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Tsui Wah Holdings Limited
翠華控股有限公司

(Incorporated in the Cayman Islands with limited liability)
 (Stock Code: 1314)

INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX-MONTH PERIOD ENDED 30 SEPTEMBER 2018

FINANCIAL HIGHLIGHTS	Six-month period ended		% Change
	30 September	2017	
	2018	2017	
	(Unaudited)	(Unaudited)	
	HK\$'000	HK\$'000	
Revenue	895,772	904,841	(1.0)%
Hong Kong [#]	561,805	590,505	(4.9)%
Mainland China	325,481	303,899	7.1%
Others*	8,486	10,437	(18.7)%
EBITDA¹	72,286	115,562	(37.4)%
Profit attributable to owners of the Company	14,410	48,009	(70.0)%
Basic earnings per share	HK1.02 cents	HK3.40 cents	(70.0)%
Number of restaurants including joint ventures			
(As at 30 September)	2018	2017	
Hong Kong	36	31	
Mainland China	34	31	
Macau	3	3	
Singapore	1	–	

[#] Revenue from external customers located in Hong Kong includes revenue derived from the sale of food to a joint venture of the Group amounting to approximately HK\$3,940,000 (six-month period ended 30 September 2017: approximately HK\$4,441,000).

* Represents revenue derived from the sale of food to a joint venture of the Group.

¹ Means earnings before interest, tax, depreciation and amortization.

INTERIM RESULTS

The board (the “**Board**”) of directors (the “**Directors**”, each a “**Director**”) of Tsui Wah Holdings Limited (the “**Company**”) announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively the “**Group**” or “**Tsui Wah**”) for the six-month period ended 30 September 2018 together with relevant comparative audited or unaudited figures. The interim financial information for the six-month period ended 30 September 2018 has not been audited, but has been reviewed by the audit committee of the Company (the “**Audit Committee**”) and the external auditors of the Company.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six-month period ended 30 September 2018

		Six-month period ended	
		30 September	
		2018	2017
	<i>Notes</i>	(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
REVENUE	4	895,772	904,841
Other income		6,987	5,843
Cost of inventories sold		(249,969)	(250,800)
Staff costs		(280,359)	(257,471)
Depreciation and amortisation		(53,934)	(53,676)
Property rentals and related expenses		(157,644)	(166,844)
Fuel and utility expenses		(45,059)	(43,359)
Selling and distribution expenses		(17,999)	(18,068)
Other operating expenses		(97,497)	(76,072)
Finance costs		(823)	(785)
Share of profits of joint ventures		20,411	18,797
		<hr/>	<hr/>
PROFIT BEFORE TAX		19,886	62,406
Income tax expense	5	(5,415)	(14,179)
		<hr/>	<hr/>
PROFIT FOR THE PERIOD		14,471	48,227
		<hr/> <hr/>	<hr/> <hr/>
Attributable to:			
Owners of the Company		14,410	48,009
Non-controlling interests		61	218
		<hr/>	<hr/>
		14,471	48,227
		<hr/> <hr/>	<hr/> <hr/>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic	7	HK1.02 cents	HK3.40 cents
		<hr/> <hr/>	<hr/> <hr/>
Diluted	7	N/A	HK3.40 cents
		<hr/> <hr/>	<hr/> <hr/>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME*For the six-month period ended 30 September 2018*

	Six-month period ended	
	30 September	
	2018	2017
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
PROFIT FOR THE PERIOD	14,471	48,227
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	<u>(46,287)</u>	<u>20,395</u>
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	<u>(31,816)</u>	<u>68,622</u>
Attributable to:		
Owners of the Company	<u>(31,877)</u>	<u>68,404</u>
Non-controlling interests	<u>61</u>	<u>218</u>
	<u>(31,816)</u>	<u>68,622</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2018

		30 September 2018 (Unaudited) <i>HK\$'000</i>	31 March 2018 (Audited) <i>HK\$'000</i>
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment	8	494,458	502,671
Investment properties		116,018	128,704
Prepaid land lease payments		23,047	25,576
Intangible assets		8,699	7,521
Investments in joint ventures		77,424	68,681
Prepayments and deposits paid in advance for purchases of property, plant and equipment		63,387	66,941
Non-current deposits and other receivables		89,834	99,714
Deferred tax assets		21,685	22,332
		894,552	922,140
CURRENT ASSETS			
Inventories		20,542	19,062
Trade receivables	9	8,870	8,134
Prepayments, deposits and other receivables		78,175	92,008
Tax recoverable		3,926	5,805
Pledged time deposits		9,145	9,102
Cash and cash equivalents		440,129	509,987
		560,787	644,098
CURRENT LIABILITIES			
Trade payables	10	79,022	89,104
Other payables and accruals		144,280	141,520
Interest-bearing bank borrowings		64,925	66,832
Finance lease payables		202	196
Tax payable		4,305	5,614
		292,734	303,266
NET CURRENT ASSETS		268,053	340,832
TOTAL ASSETS LESS CURRENT LIABILITIES		1,162,605	1,262,972

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(Continued)

As at 30 September 2018

	30 September	31 March
	2018	2018
	(Unaudited)	(Audited)
<i>Note</i>	HK\$'000	HK\$'000
NON-CURRENT LIABILITIES		
Other payable and accruals	46,728	42,620
Finance lease payables	426	529
Deferred tax liabilities	1,318	3,808
	<hr/>	<hr/>
Total non-current liabilities	48,472	46,957
	<hr/>	<hr/>
Net assets	1,114,133	1,216,015
	<hr/> <hr/>	<hr/> <hr/>
EQUITY		
Equity attributable to owners of the Company		
Issued capital	<i>11</i> 14,112	14,112
Reserves	1,098,350	1,200,293
	<hr/>	<hr/>
Non-controlling interests	1,112,462	1,214,405
	1,671	1,610
	<hr/>	<hr/>
Total equity	1,114,133	1,216,015
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO INTERIM FINANCIAL INFORMATION

1. CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands on 29 May 2012 as an exempted company with limited liability under the Companies Law, Cap. 22 of the Cayman Islands. The address of the Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

During the period, the Company acted as an investment holding company and its subsidiaries were principally engaged in the provision of food catering services through restaurants and a bakery shop in Hong Kong, Macau, the People's Republic of China (the "PRC" or "Mainland China") and Singapore.

2. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial information of the Group for the six-month period ended 30 September 2018 has been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and are in compliance with Hong Kong Accounting Standard ("HKAS") 34 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants.

(a) Changes in accounting policies and disclosures

The Group has adopted the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs") for the first time for the current period's financial statements:

Amendments to HKFRS 2	<i>Classification and Measurement of Share-based Payment Transactions</i>
Amendments to HKFRS 4	<i>Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts</i>
HKFRS 9	<i>Financial Instruments</i>
HKFRS 15	<i>Revenue from Contracts with Customers</i>
Amendments to HKFRS 15	<i>Clarifications to HKFRS 15 Revenue from Contracts with Customers</i>
Amendments to HKAS 40	<i>Transfers of Investment Property</i>
HK(IFRIC)-Int 22	<i>Foreign Currency Transactions and Advance Consideration</i>
Annual Improvements 2014–2016 Cycle	<i>Amendments to HKFRS 1 and HKAS 28</i>

The Group applied HKFRS 9 and HKFRS 15 for the first time. The nature and effect of the changes as a result of adoption of these new accounting standards are described below.

Several other amendments and interpretations were applied for the first time in 2018, but do not have an impact on the unaudited condensed consolidated interim financial statements of the Group. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

HKFRS 9 Financial Instruments

HKFRS 9 *Financial Instruments* replaces HKAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 April 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Group applied HKFRS 9 using the modified retrospective method, with an initial application date of 1 April 2018. The Group has not restated the comparative information, which continues to be reported under HKAS 39. The adoption of HKFRS 9 has no material impact on the interim unaudited condensed consolidated statement of the Group.

The nature of these adjustments are described below:

(a) Classification and measurement

Under HKFRS 9, debt instruments are subsequently measured at fair value through profit or loss, amortised cost, or fair value through other comprehensive income. The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding.

The assessment of the Group's business model was made as of the date of initial application of 1 April 2018, and then applied retrospectively to those financial assets that were not derecognised before 1 April 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The classification and measurement requirements of HKFRS 9 did not have a significant impact on the Group. The Group continued measuring at fair value all financial assets previously held at fair value under HKAS 39. The following are the changes in the classification of the Group's financial assets:

- Trade receivables, deposits and other receivables previously classified as loans and receivables are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are now classified and measured as debt instruments at amortised cost.

(b) Impairment

The adoption of HKFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing HKAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. HKFRS 9 requires the Group to recognise an allowance for ECLs for all debt instruments not held at fair value through profit or loss and contract assets. This change has no material impact to the unaudited condensed consolidated interim financial statements of the Group.

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 supersedes HKAS 11 *Construction Contracts*, HKAS 18 *Revenue* and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers. HKFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

HKFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

The Group adopted HKFRS 15 using the modified retrospective method of adoption with the date of initial application of 1 April 2018. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group elected to apply the standard to contracts that are not completed as at 1 April 2018. Other than the additional disclosures required, the adoption of HKFRS 15 has no material impact on the unaudited condensed consolidated interim financial statements of the Group.

The comparative information was not restated and continues to be reported under HKAS 11, HKAS 18 and related interpretations.

(b) Issued but not yet effective HKFRSs

The Group has not early applied any new and revised HKFRSs that have been issued but are not yet effective in the unaudited condensed consolidated interim financial statements. However, the Group is in the process of making an assessment of the impact of the new and revised HKFRSs upon initial application, certain of which may be relevant to the Group's operation and may result in changes in the Group's accounting policies, and changes in presentation and measurement of certain items of the Group's financial statements.

3. OPERATING SEGMENT INFORMATION

The Group is principally engaged in the provision of food catering services through restaurants and a bakery shop. Information reported to the Group's management for the purpose of resources allocation and performance assessment focuses on the operating results of the Group as a whole as the Group's resources are integrated and no discrete operating segment financial information is available. Accordingly, no operating segment information is presented. All revenue is recognised when the goods are transferred or services are provided at a point in time.

Geographical information

The following tables present revenue from external customers for the six-month period ended 30 September 2018 and certain non-current assets information as at 30 September 2018, by geographical area.

(a) Revenue from external customers

	Six-month period ended	
	30 September	
	2018	2017
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Hong Kong [#]	561,805	590,505
Mainland China	325,481	303,899
Others*	8,486	10,437
	895,772	904,841

The revenue information above is based on the locations of the customers.

As no revenue derived from sales to a single customer of the Group has accounted for over 10% of the Group's total revenue during the period, no information about major customers is presented.

[#] Revenue from external customers located in Hong Kong includes revenue derived from the sale of food to a joint venture of the Group amounting to approximately HK\$3,940,000 (six-month period ended 30 September 2017: approximately HK\$4,441,000).

* Represents revenue derived from the sale of food to a joint venture of the Group.

(b) Non-current assets

	As at	As at
	30 September	31 March
	2018	2018
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Hong Kong	374,656	344,692
Mainland China	340,337	397,775
Others	68,040	57,627
	783,033	800,094

The non-current assets information above is based on the locations of the assets and excludes non-current deposits and other receivables and deferred tax assets.

4. REVENUE

Revenue represents amounts received and receivable from the operation of restaurants and the sale of food, net of sales related taxes. An analysis of revenue is as follows:

	Six-month period ended	
	30 September	
	2018	2017
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Revenue		
Restaurant operations	883,346	889,963
Sale of food	12,426	14,878
	<u>895,772</u>	<u>904,841</u>

5. INCOME TAX EXPENSE

Hong Kong profits tax has been provided on the estimated assessable profits arising in Hong Kong at a rate of 16.5% during the six-month periods ended 30 September 2018 and 2017. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the locations in which the Group operates.

	Six-month period ended	
	30 September	
	2018	2017
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current — Hong Kong		
Charge for the period	3,766	7,562
Under/(over) provision in prior years	749	(2,981)
Current — Elsewhere		
Charge for the period	3,553	9,889
Underprovision in prior years	55	218
Deferred tax	(2,708)	(509)
	<u>5,415</u>	<u>14,179</u>

6. INTERIM DIVIDEND

On 28 November 2018, the Board declared the payment of an interim dividend of HK1.0 cent per share (six-month period ended 30 September 2017: HK2.0 cents per share), totalling HK\$14,112,000 (six-month period ended 30 September 2017: HK\$28,225,000).

7. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic earnings per share amount for the six-month period ended 30 September 2018 is based on the profit for the period of HK\$14,410,000 (six-month period ended 30 September 2017: HK\$48,009,000) attributable to ordinary equity holders of the Company and the weighted average number of 1,411,226,450 ordinary shares for the period (six-month period ended 30 September 2017: 1,411,226,450 ordinary shares) in issue.

The Group had no potentially dilutive ordinary shares in issue during the period ended 30 September 2018. Accordingly, there is no diluted earnings per share for the period.

In the prior period, the calculation of the diluted earnings per share amount was based on the profit for the period of HK\$48,009,000 attributable to ordinary equity holders of the Company, and the weighted average number of 1,411,226,450 ordinary shares in issue in the prior period, as used in the basic earnings per share calculation.

8. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired property, plant and equipment of HK\$58,203,000 (six-month period ended 30 September 2017: HK\$23,874,000). There were write-offs of items of property, plant and equipment of HK\$3,000 (six-month period ended 30 September 2017: HK\$929,000).

9. TRADE RECEIVABLES

An aged analysis of the trade receivables as at the end of the reporting period, based on the invoice date, is as follows:

	30 September 2018 (Unaudited) HK\$'000	31 March 2018 (Audited) HK\$'000
Less than one month	7,084	6,488
One month to two months	1,786	1,646
	<u>8,870</u>	<u>8,134</u>

The Group's trading terms with its customers are mainly on cash and smart card settlement, except for well-established corporate customers, for which the credit term is generally 60 days. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancement over its trade receivable balances. Trade receivables are non-interest-bearing.

Included in the Group's trade receivables are amounts due from the Group's joint-ventures of HK\$4,039,000 as at 30 September 2018 (31 March 2018: HK\$4,340,000), which are repayable on credit terms similar to those offered to the major customers of the Group.

10. TRADE PAYABLES

An aged analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	30 September 2018 (Unaudited) HK\$'000	31 March 2018 (Audited) HK\$'000
Less than one month	49,668	56,013
One month to two months	29,354	33,091
	<u>79,022</u>	<u>89,104</u>

The trade payables are non-interest-bearing and generally have payment terms of 45 days.

11. ISSUED CAPITAL

	30 September 2018 (Unaudited) HK\$'000	31 March 2018 (Audited) HK\$'000
Authorised:		
10,000,000,000 ordinary shares of HK\$0.01 each	<u>100,000</u>	<u>100,000</u>
Issued and fully paid:		
1,411,226,450 ordinary shares of HK\$0.01 each	<u>14,112</u>	<u>14,112</u>

12. SHARE OPTION SCHEMES

(a) Share option scheme

The Company operates a share option scheme (the “**Share Option Scheme**”) for the purpose of motivating eligible persons to optimise their performance and efficiency for the benefit of the Group and to attract and retain or otherwise maintain ongoing relationships with such eligible persons whose contributions are expected to be/will be beneficial to the Group. The Share Option Scheme became effective on 5 November 2012 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

No share options have been granted under the Share Option Scheme since it became effective. Therefore, no share options were exercised or cancelled or lapsed during the current period and no share options were outstanding under the Share Option Scheme as at 30 September 2018 and 31 March 2018.

(b) Pre-IPO share option scheme

The Company operates a pre-IPO share option scheme (the “**Pre-IPO Share Option Scheme**”) for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group’s operations. Eligible participants of the Pre-IPO Share Option Scheme include the Company’s directors, including independent non-executive directors, other employees of the Group, suppliers of goods or services to the Group, customers of the Group, the Company’s shareholders, and any non-controlling shareholder of the Company’s subsidiaries. The Pre-IPO Share Option Scheme became effective on 5 November 2012 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

Share options do not confer rights on the holders to dividends or to vote at shareholders’ meetings of the Company.

During the year ended 31 March 2018, all the outstanding share options lapsed due to the expiry of exercise period and the respective share option reserve of HK\$9,421,000 was transferred to retained profits. There were no outstanding share options under the Pre-IPO Share Option Scheme as at 30 September 2018.

13. OPERATING LEASE COMMITMENTS

The Group as a lessee leases certain of its restaurants, office premises and warehouses under operating lease arrangements. Leases for these properties are negotiated for terms ranging from one to ten years.

As at the end of the reporting period, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 September 2018 (Unaudited) HK\$'000	31 March 2018 (Audited) HK\$'000
Within one year	240,006	249,789
In the second to fifth years, inclusive	406,625	448,141
After five years	26,948	49,031
	<u>673,579</u>	<u>746,961</u>

In addition, the operating lease rentals for certain restaurants are based on the higher of a fixed rental and a contingent rent depending on the sales of these restaurants pursuant to the terms and conditions as set out in the respective rental agreements. As the future sales of these restaurants could not be reliably determined, the relevant contingent rent has not been included above and only the minimum lease commitments have been included in the above table.

14. COMMITMENTS

In addition to the operating lease commitments detailed in note 13 above, the Group had the following capital commitments at the end of the reporting period:

	30 September 2018 (Unaudited) HK\$'000	31 March 2018 (Audited) HK\$'000
Contracted, but not provided for:		
Leasehold improvements	20,605	13,802
Intangible assets	5,910	4,341
	<u>26,515</u>	<u>18,143</u>

15. RELATED PARTY TRANSACTIONS

- (i) In addition to the transactions detailed elsewhere in the interim financial information, the Group had the following material transactions with related parties during the period:

	<i>Notes</i>	Six-month period ended	
		30 September	2017
		2018	2017
		(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
Sale of food to joint ventures	(a)	12,426	14,878
Rental fees paid and payable to:			
Success Path Limited	(b)	1,575	1,604
Champion Stage Limited	(b)	1,112	1,138
Joy Express Limited	(b)	6,641	6,796

The transactions were conducted on terms and conditions mutually agreed between the relevant parties. The Directors are of the opinion that these related party transactions were conducted in the ordinary course of business of the Group.

Notes:

- (a) The selling prices of food sold to joint ventures were mutually agreed between the parties, which approximated market rates.
- (b) These related parties are controlled by the current and former Directors, namely Mr. Lee Yuen Hong, Mr. Ho Ting Chi, Mr. Cheung Yu To, Mr. Cheung Wai Keung and Mr. Cheung Yue Pui. Mr. Ho Ting Chi, Mr. Cheung Yu To, Mr. Cheung Wai Keung and Mr. Cheung Yue Pui are the former Directors. The rental fees had been determined between the Group and the parties, which approximated market rates.
- (ii) Compensation of key management personnel of the Group, including Directors' and the chief executive's remuneration, is as follows:

	Six-month period ended	
	30 September	2017
	2018	2017
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Short term employee benefits	5,052	6,741
Post-employment benefits	47	63
	5,099	6,804

16. CONTINGENT LIABILITIES

As at 30 September 2018, the Group had contingent liabilities of HK\$9,134,000 (31 March 2018: HK\$9,095,000) in respect of bank guarantees given in favour of the landlords in lieu of rental deposits.

17. PLEDGE OF ASSETS

As at 30 September 2018, certain land and buildings of the Group with net aggregate carrying amount of approximately HK\$201,434,000 (31 March 2018: HK\$205,192,000) were pledged to secure a mortgage loan granted to the Group. The Group's bank guarantee facilities were secured by the pledged time deposits of the Group amounting to HK\$9,145,000 (31 March 2018: HK\$9,102,000).

18. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform with the current period's presentation. In the opinion of the Directors, this presentation would better reflect the financial performance of the Group.

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board, I present the unaudited condensed consolidated interim results of the Group for the six months ended 30 September 2018.

Despite a rebound and a gradual improvement in the recent year, the retail market in Hong Kong has lately been coming under pressure from the Renminbi depreciation and weakened purchasing power of consumers, which have affected the Group's results for the period under review. Upon careful evaluation of the current market environment and the global economy, our management continued to refine the Group's development strategies to capture growth in the food services sector both locally and overseas.

During the period under review, the Group actively expanded its geographic coverage and established a strategic partnership with Jumbo Group Limited, one of the leading multi-dining concept food and beverage groups in Singapore, to open and operate the business of *Cha Chaan Teng* (茶餐廳) under the brand of "Tsui Wah", the Group's first overseas branch. This restaurant commenced operations in mid-June 2018.

In order to optimise the scale of operations and increase market penetration, the Group also steadily expanded its restaurant network. During the first half of this financial year, after careful and strategic selection of new restaurant locations, the Group opened a *Cha Chaan Teng* under the brand of "Tsui Wah" in Singapore; and a total of four restaurants in Hong Kong, namely (i) Maomao Eat (輕。快翠) in the Tai Kwun Centre for Heritage and Arts in Central; (ii) Maomao Eat (輕。快翠) in West Kowloon Station; (iii) Senbadou (千羽堂) in Admiralty; and (iv) Deli Blossom (花盛) in Central. The new brand Deli Blossom (花盛) is a flower-themed takeaway shop, featuring take-out boxes such as its take-away dishes namely Hainanese chicken served with vegetable rice, scallion shredded chicken served with vegetable rice and braised pork cartilage served with vegetable rice, with an aim to provide more quality and healthy food offerings for all kinds of customers. As at 30 September 2018, the Group operated a total of 74 restaurants, including 68 restaurants owned by the Group and operated under the brand of "Tsui Wah", of which 30, 34, three and one were respectively located in Hong Kong, Mainland China, Macau and Singapore. Looking forward, the Group plans to continue to open new restaurants to reach a total of 130 restaurants by 2022.

In addition to the expansion of its restaurant network, the Group also continued to actively expand its "Supreme Catering" (至尊到會) business and "Tsui Wah Delivery" (快翠送) services, and has developed five new brands including Nijuuichi Don (廿一堂) featuring Japanese fast-food, "BEAT Bakery" highlighting the use of imported flour from Japan, Maomao Eat (輕。快翠) serving authentic snacks, as well as Senbadou (千羽堂) providing simple dishes of mid-range Japanese cuisine and Deli Blossom (花盛) featuring a take-away dish called Hainanese chicken served with vegetable rice, to attract younger customers and further diversify the Group's business. The Group has also introduced AliPay (支付寶) and WeChat Pay (微信支付) in order to align with global e-payment trends as well as to provide better and more convenient services to its customers.

The Group will adopt a number of short, mid and long-term development strategies and is seeking to diversify its scope of business as well as to improve its business model through various methods, in particular:

- To diversify the Group's sources of income and to create vitality for its brands through broadening its platform, developing new brands and exploring other innovative business models in order to offer customers with more choices and a better catering experience. The Group anticipates to attract a wider customer base with "Supreme Catering" (至尊到會) providing an integrated line of professional catering services and "Tsui Wah Delivery" (快翠送) which provides delivery services. The Group will also continue to introduce new elements, flavours and options to its menu in order to broaden the Group's appeal;
- To accelerate the Group's expansion into overseas markets and across the Guangdong-Hong Kong-Macau Greater Bay Area and to strengthen its marketing efforts to attract customers from a diverse customer base in order to consolidate the Group's brand position and increase its market share in Hong Kong, Macau and Mainland China;
- To enhance the Group's data management by keeping abreast of technological developments and strengthening the Group's internal operating systems to increase its operational efficiency and production capacity, thereby revamping its food and catering business for customers to experience the best service from Tsui Wah;
- To expand the Group's production capacity by establishing a central workshop specialising in baked food and to continue to centralise the management of procurement and the distribution of raw materials to further increase the production capacity of the central kitchen;
- To enhance the Group's food quality by strictly using high-quality, healthy and safe raw ingredients and purchasing raw ingredients from reputable suppliers. The Group also strictly monitors its raw ingredients sources and continuously improves its food processing procedures to maintain food quality and safety, which is paramount in safeguarding Tsui Wah's corporate image as well as ensuring customer satisfaction;
- To raise the standard of the Group's services by strengthening the Group's personnel training and developing a sense of belonging for its staff through the core philosophy of people-oriented leadership. The Group will strategically strengthen its internal organisational structure, reward hardworking and outstanding employees as well as provide systematic and suitable training to enhance the operation of its restaurants in order to deliver excellent services to its customers. The Group has adopted a share award scheme on 9 August 2018 for the purposes of, amongst others, providing incentives to the employees who contributed to the Group;
- To actively expand the coverage of the Group's "Tsui Wah Delivery" (快翠送) services by striving to increase and optimise the speed of the delivery service and the efficiency of the order process in order to provide customers with more convenient and efficient delivery services; and

- To continue the provision of five-star service to customers with the Group’s “Supreme Catering” (至尊到會) business by catering to the needs of customers for various occasions including wedding banquet, corporate gathering, birthday party, family and friends gathering with different cuisine options including Chinese, Western and Southeast Asian cuisines.

It is our honour to receive, amongst others, the following awards and accreditations during the period under review:

- Education Bureau of the Hong Kong Special Administrative Region — Qualifications Framework Scheme’s “Qualifications Framework (QF) Star Employer”;
- World Green Organisation’s “Green Office Awards” label and “Eco-Healthy Workplace” label;
- Federation of Hong Kong Industries & Bank of China (Hong Kong)’s “BOCHK Corporate Environmental Leadership Award 2017”;
- Mystery Shopper Service Association’s “Smiling Enterprise 5+ Award” and “Smiling Employer Outstanding Award”;
- U Magazine’s “U Favourite Marketing Campaign — Tsui Wah 50th Anniversary Classic Dish Series”;
- Next Media’s “Top Service Awards 2018 — Cha Chaan Teng”; and
- Madman Monologue’s “Madman Monologue Advertising Award (TVC)”.

Looking forward, it is expected that challenges will remain for the catering industry under the current market environment and the global economy. The Group will continue to focus on revenue growth and cost control, improve its business operations and explore new markets by implementing the abovementioned strategies.

Last but not least, I would like to take this opportunity to thank, on behalf of the Board, all our staff and the management team for their hard work during the period under review, and extend my sincere gratitude to our customers, shareholders, suppliers and business partners for their long-term support and trust in the Group. The Group will continue to work harder in return for the support and encouragement we have received from the society for more than 50 years.

Lee Yuen Hong
Chairman and Executive Director

Hong Kong, 28 November 2018

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

As at 30 September 2018, the Group opened a total of five new restaurants, and continued to expand its footprint strategically. As for Hong Kong, the Group has developed five new brands including Nijuuichi Don (廿一堂) featuring Japanese fast-food, “BEAT Bakery” highlighting the use of imported flour from Japan, Maomao Eat (輕。快翠) serving authentic snacks, as well as Senbadou (千羽堂) providing simple dishes of mid-range Japanese cuisine and Deli Blossom (花盛) featuring a take-away dish called Hainanese chicken served with vegetable rice, to attract younger customers and further diversify the Group’s business.

During the period under review, the business of the Group’s new brands, though still at the early stage of investment, received positive market response. In particular, Nijuuichi Don (廿一堂), which has commenced operation for about nine months, is expected to make contribution to the Group’s profit. It is believed that the new business will become one of the key drivers for the Group’s growth in the future.

The Group has been striving to promote Hong Kong-style food and culture globally. During the six-month period ended 30 September 2018, the Group actively expanded its geographic coverage and established a strategic partnership with Jumbo Group Limited in Singapore to open and operate a Hong Kong style *Cha Chaan Teng* (茶餐廳) under the brand of “Tsui Wah”, the Group’s first overseas branch. This restaurant commenced operations in mid-June 2018.

During the same period, the Group operated a total of 74 restaurants in Hong Kong, Mainland China, Macau and Singapore, including 68 restaurants under the brand of “Tsui Wah” with 30 restaurants in Hong Kong, 34 restaurants in Mainland China, three restaurants in Macau and one restaurant in Singapore. The Group will continue to execute its development strategy in accordance with market conditions.

In addition to the expansion of its restaurant network, the Group also continued to actively expand its “Supreme Catering” (至尊到會) business and “Tsui Wah Delivery” (快翠送) services. The Group has also introduced AliPay (支付寶) and WeChat Pay (微信支付) in order to align with global e-payment trends and provide better and more convenient services to its customers.

FINANCIAL REVIEW

Revenue

The Group's revenue for the six-month period ended 30 September 2018 was approximately HK\$895.8 million, representing a decrease of approximately 1.0% as compared with approximately HK\$904.8 million of the corresponding period in 2017. The decrease in revenue was mainly due to the closure of certain restaurants in the previous financial year and the first half of this financial year as well as the unchanged domestic consumption sentiment in Hong Kong, fierce competition in Mainland China and the Renminbi depreciation during the period under review.

Cost of inventories sold

For the six-month periods ended 30 September 2017 and 2018, the cost of inventories sold amounted to approximately HK\$250.8 million and HK\$250.0 million, respectively, representing approximately 27.7% and 27.9% of the Group's revenue for the respective periods. The ratio of the cost of inventories sold in proportion to the Group's revenue for the six-month period ended 30 September 2018 remained rather stable as compared with the corresponding period last year, which was mainly attributable to various cost control measures on procurement adopted by the Group, including a bulk procurement policy, more stringent control on the food preparation process and the optimised use of centralised kitchens.

Gross profit

The Group's gross profit, equivalent to revenue minus cost of inventories sold, for the six-month period ended 30 September 2018 was approximately HK\$645.8 million, representing a decrease of approximately 1.3% from approximately HK\$654.0 million for the corresponding period in 2017. The gross profit margin of the Group for the six-month period ended 30 September 2017 and 2018 were approximately 72.3% and 72.1%, respectively. The gross profit margin for the six-month period ended 30 September 2018 remained stable as compared with the corresponding period last year.

Staff costs

Staff costs for the six-month periods ended 30 September 2017 and 2018 were approximately HK\$257.5 million and HK\$280.4 million, respectively, representing approximately 28.5% and 31.3% of the Group's revenue for the corresponding periods. The increase as compared with the corresponding period last year was mainly attributable to the increase in the total number of staff as a result of new restaurant openings in Hong Kong during the period under review.

Depreciation and amortisation

For the six-month periods ended 30 September 2017 and 2018, depreciation and amortisation were equivalent to approximately 5.9% and 6.0% of the Group's revenue for the corresponding periods, respectively. The slight increase of depreciation and amortisation to the Group's revenue was mainly due to an increase in the number of restaurants, coupled with the increase in the costs of renovation materials during the period under review.

Property rentals and related expenses

Property rentals and related expenses amounted to approximately HK\$166.8 million and HK\$157.6 million, respectively, for the six-month periods ended 30 September 2017 and 2018, representing approximately 18.4% and 17.6% of the revenue during the respective periods. The decrease in property rentals and related expenses for the six-month period ended 30 September 2018 was primarily due to a downward adjustment of rentals for some of the restaurants upon lease renewal during the period. Since the second half of 2017, in order to better control property rentals and related expenses, the Group generally negotiated longer lease terms before entering into lease agreements so as to maintain such expenses at a commercially reasonable level.

Share of profits from joint ventures

The share of profits from joint ventures amounted to approximately HK\$18.8 million for the six-month period ended 30 September 2017 and approximately HK\$20.4 million for the six-month period ended 30 September 2018, respectively. The increase was primarily due to better performance of the joint ventures and a more favourable macroeconomic environment in Macau during the period under review.

Profit for the period

The profit after tax for the period decreased by approximately HK\$33.7 million, or 70.0%, from HK\$48.2 million for the six-month period ended 30 September 2017 to approximately HK\$14.5 million for the six-month period ended 30 September 2018. The decrease was mainly due to the increase in operating expenses as a result of new restaurant openings in Hong Kong during the period under review.

Liquidity and financial resources

The Group financed its business with internally generated cash flows and proceeds received from the listing of issued shares of the Company (the “**Shares**”) on the Main Board of the Stock Exchange by way of a global offering on 26 November 2012 (the “**Listing**”). As at 30 September 2018, the Group had cash and cash equivalents amounting to approximately HK\$440.1 million (as at 31 March 2018: approximately HK\$510.0 million), representing a decrease of approximately 13.7% from 31 March 2018. The decrease was mainly due to the utilisation of funds for daily operations and capital expenditure for property, plant and equipment. Most bank deposits and cash were denominated in either Hong Kong dollars or Renminbi.

As at 30 September 2018, the Group’s total current assets and current liabilities were approximately HK\$560.8 million (as at 31 March 2018: approximately HK\$644.1 million) and approximately HK\$292.7 million (as at 31 March 2018: approximately HK\$303.3 million), respectively, while the current ratio (calculated by dividing total current assets by total current liabilities at the end of respective periods) was about 1.9 times (as at 31 March 2018: approximately 2.1 times).

The Group had finance lease payables of approximately HK\$0.6 million as at 30 September 2018 (as at 31 March 2018: HK\$0.7 million) and interest-bearing bank borrowings of approximately HK\$64.9 million as at 30 September 2018 (as at 31 March 2018: approximately HK\$66.8 million). The interest-bearing bank borrowings are secured, repayable on demand and denominated in Hong Kong dollars, and bear interest at a rate of one-month Hong Kong Interbank Offered Rate plus 1.0% (31 March 2018: HIBOR+1.0%). During the six-month period ended 30 September 2018, no financial instruments were used for hedging purposes.

As at 30 September 2018, the gearing ratio of the Group, calculated by dividing the sum of interest-bearing bank borrowings and finance lease payables by equity attributable to owners of the Company and then multiplied by 100%, was approximately 5.9% (as at 31 March 2018: approximately 5.6%).

Material acquisition or disposal

For the six-month period ended 30 September 2018, the Group had not made any material acquisitions or disposals of subsidiaries, associates or joint ventures, save for the establishment of a joint venture in Singapore with Jumbo Group Limited.

Foreign currency risk

The Group's sales and purchases for the six-month period ended 30 September 2018 were mostly denominated in Hong Kong dollars or Renminbi. The Renminbi is not a freely convertible currency. The exchange rate of the Renminbi has dropped by approximately 8.2% from approximately HK\$123.6 to RMB100 as at 1 March 2018 to approximately HK\$113.5 to RMB100 as at 28 September 2018 according to data published by the Hong Kong Association of Banks. Future exchange rates of the Renminbi could vary significantly from the current or historical exchange rates as a result of the controls that could be imposed by the PRC government. The exchange rates may also be affected by economic developments, domestic and international political changes as well as the demand and supply of the Renminbi. The appreciation or devaluation of the Renminbi against Hong Kong dollars may have an impact on the Group's results. The Group will continue to take proactive measures and closely monitor its exposure to any such currency movement.

Contingent liabilities

As at 30 September 2018, the Group had contingent liabilities of approximately HK\$9.1 million (31 March 2018: approximately HK\$9.1 million) in respect of bank guarantees given in favour of the landlords in lieu of rental deposits.

Charges on assets

Save as disclosed in note 17 to the interim financial information above, there were no other charges on the Group's assets as at 30 September 2018.

Human resources and remuneration policy

As at 30 September 2018, the Group (excluding its joint ventures) employed 4,248 employees (31 March 2018: 4,153). Remuneration packages are generally structured by reference to market terms, individual qualifications, experience and performance. The Company has also adopted two share option schemes, and details of such schemes are set forth in note 12 to the interim financial information above.

During the six-month period ended 30 September 2018, comprehensive training programmes and development initiatives pertaining to operational and occupational safety as well as customer services were provided to relevant employees in order to enhance the quality of services expected from customer-facing staff and to ensure the effective implementation of the Group's business ethos.

In addition, the Group has adopted a share award scheme on 9 August 2018 for the purposes of, amongst others, providing incentives and helping the Company in retaining its existing employees.

PROSPECTS AND OUTLOOK

The Group will continue to implement its steady and prudent restaurant-opening strategy in Hong Kong, Macau, Mainland China, Singapore and other places. The Group plans to further enhance its market share by expanding its restaurant network across different regions overseas with an aim to operate a total of 130 restaurants by 2022. The Group will continue to execute its development strategies in accordance with market conditions. To further strengthen its business operations, the Group is committed to the broadening of its platform, creating new ideas, as well as introducing and developing new brands. The Group has also continued to expand the coverage of its "Tsui Wah Delivery" (快翠送) and is dedicated to increasing and optimising the speed of the delivery service and the efficiency of the order process in order to provide customers with more convenient and efficient delivery services. In addition, the Group will continue to provide five-star service to customers with the Group's "Supreme Catering" (至尊到會) business by catering to the needs of customers for various occasions, including wedding banquet, corporate gathering, birthday party as well as family and friends' gathering with different cuisine options including Chinese, Western and Southeast Asian cuisines. The Board is confident that the Group will continue to explore business opportunities and expand its restaurant network in Hong Kong, Mainland China and overseas by leveraging the determination and wisdom of its competent management team and staff.

OTHER INFORMATION

Dividend

The Board has resolved to declare the payment of an interim dividend of HK1.0 cent per Share, totalling approximately HK\$14.1 million for the six-month period ended 30 September 2018 (six-month period ended 30 September 2017: HK2.0 cents per Share, totalling approximately HK\$28.2 million) payable on Friday, 21 December 2018 to the shareholders of the Company (the "**Shareholders**") whose names will appear on the register of members of the Company on Friday, 14 December 2018.

Closure of register of members

The register of members of the Company will be closed on Thursday, 13 December 2018 and Friday, 14 December 2018 (both dates inclusive), during which period no transfer of Shares will be registered, for ascertaining Shareholders' entitlement to receive the interim dividend. In order to be eligible to receive the interim dividend, the non-registered Shareholders must lodge all duly completed transfer forms accompanied by the relevant share certificates for registration with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, no later than 4:30 p.m. on Wednesday, 12 December 2018.

Use of proceeds

The net proceeds from the Listing were approximately HK\$794.4 million (after deducting underwriting fees and related expenses).

The use of the net proceeds from the Listing up to 30 September 2018 was approximately as follows:

Use of net proceeds	Percentage of net proceeds	Net proceeds (in HK\$ million)	Amount utilised (in HK\$ million)	Amount remaining (in HK\$ million)
Opening new restaurants and delivery centres and launch of catering service in Hong Kong	20%	158.9	(158.9)	–
Opening new restaurants in Mainland China	35%	278.0	(278.0)	–
Construction of new central kitchen in Hong Kong	10%	79.4	(79.4)	–
Construction of new central kitchens in Shanghai and Southern China	20%	158.9	(108.3)	50.6
Upgrading information technology systems	5%	39.8	(29.2)	10.6
Additional working capital and other general corporate purposes	10%	79.4	(79.4)	–
Total	100%	794.4	(733.2)	61.2

Corporate governance

The Company has adopted and complied with the code provisions (the “**Code Provisions**”) in the Corporate Governance Code as set out in Appendix 14 to the Listing Rules (the “**CG Code**”) for the six-month period ended 30 September 2018. The Company will continue to review and enhance its corporate governance practices to ensure compliance with the CG Code from time to time.

Securities transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the “**Model Code**”) as its own code of conduct governing the Directors’ transactions of the listed securities of the Company.

In response to the specific enquiries made by the Company, all the Directors who held office during the six-month period ended 30 September 2018 confirmed that they had fully complied with the required standard set out in the Model Code throughout the six-month period ended 30 September 2018.

Audit committee

The Audit Committee was established on 5 November 2012 with specific written terms of reference in compliance with Rule 3.22 of the Listing Rules and Code Provision C.3 of the CG Code. The written terms of reference were revised on 31 March 2016 in compliance with the requirements under the CG Code. The primary duties of the Audit Committee are to make recommendations to the Board on the appointment and removal of the external auditor, review the financial statements and advise on material aspects in respect of financial reporting and oversee the internal control procedures of the Company. The existing members of the Audit Committee comprise Mr. Yim Kwok Man, Mr. Goh Choo Hwee and Mr. Wong Chi Kin, of which Mr. Yim Kwok Man and Mr. Goh Choo Hwee are independent non-executive Directors, and Mr. Wong Chi Kin is a non-executive Director. Mr. Yim Kwok Man is the chairman of the Audit Committee.

The unaudited condensed consolidated interim financial information of the Group for the six-month period ended 30 September 2018 has been reviewed by the Audit Committee and the Company’s external auditors, Ernst & Young.

Share award scheme

The Company has adopted a share award scheme (the “**Share Award Scheme**”) to recognise and motivate the contribution of the eligible participants, to provide incentives and help the Company in retaining its existing participants and recruiting additional participants and to provide them with a direct economic interest in attaining the long-term business objectives of the Company. The Share Award Scheme was adopted by the Board on 9 August 2018 (the “**Adoption Date**”) and shall be valid until the business day immediately prior to the 10th anniversary of the Adoption Date. Since the Adoption Date and up to 30 September 2018, none of the issued Shares purchased has been awarded under the Share Award Scheme.

Purchase, sale or redemption of listed securities

On 26 September 2018, pursuant to the terms of the rules and trust deed of the Share Award Scheme, the trustee of the Share Award Scheme purchased a total of 32,624,000 issued Shares from an independent third party at a total consideration of approximately HK\$27.7 million.

Save as disclosed above, during the six-month period ended 30 September 2018, the Company did not redeem any of its Shares listed on the Stock Exchange nor did the Company or any of its subsidiaries purchase or sell any of such Shares.

Public float

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this interim results announcement, the Company has maintained a sufficient public float of the issued Shares (i.e. at least 25% of the issued Shares being held by the public) as required under the Listing Rules.

Significant event after the reporting period

No other material events occurred after the end of the reporting period and up to the date of this interim results announcement.

Publication of the interim report

The interim report of the Company for the six-month period ended 30 September 2018 containing all the information required by the Listing Rules will be despatched to Shareholders and published on the website of the Company (www.tsuiwah.com) as well as the designated website of the Stock Exchange (www.hkexnews.hk) in due course in the manner required by the Listing Rules.

Appreciation

The Board would like to express its sincere gratitude to the Group's management and all its staff for their continuous support and contribution. The Board also takes this opportunity to thank its loyal Shareholders, investors, customers, auditors, business partners and associates for their continued faith in the prospects of the Group.

By order of the Board
Tsui Wah Holdings Limited
Lee Yuen Hong
Chairman and Executive Director

Hong Kong, 28 November 2018

As at the date of this announcement, the Board comprises seven Directors: (a) Mr. Lee Yuen Hong (Chairman) and Mr. Lee Tsz Kin Kenji as executive Directors ; (b) Mr. Cheng Chung Fan and Mr. Wong Chi Kin as non-executive Directors; and (c) Mr. Goh Choo Hwee, Mr. Tang Man Tsz and Mr. Yim Kwok Man as independent non-executive Directors.