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翠華餐廳®

Tsui Wah Restaurant

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 2016**

FINANCIAL HIGHLIGHTS

	Six-month period ended		% Change
	30 September		
	2016	2015	
	(Unaudited)	(Unaudited)	
	HK\$'000	HK\$'000	
Revenue	931,512	952,446	(2.2)%
Hong Kong [#]	633,244	668,256	(5.2)%
Mainland China	289,265	276,281	4.7%
Others ^{##}	9,003	7,909	13.8%
EBITDA	122,019	154,968	(21.3)%
Profit attributable to owners of the Company	42,234	81,266	(48.0)%
Basic earnings per share	HK2.99 cents	HK5.75 cents	(48.0)%
Number of restaurants including joint ventures			
(As at 30 September)	2016	2015	
Hong Kong	34	34	
Mainland China	26	21	
Macau	3	2	

[#] 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\$4,522,000 (six-month period ended 30 September 2015: approximately HK\$3,676,000).

^{##} Represents revenue derived from the sale of food to a joint venture of the Group.

INTERIM RESULTS

The board (the “**Board**”) of directors (the “**Director(s)**”) of Tsui Wah Holdings Limited (the “**Company**”) announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively the “**Group**”) for the six-month period ended 30 September 2016 together with comparative figures for the corresponding period in 2015. The interim financial information for the six-month period ended 30 September 2016 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 2016

		Six-month period ended	
		30 September	
		2016	2015
		(Unaudited)	(Unaudited)
	<i>Notes</i>	HK\$'000	HK\$'000
REVENUE	4	931,512	952,446
Other income and gains		8,217	6,960
Cost of inventories sold		(268,309)	(270,195)
Staff costs		(267,617)	(263,052)
Depreciation and amortisation		(59,985)	(55,147)
Property rentals and related expenses		(158,264)	(147,150)
Fuel and utility expenses		(48,341)	(47,944)
Advertising and marketing expenses		(9,348)	(4,980)
Other operating expenses		(80,502)	(83,509)
Finance costs		(761)	(829)
Equity-settled share option expense		–	(1,321)
Share of profits of joint ventures		15,992	17,884
		<hr/>	<hr/>
PROFIT BEFORE TAX		62,594	103,163
Income tax expense	5	(20,049)	(21,352)
		<hr/>	<hr/>
PROFIT FOR THE PERIOD		42,545	81,811
		<hr/>	<hr/>
Attributable to:			
Owners of the Company		42,234	81,266
Non-controlling interests		311	545
		<hr/>	<hr/>
		42,545	81,811
		<hr/>	<hr/>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic	7	HK2.99 cents	HK5.75 cents
		<hr/>	<hr/>
Diluted	7	HK2.99 cents	HK5.74 cents
		<hr/>	<hr/>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six-month period ended 30 September 2016

	Six-month period ended	
	30 September	
	2016	2015
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
PROFIT FOR THE PERIOD	42,545	81,811
OTHER COMPREHENSIVE LOSS		
Other comprehensive loss to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	<u>(14,542)</u>	<u>(12,388)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	<u>28,003</u>	<u>69,423</u>
Attributable to:		
Owners of the Company	27,692	68,878
Non-controlling interests	<u>311</u>	<u>545</u>
	<u>28,003</u>	<u>69,423</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2016

		30 September 2016 (Unaudited) <i>HK\$'000</i>	31 March 2016 (Audited) <i>HK\$'000</i>
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment	8	636,475	644,131
Prepaid land lease payments		70,601	73,753
Intangible assets		1,962	2,286
Investments in joint ventures		57,351	41,373
Prepayments for purchases of property, plant and equipment and intangible assets		16,528	12,844
Non-current rental deposits		68,276	61,271
Deferred tax assets		22,328	23,444
		873,521	859,102
CURRENT ASSETS			
Inventories		21,993	22,833
Trade receivables	9	10,874	6,879
Prepayments, deposits and other receivables		69,966	65,386
Pledged time deposits		3,591	3,591
Cash and cash equivalents		539,481	547,231
		645,905	645,920
CURRENT LIABILITIES			
Trade payables	10	89,031	76,018
Other payables and accruals		189,391	178,795
Interest-bearing bank borrowings		74,081	76,673
Finance lease payables		62	135
Tax payable		11,105	1,898
		363,670	333,519
NET CURRENT ASSETS		282,235	312,401
TOTAL ASSETS LESS CURRENT LIABILITIES		1,155,756	1,171,503

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(Continued)

As at 30 September 2016

	30 September	31 March
	2016	2016
	(Unaudited)	(Audited)
<i>Note</i>	HK\$'000	HK\$'000
NON-CURRENT LIABILITY		
Deferred tax liabilities	<u>1,004</u>	<u>1,006</u>
Net assets	<u>1,154,752</u>	<u>1,170,497</u>
EQUITY		
Equity attributable to owners of the Company		
Issued capital	<i>11</i> 14,112	14,112
Reserves	<u>1,139,249</u>	<u>1,155,305</u>
	1,153,361	1,169,417
Non-controlling interests	<u>1,391</u>	<u>1,080</u>
Total equity	<u>1,154,752</u>	<u>1,170,497</u>

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 a chain of Hong Kong-style restaurants in Hong Kong and the People's Republic of China (the "PRC" or "Mainland China").

2. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial information 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 accounting policies and basis of preparation adopted in the preparation of the unaudited condensed consolidated interim financial statements are the same as those used in the annual financial statements for the year ended 31 March 2016, except for the adoption of certain new and revised Hong Kong Financial Reporting Standards ("HKFRSs"), which also include HKASs and Interpretations that are adopted for the first time in the current period:

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	<i>Investment Entities: Applying the Consolidation Exception</i>
Amendments to HKFRS 11	<i>Accounting for Acquisitions of Interests in Joint Operations</i>
Amendments to HKFRS 14	<i>Regulatory Deferral Accounts</i>
Amendments to HKAS 1	<i>Disclosure Initiative</i>
Amendments to HKAS 16 and HKAS 38	<i>Clarification of Acceptable Methods of Depreciation and Amortisation</i>
Amendments to HKAS 16 and HKAS 41	<i>Agriculture: Bearer Plants</i>
Amendments to HKAS 27 (2011)	<i>Equity Method in Separate Financial Statements</i>
<i>Annual Improvements 2012–2014 Cycle</i>	Amendments to a number of HKFRSs

The adoption of these new and revised HKFRSs has had no significant financial effect on these financial statements.

(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 interim unaudited condensed consolidated 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.

(c) **Change in accounting estimate**

During the period, the Group revised the estimated useful lives for leasehold improvements. In the opinion of the directors, the revised estimates can reflect the estimated useful life of the property, plant and equipment more accurately. The effect of that change in accounting estimate of the current period was a decrease in depreciation and an increase in profit after tax of HK\$3,510,000.

3. OPERATING SEGMENT INFORMATION

The Group is principally engaged in the provision of food catering services through a chain of Hong Kong-style restaurants. 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.

Geographical information

The following tables present revenue from external customers for the six-month period ended 30 September 2016 and certain non-current asset information as at 30 September 2016, by geographical area.

(a) *Revenue from external customers*

	Six-month period ended	
	30 September	
	2016	2015
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Hong Kong	633,244	668,256
Mainland China	289,265	276,281
Others*	9,003	7,909
	<u>931,512</u>	<u>952,446</u>

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.

* *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
	2016	2016
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Hong Kong	364,447	371,026
Mainland China	372,578	371,745
Others	45,892	31,616
	<u>782,917</u>	<u>774,387</u>

The non-current asset information above is based on the locations of the assets and excludes financial instruments 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	
	2016	2015
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Revenue		
Restaurant operations	917,987	940,861
Sale of food	13,525	11,585
	<u>931,512</u>	<u>952,446</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 2016 and 2015. 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	
	2016	2015
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current — Hong Kong		
Charge for the period	8,794	14,305
Under provision in prior years	598	–
Current — Elsewhere		
Charge for the period	7,324	6,511
Under provision in prior years	2,217	–
Deferred tax	1,116	536
	<u>20,049</u>	<u>21,352</u>

6. INTERIM DIVIDEND

On 28 November 2016, the Board declared an interim dividend of HK2.0 cents per share (six-month period ended 30 September 2015: HK2.0 cents per share), totalling HK\$28,224,529 (six-month period ended 30 September 2015: HK\$28,277,249).

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 2016 is based on the profit for the period of HK\$42,234,000 (six-month period ended 30 September 2015: HK\$81,266,000) attributable to ordinary equity holders of the Company and the weighted average number of 1,411,226,450 ordinary shares in issue (six-month period ended 30 September 2015: 1,413,667,779 ordinary shares in issue).

The calculation of diluted earnings per share amount for the six-month period ended 30 September 2016 is based on the profit for the period of HK\$42,234,000 (six-month period ended 30 September 2015: HK\$81,266,000) attributable to ordinary equity holders of the Company and the weighted average number of 1,411,226,450 ordinary shares in issue during the period (six-month period ended 30 September 2015: 1,415,772,555 ordinary shares in issue), 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\$59,916,000 (six-month period ended 30 September 2015: HK\$47,132,000). There were disposals of property, plant and equipment of HK\$174,000 (six-month period ended 30 September 2015: HK\$365,000). In the prior period, there was a write-off of property, plant and equipment of HK\$1,246,000.

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 2016 (Unaudited) HK\$'000	31 March 2016 (Audited) HK\$'000
Within one month	4,775	3,833
One to two months	4,131	3,046
Over two months	1,968	–
	<u>10,874</u>	<u>6,879</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\$4,434,000 (31 March 2016: HK\$3,531,000) as at 30 September 2016, 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 2016 (Unaudited) HK\$'000	31 March 2016 (Audited) HK\$'000
Within one month	53,625	45,512
One to two months	35,406	30,506
	89,031	76,018

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

11. ISSUED CAPITAL

	30 September 2016 (Unaudited) HK\$'000	31 March 2016 (Audited) HK\$'000
Authorised:		
10,000,000,000 ordinary shares of HK\$0.01 each	100,000	100,000
Issued and fully paid:		
1,411,226,450 (31 March 2016: 1,411,226,450) ordinary shares of HK\$0.01 each	14,112	14,112

In the prior year, the subscription rights attaching to 1,323,914 share options were exercised at the subscription price of HK\$2.27 per share (note 12), resulting in the issue of 1,323,914 shares of HK\$0.01 each for a total consideration, before expenses, of HK\$3,005,000. An amount of HK\$356,000 was transferred from the share option reserve to the share premium account upon the exercise of the share options.

In prior year, the Company purchased 2,636,000 of its own issued ordinary shares on the Stock Exchange at a total consideration of HK\$3,704,000. The purchased shares were cancelled in the prior year and the issued share capital of the Company was reduced by the par value of approximately HK\$26,000. The premium paid on the purchase of the shares of HK\$3,678,000, including transaction costs, has been charged to the share premium of the Company.

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/will or expected to 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 during the current and prior periods and no share options were outstanding under the Share Option Scheme as at 30 September 2016 and 31 March 2016.

(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.

The following share options were outstanding under the Pre-IPO Share Option Scheme during the period/year:

	Six-month period ended 30 September 2016		Year ended 31 March 2016	
	Weighted average exercise price <i>HK\$</i> <i>per share</i>	Number of options <i>'000</i>	Weighted average exercise price <i>HK\$</i> <i>per share</i>	Number of options <i>'000</i>
At beginning of the period/year	2.27	26,800	2.27	51,250
Exercised during the period/year	–	–	2.27	(1,324)
Forfeited during the period/year	–	–	2.27	(18,231)
Expired during the period/year	–	–	2.27	(4,895)
At end of the period/year	2.27	<u>26,800</u>	2.27	<u>26,800</u>

In the prior year, the weighted average share price at the date of exercise of the share options was HK\$2.72.

During the six-month period ended 30 September 2015, the Group recognised a share option expense of HK\$1,321,000.

The Company had 26,800,000 share options outstanding under the Pre-IPO Share Option Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 26,800,000 additional ordinary shares of the Company and additional share capital of HK\$268,000 (before issue expenses).

The 1,324,000 share options exercised in the prior year resulted in the issue of 1,324,000 ordinary shares of the Company and new share capital of HK\$13,000 (before issue expenses), as further detailed in note 11 to the condensed interim financial statements.

13. OPERATING LEASE COMMITMENTS

The Group 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 fifteen 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 2016 (Unaudited) HK\$'000	31 March 2016 (Audited) HK\$'000
Within one year	222,563	220,976
In the second to fifth years, inclusive	338,126	376,001
After five years	103,018	136,780
	<u>663,707</u>	<u>733,757</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 2016 (Unaudited) HK\$'000	31 March 2016 (Audited) HK\$'000
Contracted, but not provided for:		
Leasehold improvements	15,217	5,984
Intangible assets	822	822
	<u>16,039</u>	<u>6,806</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	
		2016	2015
		(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
Sale of food to joint ventures	<i>(a)</i>	13,525	11,585
Purchase of food from a joint venture	<i>(b)</i>	–	6
Rental fee paid and payable to:			
Success Path Limited	<i>(c)</i>	1,604	2,400
Champion Stage Limited	<i>(c)</i>	1,138	1,170
Joy Express Limited	<i>(c)</i>	6,796	6,990
Cheermax Limited	<i>(d)</i>	1,401	1,718
		<u>13,525</u>	<u>11,585</u>

The transactions were conducted on terms and conditions mutually agreed between the relevant parties. The directors of the Company 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.
- (b) The cost of purchase of food from a joint venture was made at pre-determined prices agreed between parties.
- (c) These related parties are controlled by the current and former directors of the Company, 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 Wai Keung and Mr. Cheung Yue Pui are the former directors of the Company. The rental fee was determined between the Group and the parties.
- (d) This related party is controlled by Ms. Chan Choi Fung, the wife of Mr. Lee Yuen Hong. The rental fee was determined between the Group and the party.
- (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	
	2016	2015
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Short term employee benefits	6,016	5,821
Equity-settled share option expenses	–	1,411
Post-employment benefits	62	65
	<u>6,078</u>	<u>7,297</u>

16. CONTINGENT LIABILITIES

As at 30 September 2016, the Group had contingent liabilities of HK\$3,589,000 (31 March 2016: HK\$3,589,000) in respect of bank guarantees given in favour of the landlords in lieu of rental deposits.

17. PLEDGE OF ASSETS

Certain of the Group's land and buildings with a net aggregate carrying amount of approximately HK\$216,469,000 (31 March 2016: HK\$220,228,000) were pledged to secure a mortgage loan granted to the Group. The Group's bank guarantee facilities are secured by the pledged time deposits of the Group amounting to HK\$3,591,000 (31 March 2016: HK\$3,591,000).

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board of directors (the “**Board**”) of Tsui Wah Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**” or “**Tsui Wah**”), I hereby announce the unaudited condensed consolidated interim results of the Group for the six-month period ended 30 September 2016.

Tsui Wah has been under the spotlight over the past few months. However, everything is behind us now and the Group is vigorously proceeding with a series of internal reforms, aiming at enhancing its competitiveness. Recalling the past, a number of milestones Tsui Wah has achieved throughout its development, namely the take-up of Tsui Wah by me, the opening of the restaurant at Wellington Street in Central, Hong Kong, the launch of electronic order-taking, Tsui Wah's expansion beyond Hong Kong by opening its first restaurant in Mainland China and Macau respectively and its listing on the Main Board of the Stock Exchange, remains vivid in my memory. Notwithstanding the challenges over the years, Tsui Wah has so far established itself as a leading Cha Chaan Teng (茶餐廳) chain in the Greater China Region owing to the dedication and tireless efforts of Tsui Wah's management and staff at all levels. The hard-earned achievement of Tsui Wah is attributable to the efforts made over the last half century. I, together with the management team, would strive to reward our customers for their support by leading the Group to continue its stable development and enhancing the qualities of our food and services.

The Group's results for the financial year ended 31 March 2016 were affected by the global economic fluctuations. However, our sales performance during the first half of this financial year has improved as compared to that of the second half of the last financial year. To further optimise and stabilise the structure and composition of the management team, as to the senior management, the Group appointed Mr. Pang Kwing Ho Peter as the chief executive officer with effect from 1 June 2016. Mr. Pang, who was the managing director of Supreme Catering, a business unit of the Group, is well-versed in the Group's operations. The Board believes that the appointment of Mr. Pang, who has years of experience in the strategic development and management of restaurant business, as the chief executive officer is the best choice. Recently, the Group has appointed Mr. Lee Tsz Kin Kenji as our executive director and reappointed Mr. Yang Dong John as our chief financial officer. The Group is actively identifying suitable candidates for its business operation in China.

Furthermore, the Group recognises the importance of quality food and services and has taken positive measures to rationalise its internal structure, striving for excellence by delineating workplace cooperation and strengthening its implementation capabilities. During the period under review, the Group has positively contemplated and analysed the deficiencies in its operations and come up with solutions for improvement in the following aspects:

- Production — the Group is optimising the structure of its production division by appointing 3 experienced staff members to head various departments of the division and innovating the workflow for certain dishes to ensure consistency of food qualities at all restaurants. The Group will also review its existing menu from time to time and introduce new offerings to attract customers. Besides, the Group will continue to strengthen its centralised procurement and source quality food stuff from reputable suppliers, thereby enhancing its bargaining power and cost-control capabilities. The Group will progressively increase the proportion of food stuff supplied by its central kitchens in Hong Kong and Shanghai, achieving optimal economies of scale and consistency of food qualities.
- Services — to enhance the standard of services of its frontline staff and ease the burden of their workload, the Group is streamlining the entire workflow of its operations and strengthening staff training, hoping to create an amicable, comfortable and friendly dining ambience for the customers.
- Resource management — the rapid development of Internet generates opportunities and challenges for all walks of life. In response to the development trend of “Internet Plus”, the Group has been upgrading its IT facilities, such as POS system and ERP supply chain, to further improve operational efficiency. During the period under review, the Group’s restaurants in Mainland China have accepted Alipay (支付寶) payments and all the restaurants in Mainland China and Hong Kong use smartphones to take orders from customers. To further expand the customer base, the Group has launched delivery services through the O2O food delivery service providers in most of the restaurants in Mainland China and strengthened “Tsui Wah Delivery” (快翠送) in Hong Kong. The Group believes that increasing the application of Internet will enhance operational efficiency and provide customers with a more convenient and efficient spending option.
- Strategy and planning for development — to achieve economies of scale and higher penetration rate, the Group will continue to devise a well thought-out restaurant distribution layout covering its three core business areas, namely Hong Kong, Macau and Mainland China, according to the prevailing economic environment and market demand. To maintain a payoff period of 1 to 2 years for capital expenditure, the Group will open small scale restaurants in Hong Kong and China region. Besides, the Group will further promote its “Supreme Catering” by adding such new elements as Chinese-style catering services, grilled seafood recipes and a variety of meal-boxes for corporate customers to open up new income streams.

Looking forward, challenges are expected to remain in the catering industry. We shall continue to optimise the organisation structure and management system through the above-mentioned measures, explore the possibility of enhancing its operations by the aid of hi-tech systems and improve the operational efficiency of its existing restaurants in various aspects, thereby laying a solid foundation for the long term development of the Group.

Tsui Wah is approaching its 50th anniversary. Over the years, Tsui Wah has experienced various economic cycles and the Board would like to express its gratitude to the community for persistently supporting the Group and staying with us over the years. The Group will launch a range of marketing activities, including the production of a brand new promotional video facilitating interaction with consumers through social media, to breathe new life to Tsui Wah, a Cha Chaan Teng brandname with history spanning half a century, and to capture a customer base made up of more diversified age groups.

During the period under review, the Group produced its first micro movie entitled “情懷未變” earlier this year, which took home a number of awards at the 2016 Global Micro Movie Festival, including the “最佳微電影優異獎”, “金光獎 — 優秀劇本” and the “金光獎 — 最佳影片”. Tsui Wah was also awarded “ My Most Favourite Cha Chaan Teng我最喜愛茶餐廳” by U Magazine, “最回味食府金獎” and “必吃茶餐廳” at the Best-Ever Dining Awards 2016 by Weekend Weekly新假期周刊, etc. Such awards not only recognise the Group’s insistence and efforts in providing quality food and services, but also give us the impetus towards perfection. We shall continue to show our gratitude to the community for its support for Tsui Wah by pursuing the goal of “speed, quality and perfection” widely adopted by the local catering industry in Hong Kong.

Again, I would like to take this opportunity to thank, on behalf of the Board, all the 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. Tsui Wah will persistently adhere to the “Lion Rock spirit” by realising Hong Kong people’s living philosophy of striving for continuous self-improvement to take on challenges proactively and strive for another 50 glorious years with better performance. I am confident of Tsui Wah’s strategies and its management team and, more importantly, the future of Tsui Wah.

Lee Yuen Hong

Chairman and Executive Director

Hong Kong, 28 November 2016

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATION REVIEW

Hong Kong operations

As at 30 September 2016, the Group operated thirty four restaurants in Hong Kong.

The Group's delivery service, "Tsui Wah Delivery" (快翠送) has continued to expand its coverage in Kowloon as well as some areas on the Hong Kong Island and in the New Territories during the six-month period ended 30 September 2016. It represents a potential source of long term profit and business growth for the Group.

To cope with its business development, the Group has relocated its new central kitchen in Hong Kong since February 2015. It has further strengthened the Group's centralised procurement and logistics management capabilities, achieved economies of scale and increased synergies. Through its "Supreme Catering" (至尊到會) facility, the Group is also committed to providing comprehensive on-site catering services to its valued customers.

Mainland China operations

During the six-month period ended 30 September 2016, the Group has opened three new restaurants in shopping malls in the PRC, namely Deji Plaza in Nanjing, EPMALL in Shenzhen and AMall in Guangzhou. Through the opening of new restaurants in the PRC, the Group has continued to expand its footprint in Mainland China, further enhancing the brand awareness of "Tsui Wah".

Macau operations

During the six months ended 30 September 2016, the Group has opened one new restaurant in Starworld Hotel, Macau in August 2016.

As at 30 September 2016, the Group had three "Tsui Wah" restaurants in Macau and these restaurants have been operating under joint venture arrangement with the Group's joint venture partners.

AWARDS

During the six-month period ended 30 September 2016, the Group has been granted the following awards:

Issuer of Award	Award
Mystery Shopper Service Association 香港神秘顧客服務協會	Smiling-Enterprise Award 2015-2016 2015-2016年度「微笑企業」大獎
Airport Authority Hong Kong 香港機場管理局	Airport Safety Recognition Scheme — Best Safety Supervisor 機場安全嘉許計劃 — 最優秀安全督導員
Hong Kong Brand Development Council 香港品牌發展局	Hong Kong Top Brand 香港名牌
The Federation of Hong Kong Industries (FHKI) 香港工業總會	2015 BOCHK Corporate Environmental Leadership Awards — EcoChallenger 中銀香港企業環保領先大獎2015 — 環保優秀企業
World Green Organisation 世界綠色組織	Green Office Awards Labelling Scheme (GOALS) 綠色辦公室獎勵計劃
South China Morning Post (SCMP) 南華早報	Enterprising Hong Kong Brand Awards 2016 (EHKBA) 香港企業品牌大獎 2016
Asia Pacific Creativity Industries Association Limited (APCIA) 亞太文化創意產業總會	2016 香港文化創意產業大獎
Correctional Services Department and the Centre for Criminology of the University of Hong Kong 懲教署及香港大學犯罪學中心	“Unleashing Rehabilitated Offenders’ Potential” Caring Employer Award 2016 「助更生，展所長」愛心僱主 2016
Friesl and Campina (Hong Kong) Limited 菲仕蘭（香港）有限公司	黑白淡奶業界港式奶茶文化貢獻大獎（茶餐廳組）
Junior Chamber International Dragon 騰龍青年商會	The Best Employee and Employer Award 2016 (BEEA) 最佳僱員僱主2016
World Green Organisation 世界綠色組織	Sustainable Business Award 企業可持續發展大獎

These awards are recognitions of the Group’s quality operations and the efforts of the Group’s dedicated work force. The Board would like to express its gratitude and appreciation to the staff for their continuous efforts in bringing high quality food and services to customers in Hong Kong and the PRC.

PROSPECTS AND OUTLOOK

The Group has effectively implemented its restaurant-opening strategy in Hong Kong, Macau and the PRC. During the six-month period ended 30 September 2016, the Group opened a total of four new restaurants in Macau and the PRC. The Group plans to further enhance its market share by consolidating and expanding its restaurant network in Hong Kong and across different regions of the PRC. It will continue to execute its well-planned restaurant-opening strategy according to market conditions. To further strengthen its business operations in Hong Kong, the Group has continued to expand the coverage of its delivery service “Tsui Wah Delivery” (快翠送) and is dedicated to increasing and optimising the speed and ordering efficiency of “Tsui Wah Delivery” (快翠送) in order to provide more convenient services to its customers. In addition, the Group will continue to provide its five-star catering service under the brand name of “Supreme Catering” (至尊到會) for the customers. The Board is confident that the Group will continue to explore business opportunities and expand its restaurant network in both Hong Kong and the PRC.

FINANCIAL REVIEW

Revenue

The Group’s revenue for the six-month period ended 30 September 2016 was approximately HK\$931.5 million, representing a decrease of approximately 2.2% as compared with approximately HK\$952.4 million of the corresponding period in 2015. The decrease in revenue was mainly due to the slower economic growth in Mainland China, the deterioration in Hong Kong’s retail industry in year 2016 and the dropping of the number of tourists from Mainland China.

As at 30 September 2016, the Group operated 34 restaurants in Hong Kong, 26 restaurants in the PRC, and 3 restaurants in Macau.

Cost of inventories sold

For each of the six-month periods ended 30 September 2015 and 2016, the cost of inventories sold amounted to approximately HK\$270.2 million and HK\$268.3 million, respectively, representing approximately 28.4% and 28.8% of the Group’s revenue for the respective periods. The ratio of the cost of inventories sold to the Group’s revenue has slightly increased as a result of a general increase in food cost.

Gross profit

The Group’s gross profit, which equals the revenue minus cost of inventories sold, for the six-month period ended 30 September 2016 was approximately HK\$663.2 million, representing a decrease of approximately 2.8% from approximately HK\$682.3 million of the corresponding period in 2015. The gross profit margin of the Group for each of the six-month periods ended 30 September 2015 and 2016 was approximately 71.6% and 71.2%, respectively. The decrease in gross profit was mainly attributable to a slight increase in food cost.

Staff costs

The staff costs for each of the six-month periods ended 30 September 2015 and 2016 were approximately HK\$263.1 million and HK\$267.6 million, respectively, representing approximately 27.6% and 28.7% of the Group's revenues in the corresponding periods. The increase was attributable to the general increase in the labour cost in the food and catering sector in recent years, the hiring of new staff for the opening of new restaurants and the maintaining of the Group's competitiveness in human resources.

Depreciation and amortisation

For each of the six-month periods ended 30 September 2015 and 2016, the depreciation and amortisation was equivalent to approximately 5.8% and 6.4% of the Group's revenues for the respective periods. The increase was mainly due to an increase in the number of shops, coupled with the increase in the costs of renovation materials during the period.

Property rentals and related expenses

The property rentals and related expenses amounted to approximately HK\$147.2 million and HK\$158.3 million, respectively for each of the six-month periods ended 30 September 2015 and 2016, representing approximately 15.5% and 17.0% of the respective periods' revenues. The increase in property rentals and related expenses for the six-month period ended 30 September 2016 was primarily due to the opening of new restaurants by the Group during the period. In order to realize a better control in the property rentals and related expenses, the Group negotiated rental agreements for a longer term with its landlord(s) so as to maintain the rentals at a reasonable level.

Fuel and utility expenses

For each of the six-month periods ended 30 September 2015 and 2016, the fuel and utility expenses accounted for approximately 5.0% and 5.2%, respectively, of the Group's revenues for the respective periods.

Other operating expenses

Other operating expenses amounted to approximately HK\$83.5 million and HK\$80.5 million for each of the six-month periods ended 30 September 2015 and 2016, respectively, representing approximately 8.8% and 8.6% of the Group's revenues for the respective periods. The decrease in other operating expenses in the six-month period ended 30 September 2016 was mainly due to the reduction in exchange losses as a result of reducing the Renminbi balance maintained for the Hong Kong operation. Besides, the cost associated with the opening of new restaurants was reduced due to less shops being open during the period.

Share of profits of joint ventures

Share of the profits of joint ventures amounted to approximately HK\$17.9 million for the six-month period ended 30 September 2015 and approximately HK\$16.0 million for the six-month period ended 30 September 2016. The decrease was primarily due to the economic downturn in Macau, which in turn affected the local retail and catering performance despite the Group's opening of a new shop during the period under review.

Profit before tax

The profit before tax decreased by approximately HK\$40.6 million, or approximately 39.3%, from approximately HK\$103.2 million for the six-month period ended 30 September 2015 to approximately HK\$62.6 million for the six-month period ended 30 September 2016. The decrease was mainly due to the slower economic growth in Mainland China, the deterioration in Hong Kong retail industry in year 2016 and the dropping of the number of tourists from Mainland China.

However, the profit before tax increased by approximately HK\$ 28.4 million, or approximately 83.0%, from approximately HK\$34.2 million for the six-month period ended 31 March 2016 (excluding the effect of the provision for impairment of fixed assets amounting to approximately HK\$27.8 million) to approximately HK\$ 62.6 million for the six-month period ended 30 September 2016. The increase was mainly due to an increase of revenue for the six-month period ended 30 September 2016 compared with that of the six-month period ended 31 March 2016, and reduction of the cost associated with the opening of new restaurant due to less shops being opened during the period.

Liquidity and financial resources

The Group finances its business with internally generated cash flows and proceeds received from the listing of shares of the Company (the “**Share(s)**”) on the Main Board of the Stock Exchange by way of a global offering in November 2012. As at 30 September 2016, the Group had bank deposits and cash amounting to approximately HK\$539.5 million (as at 31 March 2016: approximately HK\$547.2 million), representing a decrease of approximately 1.4% from 31 March 2016. The decrease was mainly due to the increase in costs and prepayments of the restaurants' opening and renovation. Most bank deposits and cash were denominated in Hong Kong dollars and Renminbi.

As at 30 September 2016, the Group's total current assets and current liabilities were approximately HK\$645.9 million (as at 31 March 2016: approximately HK\$645.9 million) and approximately HK\$363.7 million (as at 31 March 2016: approximately HK\$333.5 million), respectively, while the current ratio was about 1.8 times (as at 31 March 2016: about 1.9 times).

The Group had finance lease payables of approximately HK\$0.1 million as at 30 September 2016 (as at 31 March 2016: approximately HK\$0.1 million) and interest-bearing bank borrowings of approximately HK\$74.1 million as at 30 September 2016 (as at 31 March 2016: approximately HK\$76.7 million). The interest-bearing bank borrowings are secured, repayable on demand and denominated in Hong Kong dollars, and bear interest at a rate of 1 month Hong Kong Interbank Offered Rate plus 1.75%. During the six-month period ended 30 September 2016, no financial instruments were used for hedging purposes.

As at 30 September 2016, the gearing ratio of the Group, which was calculated based on the sum of interest-bearing bank borrowings and finance lease payables over equity attributable to owners of the Company, was approximately 6.4% (as at 31 March 2016: approximately 6.6%).

Material acquisition or disposal

For the six-month period ended 30 September 2016, the Group had not made any material acquisition or disposal.

Foreign currency risk

The Group's sales and purchases for the six-month period ended 30 September 2016 were mostly denominated in Hong Kong dollars and Renminbi. The Renminbi is not a freely convertible currency. 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 and political changes domestically and internationally, and the demand and supply of the Renminbi. The appreciation or devaluation of the Renminbi against Hong Kong dollars may have impact on the Group's results. During the six-month ended 30 September 2016, the Group noted that there was a devaluation of Renminbi against Hong Kong dollars. The Group will continue to take proactive measures and monitor closely its exposure to such currency movement.

Contingent liabilities

As at 30 September 2016, the Group had contingent liabilities of approximately HK\$3.6million (31 March 2016: approximately HK\$3.6 million) in respect of bank guarantees given in favour of landlords in lieu of rental deposits.

Charges on assets

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

Human resources

As at 30 September 2016, the Group (excluding its joint ventures) employed approximately 4,153 employees (31 March 2016: 4,175). Remuneration packages are generally structured by reference to market terms and individual qualifications and experience. The Company has also adopted two share option schemes, details of such schemes are set forth in note 12 to the interim financial information.

During the six-month period ended 30 September 2016, various training activities, such as training on operational safety, management skills as well as mentorship program, had been conducted to improve the front-end quality of services as well as to ensure the smooth and effective installation of the Group's business systems. The Group has continued to implement the management trainee program to enhance the depth and breadth of the management of the Group for their future career development.

OTHER INFORMATION

Dividend

The Board has resolved to declare an interim dividend of HK2.0 cents per Share for the six-month period ended 30 September 2016 (2015: HK2.0 cents) payable on Thursday, 22 December 2016 to the shareholders of the Company whose names appear on the register of members of the Company on Wednesday, 14 December 2016.

Closure of register of members

The register of members of the Company will be closed from Tuesday, 13 December 2016 and Wednesday, 14 December 2016, both dates inclusive, during which period no transfer of Shares will be effected. In order to qualify for the interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at 22 Level, Hopewell Centre, 183 Queen's Road East, Hong Kong, no later than 4:30 p.m. on Monday, 12 December 2016.

Use of proceeds

The issued Shares were initially listed on the Main Board of the Stock Exchange on 26 November 2012 (the “**Listing**”) with net proceeds from the global offering of the Company of approximately HK\$794.4 million (after deducting underwriting fees and related expenses).

The use of net proceeds from the Listing up to 30 September 2016 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	(153.8)	5.1
Opening new restaurants in 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	(108.2)	50.7
Upgrading information technology systems	5%	39.8	(15.2)	24.6
Additional working capital and other general corporate purposes	10%	79.4	(79.4)	–
Total	100%	794.4	(714.0)	80.4

Corporate governance

The Company has adopted and complied with the code provisions (the “**Code Provisions**”) in the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 14 to the Listing Rules for the six-month period ended 30 September 2016. The Company will continue to review and enhance its corporate governance practices to ensure compliance with the CG Code from time to time.

Model Code for securities transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as a code of conduct of the Company regarding 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 as at 30 September 2016 confirmed that they had fully complied with the required standard set out in the Model Code throughout the six-month period ended 30 September 2016.

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 interim financial information for the six-month period ended 30 September 2016 has been reviewed by the Audit Committee and the external auditors, Ernst & Young.

Purchase, sale or redemption of listed securities

During the six-month period ended 30 September 2016, 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 sufficient prescribed public float of the issued Shares as required under the Listing Rules.

Events after the reporting period

(a) Cessation of discussions of disposal of the Shares

On 11 October 2016, the Company was notified by Cui Fa Limited, Ample Favour Limited and Victor Leap Limited (the “**Potential Vendors**”) that the Potential Vendors had ceased discussions with an independent third party in respect of a possible disposal of the shares of the Company, which might result in a change in control of the Company. Please refer to the Company’s announcements dated 19 July, 19 August, 19 September and 11 October 2016 respectively.

(b) Changes in the Board’s and certain Board committees’ composition

On 1 November 2016, the following changes in the composition of the Board and certain Board committees took place:

- (i) the appointment of Mr. Lee Tsz Kin Kenji as an executive Director;

- (ii) the redesignation of Mr. Wong Chi Kin as a non-executive Director, and his resignation as the chairman and a member of the nomination committee of the Board (the “**Nomination Committee**”) and a member of the remuneration committee of the Board (the “**Remuneration Committee**”);
- (iii) the appointment of each of Mr. Cheng Chung Fan and Mr. Cheng Yu Sang as a non-executive Director;
- (iv) the appointment of Mr. Tang Man Tsz as an independent non-executive Director and a member of each of the Remuneration Committee and the Nomination Committee; and
- (v) the appointment of Mr. Lee Yuen Hong as the chairman of the Nomination Committee.

For further details, please refer to the announcement of the Company dated 1 November 2016. Save as disclosed above, no other material events occurred after 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 2016 containing all the information required by the Listing Rules will be despatched to the shareholders of the Company and published on the website of the Company (www.tsuiwah.com) and the designated website of the Stock Exchange (www.hkexnews.hk) in due course.

Appreciation

The Board would like to express its sincere gratitude to the management of the Group and all the staff for their continuous support and contributions. 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 2016

As at the date of this announcement, the executive Directors are Messrs. Lee Yuen Hong, Cheung Yu To and Lee Tsz Kin Kenji; the non-executive Directors are Messrs. Cheng Chung Fan, Cheng Yu Sang and Wong Chi Kin; and the independent non-executive Directors are Messrs. Goh Choo Hwee, Tang Man Tsz and Yim Kwok Man.