 2023 (2022: HK\$255.8 million) and Mainland China results increased 28.0% to HK\$98.6 million during the same period (2022: HK\$77.0 million).

Basic Earnings Per Share

The Group's basic earnings per share increased 84.0% to HK34.6 cents for the six months ended 30 September 2023 (2022: HK18.8 cents).

Interim Dividend

The Board has declared the payment of an interim dividend of HK15 cents per share to shareholders for the six months ended 30 September 2023 (2022: HK10 cents).

BUSINESS REVIEW

As of 30 September 2023, the Group had a network of 383 stores in Hong Kong (31 March 2023: 376) and 160 stores in Mainland China (31 March 2023: 153).

Hong Kong Retail Operations

Quick Service Restaurants (QSR)

Revenue from the QSR division increased by 9.3% to HK\$2,565.4 million during the six months ended 30 September 2023 (2022: HK\$2,348.0 million). The business contributed 59.4% of the Group's total revenue for the reporting period, operating a total of 219 shops at 30 September 2023 (31 March 2023: 216). **Café de Coral** fast food and **Super Super Congee & Noodles** achieved same store sales growth of 5% and 8%, respectively. Substantial improvement in margins was recorded through operating cost control and manpower productivity improvement by the business during the review period.

The QSR business picked up significantly during the period under review, with increases in both volume and value growth driven by meal count and average spend leveraged on our product design and menu offerings, successful brand building campaign and marketing promotion. All daytime service sessions have shown positive growth momentum, while dinner sales, although largely recovered, still offer growth opportunities versus pre-pandemic levels due to changing lifestyle habits and post-pandemic travel outflows outweighing tourist inflows.

Revenues have rebounded, led by a consistent focus on providing value for money, variety of choice and appetising, as well as reliable quality food. We also boosted customer satisfaction, return visits and average spend with hero products and limited time offers including “World Curry Delights” and the “Baked Series” at **Café de Coral** fast food, and the “Clay Pot Series” and “Wonton Soup Noodles” at **Super Super Congee & Noodles**, new segments such as vegetarian and oat milk egg offerings – as well as high perceived value products such as sirloin and ribeye steak served on sizzling iron plates, puff pastry clam chowder soup and winter melon soup.

Value meals served year-round at breakfast, lunch and tea and priced between HK\$28 - HK\$37, together with ad hoc limited time special promotions, have helped to maintain frequent, regular visits from a high percentage of our loyal customer base, supporting meal count, scale and sales volume in a sluggish market. A recently introduced plant-based series of dishes such as vegetarian Bolognese spaghetti and plant-based baked pork rice helped to build a platform of vegetarian and meat alternative offerings that are seeing steadily increasing patronage and bringing in new consumer segments.

Successful brand building efforts included our award-winning “有大家 就有大家樂 (A Taste of Togetherness)” campaign, which showcased three short films based on stories about growing up together in Hong Kong – and our relationships with customers across generations. The campaign highlights the deep emotional connection between Hong Kong people and the Café de Coral brand, successfully conveying the brand's human touch and unique Hong Kong-style fast food to achieve top-of-mind awareness when dining out. This latest campaign platform has been extended to the “World Curry Delights” series, which uses a distinct spin-off in creative style and approach to target younger audiences.

The business made significant efforts in margin improvement through the establishment of a cross-function project team together with our central manufacturing unit, which have reaped benefits through menu product design, strategic sourcing, smart business planning and execution enhancement. Other initiatives include manpower productivity enhancement, use of data analytics to drive in-store efficiency, digitalisation, automation, and process simplification to eliminate waste and bad costs.

Ordering kiosks and mobile ordering apps continue to show increasing usage rates and are well-integrated with other in-store systems to provide a frictionless customer experience. Deployment of in-store robots has lowered manpower cost while providing a unique customer experience. In the back office, smart workplace and office automation applications have digitalised administrative work from the store to headquarters. Digital area management tools have resulted in higher mobility on the sales floor, higher service levels, more flexible staff deployment and a record high mystery shopper survey score by AC Nielsen in the first half of the year.

The Club 100 customer loyalty programme remains a key strategy to expand customer base and visit frequency. New enhancements have seen the membership base surpass 1.5 million, with a high rate of active users. During the period, the mobile ordering app was revamped in navigation and user experience, and the eatCDC.com online platform recorded significant growth in traffic and sales, with strong response to seasonal festive items and promotions.

The business continues to seek strategic locations for new shops. **Café de Coral** fast food opened 5 new stores, ending the period with 172 stores (31 March 2023: 169). **Super Super Congee & Noodles** operated 47 stores at the end of the period (31 March 2023: 47). At present, 2 new QSR shops are scheduled to open in the second half of the year.

Casual Dining

Revenue from the Casual Dining business increased by 8.5% during the period to HK\$449.1 million (2022: HK\$414.0 million). With the relaxation of pandemic-related restrictions, business momentum gradually improved as compared to the same period last year. However, after the pandemic, consumer behaviours and lifestyle habits have changed, and travel outflows are outweighing tourist inflows, which have resulted in slower dinner traffic.

Management has been refining the core business and driving margin improvement across all brands, incorporating strategic menu design to keep food costs competitive, introducing and tapping into new segments like vegetarian and meat-alternative offerings, focusing on hero product promotions and increasing digitalisation to boost operational efficiency. These efforts have positioned the business well to capitalise on the rebound in the economy.

The division operated 67 shops at the end of the operating period (31 March 2023: 66). **Shanghai Lao Lao** operated 14 shops as of 30 September 2023 (31 March 2023: 14). **Mixian Sense** opened 2 new shops during the period, and operated 19 shops as of 30 September 2023 (31 March 2023: 18). **The Spaghetti House** and **Oliver's Super Sandwiches** operated 8 and 21 shops, respectively, at the end of the review period (31 March 2023: 8 and 21, respectively).

Institutional Catering

After the lifting of pandemic-related restrictions, the Group's Institutional Catering business has resumed normal operating conditions and returned to positive growth. Revenue from the business increased by 21.0% to HK\$457.6 million (2022: HK\$378.3 million). **Asia Pacific Catering** ended the period with 97 operating units (31 March 2023: 94).

Asia Pacific Catering benefitted from increasing numbers of university students on campus, as well as new business opportunities in primary/secondary schools and international schools. The hospital sector is improving as external visitors, medical students and hospital service helpers are all permitted to make use of dine-in facilities. The business further strengthened its market share by winning more contracts in the commercial sector.

Over the years, **Luncheon Star** has gained the trust and support of customers to become the largest school lunch supplier in Hong Kong. The business has fully resumed production and service following the pandemic, and in May 2023 it launched a brand publicity programme to help schools, parents and students gain a deeper understanding of our focus on food nutrition, as well as our strict food safety management guidelines and rigorous quality control mechanisms under the international food safety certifications such as ISO22000 and HACCP. The business will continue to explore new contracts and business opportunities.

Mainland China Operations

Revenue from the Mainland China operations increased by 13.2% to HK\$774.8 million (2022: HK\$684.2 million). The South China fast food business recorded a 21.1% increase in revenue to RMB687.7 million and same store sales growth of 11%.

Although economic situation in Mainland China is not without challenges, the Group has benefitted from its focus on the vast mass-market consumer segment in the Greater Bay Area. Business performance has recovered considerably, especially during the second quarter.

Striving for constant innovation in our core products, as well as new products targeting younger customers, recently-launched campaigns for “Spicy Hainan Chicken” and “Egg Rice” were popular and well received by the public. We continue to develop healthy and nutritious meals, as well as kids’ meals with popular licensed characters to attract new customer segments and solidify our position in the family segment.

Breakfast service continues to grow with strong momentum. Our unique breakfast products and convenient experience target busy workers with mobile ordering technology, the launch of take-away breakfast service and the development of new OTO (Online to Offline) channels for breakfast.

Building brand awareness online, the second phase of our “美味・樂聚，就係要大家樂 (Enjoy Happiness Right Here)” brand campaign on TikTok attracted more than 110 million views online. At the same time, digital marketing efforts continued to fuel sales during the period under review, driving our CRM (Customer Relationship Management) programme to reach 4 million registered members and building an active WeChat community moderated by store managers. We also revamped our mobile ordering system to improve the customer experience. Those efforts have greatly enhanced customer relationships and increased frequency of store visits.

The business is driving margin improvement through pricing strategy, menu management, strategic sourcing and effective control of food costs. Increasing investment in automation and digitalisation further improved efficiency and productivity. Digital channels currently account for 60% of orders, and we will continue to optimise and streamline processes around digital orders.

A key strategic focus of the Group is the continuous expansion of our store network in the Greater Bay Area. We have increased efforts in development of communities, as well as second- and third-tier cities, with successful establishment of brand influence. The business opened 8 new shops during the period under review, and has 11 new shops in the pipeline.

Through the combined efforts of management and staff, the Group has succeeded in establishing a solid platform for the sustainable growth of its business throughout the Greater Bay Area.

FINANCIAL REVIEW

Financial Position

The Group's financial position remained healthy during the period under review. As of 30 September 2023, the Group had cash of approximately HK\$1,117.7 million, with HK\$1,949.3 million in available banking facilities. The Group's current ratio as of the same date was 0.8 (31 March 2023: 0.8) and the cash ratio was 0.5 (31 March 2023: 0.6). The Group had external borrowing of HK\$400 million (31 March 2023: HK\$980 million) and nil gearing ratio (ratio of total borrowing less cash and cash equivalents to total equity) (31 March 2023: nil).

Capital Expenditure and Commitment

During the period under review, the Group's capital expenditure (excluding right-of-use assets) was HK\$169.9 million (2022: HK\$261.3 million). As at 30 September 2023, the Group's outstanding capital commitments were HK\$369 million (31 March 2023: HK\$531 million).

Contingent Liabilities

As of 30 September 2023, the Company provided guarantees of approximately HK\$2,219 million (31 March 2023: HK\$2,226 million) to financial institutions in connection with banking facilities granted to its subsidiaries. The Group had no charge on assets as of 30 September 2023 (31 March 2023: nil).

Financial Risk Management

With regard to foreign exchange fluctuations, the Group earned revenue and incurred costs and expenses mainly denominated in Hong Kong Dollars, while those of our Mainland China businesses were in Renminbi. Foreign currency exposure did not pose a significant risk for the Group, but we will remain vigilant and closely monitor our exposure to movements in relevant currencies.

HUMAN RESOURCES

As of 30 September 2023, the Group had a total workforce of 19,666 employees (31 March 2023: 19,555).

The structural shrinkage of Hong Kong's labour force continued to be a difficult challenge for the Group and the industry as a whole. Placing priority on resourcing, the Group has set up a task force focusing on recruiting, retaining and redeveloping our human resources to fulfil long-term business needs. Succession planning and talent development remain key, and we have successfully completed the transition of senior management across all business units, retaining a wealth of knowledge and operational experience within the organisation.

The Group provides a vast network of training resources including leadership training and people management skills seminars for operations and back office personnel, as well as customer service case handling workshops for frontline supervisors, equipping them to meet the demanding needs of customers. To strengthen our talent pipeline, Qualifications Framework accredited training is provided to potential branch managers, and regular training and practical experience sharing are provided for potential regional managers. To prepare our staff to cope with a changing and challenging business environment, a special workshop was held for senior management and executives, examining the latest technology trends and business applications.

The Group continues to review internal equity and market benchmarking on pay level regularly. Remuneration at all staff levels is based on individual experience, qualifications, duties and responsibilities. Qualified employees are entitled to participate in profit sharing bonus and performance incentive programmes, as well as long term incentive schemes, including share award and share option schemes. Share awards were granted to senior executives and managerial staff in both Hong Kong and Mainland China in July 2023.

OUTLOOK

While more time is required for a full economic recovery, the Group remains cautiously optimistic regarding performance and prospects in the second half of the year.

In Hong Kong, digitalisation will continue to be a primary strategic revenue driver, building brand affiliation and appealing to new, younger customers. In line with post-pandemic lifestyles, we will further develop our frictionless customer experience through self-ordering kiosks and mobile ordering apps, which account for an increasing portion of revenue growth.

Continuing our efforts in margin improvement, the Group will maintain focus on operating cost efficiency and manpower productivity, while exploring process simplification and value creation through our strategic task force and increased internal cross-function collaboration. We will take advantage of opportunities to expand our network, especially for **Café de Coral** fast food, while mapping our portfolio of house brands to the right store locations. The Group continues to explore different store formats, layouts and sizes to optimise productivity with our multi-brand strategy.

Although the Institutional Catering business was severely impacted by the COVID-19 pandemic, the division is by far the market leader in Hong Kong, and a preferred long-term strategic partner for educational, medical and other institutions. As the market returns to normal conditions, we are confident our leadership position and business scale will support a quick return to business growth.

In Mainland China, disciplined and sustainable expansion of the store network remains the Group's strategic focus for the future. Encouraged by successful development in second- and third-tier cities, we will accelerate penetration in the areas. We are confident that our positioning in the fast-casual dining sector will give us room to grow as the market continues to develop, broadening our customer base in the rapidly-developing Greater Bay Area.

CONDENSED CONSOLIDATED INCOME STATEMENT
(UNAUDITED)
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2023

		Six months ended 30 September	
	Note	2023	2022
		HK\$'000	HK\$'000
Revenue	3	4,318,624	3,898,185
Cost of sales	5	(3,794,230)	(3,553,723)
Gross profit		524,394	344,462
Other income and other losses, net	4	761	38,877
Administrative expenses	5	(257,693)	(226,895)
Operating profit		267,462	156,444
Finance income	6	22,372	9,161
Finance costs	6	(54,210)	(40,917)
Profit before income tax		235,624	124,688
Income tax expense	7	(34,403)	(15,921)
Profit for the period		201,221	108,767
Profit attributable to:			
Equity holders of the Company		200,553	108,742
Non-controlling interests		668	25
		201,221	108,767
Earnings per share for profit attributable to the equity holders of the Company during the period			
- Basic earnings per share	8	HK34.6 cents	HK18.8 cents
- Diluted earnings per share	8	HK34.5 cents	HK18.7 cents
		HK\$'000	HK\$'000
Dividend			
- Interim	9	87,856	58,570

**CONDENSED CONSOLIDATED STATEMENT OF
COMPREHENSIVE INCOME (UNAUDITED)
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2023**

	Six months ended 30 September	
	2023	2022
	HK\$'000	HK\$'000
Profit for the period	201,221	108,767
Other comprehensive (loss)/income:		
<i>Item that may be reclassified to profit or loss:</i>		
Exchange differences arising from translation of foreign subsidiaries	(27,586)	(50,305)
<i>Item that will not be reclassified subsequently to profit or loss:</i>		
Revaluation surplus of property, plant and equipment and right-of-use assets prior to transferring to investment properties	35,971	-
Fair value loss on financial assets at fair value through other comprehensive income	(8,164)	(14,288)
Total comprehensive income for the period	<u>201,442</u>	<u>44,174</u>
Total comprehensive income for the period attributable to:		
– Equity holders of the Company	200,774	44,149
– Non-controlling interests	668	25
	<u>201,442</u>	<u>44,174</u>

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL
POSITION (UNAUDITED)**
AS AT 30 SEPTEMBER 2023

	Note	As at 30 September 2023 HK\$'000 (Unaudited)	As at 31 March 2023 HK\$'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		1,591,320	1,617,702
Right-of-use assets		2,395,826	2,413,162
Investment properties		472,200	559,200
Intangible assets		1,135	1,153
Deferred income tax assets		61,758	62,955
Financial assets at fair value through other comprehensive income		78,582	86,746
Retirement benefit assets		3,277	3,098
Non-current prepayments and deposits		293,575	303,725
		<u>4,897,673</u>	<u>5,047,741</u>
Current assets			
Inventories		284,879	268,243
Trade and other receivables	10	141,719	138,036
Prepayments and deposits	10	55,239	44,832
Current income tax recoverable		1,097	4,510
Cash and cash equivalents		1,117,674	1,671,978
		<u>1,600,608</u>	<u>2,127,599</u>
Total assets		<u>6,498,281</u>	<u>7,175,340</u>
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital		58,570	58,570
Share premium		621,122	621,122
Shares held for share award scheme		(74,627)	(98,979)
Other reserves		525,470	522,679
Retained earnings			
– Proposed dividends		87,856	163,997
– Others		1,620,130	1,516,205
		<u>2,838,521</u>	<u>2,783,594</u>
Non-controlling interests		<u>9,137</u>	<u>8,469</u>
Total equity		<u>2,847,658</u>	<u>2,792,063</u>

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL
POSITION (UNAUDITED) (CONTINUED)**
AS AT 30 SEPTEMBER 2023

	Note	As at 30 September 2023 <i>HK\$'000</i> (Unaudited)	As at 31 March 2023 <i>HK\$'000</i> (Audited)
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		36,791	32,946
Provision for long service payments		69,345	62,080
Lease liabilities		1,362,109	1,508,455
Long-term borrowings		120,000	-
		<u>1,588,245</u>	<u>1,603,481</u>
Current liabilities			
Trade payables	11	247,106	225,881
Other creditors and accrued liabilities		760,902	798,895
Current income tax liabilities		32,582	14,441
Lease liabilities		741,788	760,629
Current portion of long-term borrowings		280,000	899,950
Short-term borrowings		-	80,000
		<u>2,062,378</u>	<u>2,779,796</u>
Total liabilities		<u><u>3,650,623</u></u>	<u><u>4,383,277</u></u>
Total equity and liabilities		<u><u>6,498,281</u></u>	<u><u>7,175,340</u></u>
Net current liabilities		<u><u>(461,770)</u></u>	<u><u>(652,197)</u></u>
Total assets less current liabilities		<u><u>4,435,903</u></u>	<u><u>4,395,544</u></u>

Notes:

1 BASIS OF PREPARATION

This condensed consolidated interim financial information of the Company and its subsidiaries (the “Group”) for the six months ended 30 September 2023 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim financial reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 March 2023, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

As at 30 September 2023, the Group had net current liabilities of HK\$461,770,000 (31 March 2023: HK\$652,197,000). The directors of the Company have reviewed the Group’s cash flows projections, which cover a period of not less than twelve months from 30 September 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 30 September 2023. Accordingly, the directors are satisfied that it is appropriate to prepare the consolidated interim financial statements on a going concern basis.

Except as described below, the accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 March 2023, as described in those annual financial statements.

(i) New and amended standards adopted by the Group:

The following new and amended standards have been adopted by the Group for the first time for the financial year beginning on or after 1 April 2023:

- Amendments to HKAS 1 and HKFRS Practice Statement 2 “Disclosure of Accounting Policies ”
- Amendments to HKAS 8 “ Definition of Accounting Estimates”
- Amendments to HKAS 12 “Deferred tax related to assets and liabilities arising from a single transaction”
- Amendments to HKAS 12 “International Tax Reform – Pillar Two Model Rules”
- HKFRS 17 “Insurance Contracts”
- HKFRS 17 “Amendments to HKFRS 17”
- HKFRS 17 “Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information”

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

1 BASIS OF PREPARATION (Continued)

(ii) Amended standards and interpretation not yet adopted

The following amended standards and interpretation have been issued but are not effective for the financial year beginning on 1 April 2023 and have not been early adopted:

		Effective for annual periods beginning on or after
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 Liability 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 HKAS 7 and HKFRS 7	Supplier Finance Arrangements	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 amended standards and interpretation, but is yet in a position to state whether they would have significant impacts on its results of operations and financial position.

2 SEGMENT INFORMATION

The Group is principally engaged in the operation of quick service restaurants, casual dining chains, institutional catering, as well as food processing and distribution business.

The Chief Executive Officer of the Group reviews the Group's internal reporting in order to allocate resources amongst different segments. He assesses the business principally from a geographical perspective, including Hong Kong and Mainland China. Segment results as presented below represent operating profit excluding fair value changes on investment properties, depreciation and amortisation and impairment loss of property, plant and equipment and right-of-use assets less related depreciation for right-of-use assets – properties; and including finance cost of lease liabilities.

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

	Hong Kong HK\$'000 (Unaudited)	Mainland China HK\$'000 (Unaudited)	Group HK\$'000 (Unaudited)
Six months ended 30 September 2023			
Total segment revenue	3,546,711	831,335	4,378,046
Inter-segment revenue (<i>Note i</i>)	(2,864)	(56,558)	(59,422)
Revenue (from external revenue) (<i>Note ii</i>)	3,543,847	774,777	4,318,624
Represented by timing of revenue recognition:			
- At a point in time	3,527,893	774,777	4,302,670
- Over time	15,954	-	15,954
	3,543,847	774,777	4,318,624
Segment results (<i>Note iii</i>)	324,574	98,621	423,195
Depreciation and amortisation (excluding depreciation of right-of-use assets – properties)	(157,361)	(40,554)	(197,915)
Finance income	21,607	765	22,372
Finance cost on bank borrowings	(12,028)	-	(12,028)
Income tax expense	(22,899)	(11,504)	(34,403)

2 SEGMENT INFORMATION (Continued)

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

	Hong Kong HK\$'000 (Unaudited)	Mainland China HK\$'000 (Unaudited)	Group HK\$'000 (Unaudited)
Six months ended 30 September 2022			
Total segment revenue	3,215,796	735,278	3,951,074
Inter-segment revenue (<i>Note i</i>)	<u>(1,848)</u>	<u>(51,041)</u>	<u>(52,889)</u>
Revenue (from external revenue) (<i>Note ii</i>)	<u>3,213,948</u>	<u>684,237</u>	<u>3,898,185</u>
Represented by timing of revenue recognition:			
- At a point in time	3,189,554	684,237	3,873,791
- Over time	<u>24,394</u>	<u>-</u>	<u>24,394</u>
	<u>3,213,948</u>	<u>684,237</u>	<u>3,898,185</u>
Segment results (<i>Note iii</i>)	<u>255,800</u>	<u>77,034</u>	<u>332,834</u>
Depreciation and amortisation (excluding depreciation of right-of-use assets – properties)	(156,142)	(40,595)	(196,737)
Impairment loss of property, plant and equipment	(3,010)	(2,016)	(5,026)
Impairment loss of right-of-use assets	(2,839)	(3,817)	(6,656)
Finance income	8,614	547	9,161
Finance cost on bank borrowings	(8,888)	-	(8,888)
Income tax expense	<u>(10,079)</u>	<u>(5,842)</u>	<u>(15,921)</u>

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

(ii) The Group has a large number of customers. For the six months ended 30 September 2023 and 2022, no revenue was derived from transactions with a single external customer representing 10% or more of the Group's total revenue.

2 SEGMENT INFORMATION (Continued)

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

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

	Hong Kong HK\$'000 (Unaudited)	Mainland China HK\$'000 (Unaudited)	Group HK\$'000 (Unaudited)
Six months ended 30 September 2023			
Depreciation expenses			
- right-of-use assets – properties	(343,678)	(54,831)	(398,509)
Finance cost of lease liabilities	(32,328)	(9,854)	(42,182)
	Hong Kong HK\$'000 (Unaudited)	Mainland China HK\$'000 (Unaudited)	Group HK\$'000 (Unaudited)
Six months ended 30 September 2022			
Depreciation expenses			
- right-of-use assets – properties	(335,061)	(48,872)	(383,933)
Finance cost of lease liabilities	(22,409)	(9,620)	(32,029)

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

	Six months ended 30 September	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Segment results	423,195	332,834
Depreciation and amortisation (excluding depreciation of right-of-use assets – properties)	(197,915)	(196,737)
Impairment loss of property, plant and equipment	-	(5,026)
Impairment loss of right-of-use assets	-	(6,656)
Finance income	22,372	9,161
Finance cost on bank borrowings	(12,028)	(8,888)
Profit before income tax	235,624	124,688

2 SEGMENT INFORMATION (Continued)

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

	Hong Kong <i>HK\$'000</i> (Unaudited)	Mainland China <i>HK\$'000</i> (Unaudited)	Group <i>HK\$'000</i> (Unaudited)
As at 30 September 2023			
Segment assets	<u>5,251,420</u>	<u>1,105,424</u>	<u>6,356,844</u>
For the six months ended 30 September 2023			
Segment assets include:			
Additions to non-current assets (other than financial instruments and deferred income tax assets)	<u>404,802</u>	<u>127,007</u>	<u>531,809</u>
	Hong Kong <i>HK\$'000</i> (Audited)	Mainland China <i>HK\$'000</i> (Audited)	Group <i>HK\$'000</i> (Audited)
As at 31 March 2023			
Segment assets	<u>5,883,097</u>	<u>1,138,032</u>	<u>7,021,129</u>
For the six months ended 30 September 2022			
Segment assets include:			
Additions to non-current assets (other than financial instruments and deferred income tax assets)	<u>894,648</u>	<u>152,833</u>	<u>1,047,481</u>

As at 30 September 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\$4,002,781,000 (As at 31 March 2023: HK\$4,117,381,000) and HK\$754,552,000 (As at 31 March 2023: HK\$780,659,000) respectively.

2 SEGMENT INFORMATION (Continued)

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

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

	30 September 2023 HK\$'000 (Unaudited)	31 March 2023 HK\$'000 (Audited)
Total segment assets	6,356,844	7,021,129
Deferred income tax assets	61,758	62,955
Financial assets at fair value through other comprehensive income	78,582	86,746
Current income tax recoverable	1,097	4,510
Total assets	<u>6,498,281</u>	<u>7,175,340</u>

3 REVENUE

	Six months ended 30 September 2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Sales of food and beverages	4,276,291	3,849,198
Rental income	13,325	21,260
Management and service fee income	2,629	3,134
Sundry income	26,379	24,593
	<u>4,318,624</u>	<u>3,898,185</u>

4 OTHER INCOME AND OTHER LOSSES, NET

	Six months ended 30 September 2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Dividend income from listed equity investments	3,062	3,062
(Loss)/gain on disposal of property, plant and equipment	(3,159)	3,675
Impairment loss of property, plant and equipment	-	(5,026)
Impairment loss of right-of-use assets	-	(6,656)
Government subsidies (Note a)	858	43,822
	<u>761</u>	<u>38,877</u>

4 OTHER INCOME AND OTHER LOSSES, NET (Continued)

- (a) During the six months ended 30 September 2022, the government subsidies primarily represented subsidies in relation to the COVID-19 pandemic which included subsidies of HK\$40,900,000 granted under the Anti-Epidemic Fund of the Government of the Hong Kong Special Administrative Region.

5 EXPENSES BY NATURE

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

	Six months ended	
	30 September	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Cost of raw materials and packing	1,202,348	1,128,459
Amortisation of intangible assets	18	19
Depreciation expenses		
- property, plant and equipment	187,524	188,444
- leasehold land and land use rights classified as right-of-use assets	10,373	8,274
- right-of-use assets - properties	398,509	383,933
Expenses relating to leases of		
- short-term leases	17,336	11,349
- variable lease payments not included lease liabilities	31,380	24,465
Gain on modification and termination of leases	(25,092)	(4,987)
Exchange losses/(gains), net	3,281	(328)
Employee benefit expenses (excluding share-based compensation expenses)	1,405,228	1,283,700
Share-based compensation expenses	17,571	8,903
Auditor's remuneration	1,850	1,719
Electricity, water and gas	224,489	200,746
Advertising	51,408	52,294
(Reversal of)/provision for loss allowance on trade receivables	(15)	83
Sanitation	62,767	63,593
Repairs and maintenance	58,207	56,569
Building management fee, air conditioning and rates	117,521	107,937
Delivery expense	43,604	40,332
Insurance	19,754	21,120
Other expenses	223,862	203,994
	4,051,923	3,780,618
Representing:		
Cost of sales	3,794,230	3,553,723
Administrative expenses	257,693	226,895
	4,051,923	3,780,618

6 FINANCE COSTS, NET

	Six months ended	
	30 September	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Finance income	22,372	9,161
Finance cost of lease liabilities	(42,182)	(32,029)
Finance cost on bank borrowings	(12,028)	(8,888)
Finance costs	<u>(54,210)</u>	<u>(40,917)</u>
Finance costs, net	<u>(31,838)</u>	<u>(31,756)</u>

7 INCOME TAX EXPENSE

The Company is exempted from taxation in Bermuda until year 2035. Hong Kong profits tax has been provided for at the rate of 8.25% (2022: 8.25%) on the estimated assessable profits up to HK\$2,000,000 (2022: HK\$2,000,000) and 16.5% (2022: 16.5%) on any part of estimated assessable profit over HK\$2,000,000 (2022: HK\$2,000,000) for the six months ended 30 September 2023.

Taxation on overseas profits has been calculated on the estimated assessable profits for the period at the rates of taxation prevailing in the countries in which the Group operates.

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

	Six months ended	
	30 September	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current income tax:		
– Hong Kong profits tax	19,621	10,728
– PRC taxation	9,399	3,111
Deferred income tax relating to the origination and reversal of temporary differences	<u>5,383</u>	<u>2,082</u>
	<u>34,403</u>	<u>15,921</u>

8 EARNINGS PER SHARE

Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period excluding ordinary shares purchased by the Company for the share award scheme.

	Six months ended 30 September	
	2023	2022
	(Unaudited)	(Unaudited)
Profit attributable to equity holders of the Company (HK\$ '000)	<u>200,553</u>	<u>108,742</u>
Weighted average number of ordinary shares in issue ('000)	<u>580,249</u>	<u>579,609</u>
Basic earnings per share (HK cents per share)	<u>HK34.6 cents</u>	<u>HK18.8 cents</u>

Diluted

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

	Six months ended 30 September	
	2023	2022
	(Unaudited)	(Unaudited)
Profit attributable to equity holders of the Company (HK\$ '000)	<u>200,553</u>	<u>108,742</u>
Weighted average number of ordinary shares in issue ('000)	<u>580,249</u>	<u>579,609</u>
Adjustment for share award scheme ('000)	<u>1,375</u>	<u>1,075</u>
	<u>581,624</u>	<u>580,684</u>
Diluted earnings per share (HK cents per share)	<u>HK34.5 cents</u>	<u>HK18.7 cents</u>

9 DIVIDEND

	Six months ended 30 September 2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Dividend declared		
– Interim dividend, HK15 cents (2022: HK10 cents) per ordinary share	<u>87,856</u>	<u>58,570</u>

The interim dividend was declared on 28 November 2023. This condensed consolidated interim financial information does not reflect this dividend payable.

10 TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	30 September 2023 HK\$'000 (Unaudited)	31 March 2023 HK\$'000 (Audited)
Trade receivables	79,642	75,944
Less: Loss allowance	<u>(61)</u>	<u>(76)</u>
Trade receivables – net (<i>Note a</i>)	79,581	75,868
Other receivables (<i>Note b</i>)	<u>62,138</u>	<u>62,168</u>
	141,719	138,036
Prepayments	54,046	43,190
Deposits	<u>1,193</u>	<u>1,642</u>
	<u>196,958</u>	<u>182,868</u>

- (a) The Group's sales to customers are mainly on a cash basis. The Group also grants a credit period between 30 to 90 days to certain customers for the provision of the Group's institutional catering services, sales of merchandise for the Group's food manufacturing business and its franchisees.
- (b) Other receivables primarily comprise value-added tax recoverable and receivable from a security logistic company.

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

The ageing analysis of trade receivables is as follows:

	30 September 2023 <i>HK\$'000</i> (Unaudited)	31 March 2023 HK\$'000 (Audited)
0 – 30 days	58,488	51,900
31 – 60 days	12,447	14,409
61 – 90 days	2,753	4,724
91 – 365 days	5,893	4,837
Over 365 days	61	74
	<u>79,642</u>	<u>75,944</u>

11 TRADE PAYABLES

The ageing analysis of trade payables is as follows:

	30 September 2023 <i>HK\$'000</i> (Unaudited)	31 March 2023 HK\$'000 (Audited)
0 – 30 days	244,097	223,573
31 – 60 days	2,820	2,062
61 – 90 days	5	106
Over 90 days	184	140
	<u>247,106</u>	<u>225,881</u>

INTERIM DIVIDEND

The Board has declared payment of an interim dividend of HK15 cents per share in respect of the six months ended 30 September 2023 (2022: HK10 cents) payable on 22 December 2023 to shareholders whose names appear on the Register of Members of the Company on 13 December 2023.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determination of entitlement to the interim dividend, the Register of Members of the Company will be closed on 13 December 2023 (Wednesday) on which no transfer of shares will be registered. In order to qualify for the interim dividend, all completed transfer forms accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong Branch Share Registrar, Computershare Hong Kong Investor Services Limited at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 12 December 2023 (Tuesday).

CORPORATE GOVERNANCE

The corporate governance principles and practices adopted by the Group during the six months ended 30 September 2023 were in line with the corporate governance statements set out in the Corporate Governance Report in the Company's Annual Report 2022/23. During the six months ended 30 September 2023, the Company complied with all code provisions as set out in the Corporate Governance Code (the "CG Code") under Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and adopted the recommended best practices of the CG Code insofar as they are relevant and practicable.

AUDIT COMMITTEE AND REVIEW OF INTERIM RESULTS

The Audit Committee of the Company is set up by the Board with specific terms for the purpose of reviewing and providing supervision over the Group's financial reporting process and internal control. It currently comprises 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 unaudited interim results of the Group for the six months ended 30 September 2023.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 September 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, 28 November 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.