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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 2017**

FINANCIAL HIGHLIGHTS	Six-month period ended		% Change
	30 September		
	2017	2016	
	(Unaudited)	(Unaudited)	
	HK\$'000	HK\$'000	
Revenue	904,841	931,512	(2.9)%
Hong Kong [#]	590,505	633,244	(6.7)%
Mainland China	303,899	289,265	5.1%
Others*	10,437	9,003	15.9%
EBITDA	115,562	122,019	(5.3)%
Profit attributable to owners of the Company	48,009	42,234	13.7%
Basic earnings per share	HK3.40 cents	HK2.99 cents	13.7%
Number of restaurants including joint ventures			
(As at 30 September)	2017	2016	
Hong Kong	31	34	
Mainland China	31	26	
Macau	3	3	

[#] Revenue from external customers located in Hong Kong included revenue derived from the sale of food to a joint venture of the Group amounting to approximately HK\$4,441,000 (six-month period ended 30 September 2016: approximately HK\$4,522,000).

* Represented 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**”) is pleased to announce 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 2017 together with relevant comparative audited or unaudited figures. The interim financial information for the six-month period ended 30 September 2017 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 2017

		Six-month period ended 30 September	
		2017	2016
		(Unaudited)	(Unaudited)
	Notes	HK\$'000	HK\$'000
REVENUE	4	904,841	931,512
Other income		5,843	8,217
Cost of inventories sold		(256,119)	(268,309)
Staff costs		(257,471)	(267,617)
Depreciation and amortisation		(53,676)	(59,985)
Property rentals and related expenses		(166,844)	(158,264)
Fuel and utility expenses		(43,359)	(48,341)
Selling and distribution expenses		(18,662)	(15,637)
Other operating expenses		(70,159)	(74,213)
Finance costs		(785)	(761)
Share of profits of joint ventures		18,797	15,992
		<hr/>	<hr/>
PROFIT BEFORE TAX		62,406	62,594
Income tax expense	5	(14,179)	(20,049)
		<hr/>	<hr/>
PROFIT FOR THE PERIOD		48,227	42,545
		<hr/> <hr/>	<hr/> <hr/>
Attributable to:			
Owners of the Company		48,009	42,234
Non-controlling interests		218	311
		<hr/>	<hr/>
		48,227	42,545
		<hr/> <hr/>	<hr/> <hr/>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic	7	HK3.40 cents	HK2.99 cents
		<hr/>	<hr/>
Diluted	7	HK3.40 cents	HK2.99 cents
		<hr/>	<hr/>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME*For the six-month period ended 30 September 2017*

	Six-month period ended	
	30 September	
	2017	2016
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
PROFIT FOR THE PERIOD	48,227	42,545
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>20,395</u>	<u>(14,542)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	<u>68,622</u>	<u>28,003</u>
Attributable to:		
Owners of the Company	68,404	27,692
Non-controlling interests	<u>218</u>	<u>311</u>
	<u>68,622</u>	<u>28,003</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2017

		30 September 2017 (Unaudited) <i>HK\$'000</i>	31 March 2017 (Audited) <i>HK\$'000</i>
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment	8	585,791	603,690
Prepaid land lease payments		69,350	67,595
Intangible assets		4,864	5,501
Investments in joint ventures		66,299	64,497
Prepayments for purchases of property, plant and equipment and intangible assets		64,666	35,377
Non-current rental deposits		61,485	49,052
Deferred tax assets		20,718	18,950
		873,173	844,662
CURRENT ASSETS			
Inventories		19,398	18,312
Trade receivables	9	10,715	7,641
Prepayments, deposits and other receivables		126,143	98,352
Tax recoverable		5,989	9,048
Pledged time deposits		10,063	8,098
Cash and cash equivalents		483,149	496,604
		655,457	638,055
CURRENT LIABILITIES			
Trade payables	10	88,789	77,044
Other payables and accruals		151,649	151,303
Interest-bearing bank borrowings		68,875	71,485
Finance lease payables		117	–
Tax payable		7,686	4,200
		317,116	304,032
NET CURRENT ASSETS		338,341	334,023
TOTAL ASSETS LESS CURRENT LIABILITIES		1,211,514	1,178,685

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(Continued)

As at 30 September 2017

		30 September	31 March
		2017	2017
		(Unaudited)	(Audited)
	<i>Note</i>	HK\$'000	HK\$'000
NON-CURRENT LIABILITIES			
Other payable and accruals		29,758	17,294
Finance lease payables		377	–
Deferred tax liabilities		2,342	1,083
		<hr/>	<hr/>
Total non-current liabilities		32,477	18,377
		<hr/>	<hr/>
Net assets		1,179,037	1,160,308
		<hr/> <hr/>	<hr/> <hr/>
EQUITY			
Equity attributable to owners of the Company			
Issued capital	<i>11</i>	14,112	14,112
Reserves		1,163,912	1,144,901
		<hr/>	<hr/>
		1,178,024	1,159,013
Non-controlling interests		1,013	1,295
		<hr/>	<hr/>
Total equity		1,179,037	1,160,308
		<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 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 of the Group for the six-month period ended 30 September 2017 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 of the Group for the six-month period ended 30 September 2017 are the same as those used in the annual financial statements for the year ended 31 March 2017, 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 HKAS 7	<i>Disclosure Initiative</i>
Amendments to HKAS 12	<i>Recognition of Deferred Tax Assets for Unrealised Losses</i>
Amendments to HKFRS 12	<i>Disclosure of Interests in Other Entities</i>
included in <i>Annual Improvement 2014–2016 Cycle</i>	

The adoption of the revised HKAS and HKFRSs does not have any significant impact on the financial statements of the Group.

(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.

(c) Change in accounting estimate

In the prior 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 prior 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 2017 and certain non-current assets information as at 30 September 2017, by geographical area.

(a) *Revenue from external customers*

	Six-month period ended	
	30 September	
	2017	2016
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Hong Kong [#]	590,505	633,244
Mainland China	303,899	289,265
Others*	10,437	9,003
	904,841	931,512

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 included revenue derived from the sale of food to a joint venture of the Group amounting to approximately HK\$4,441,000 (six-month period ended 30 September 2016: approximately HK\$4,522,000).

* Represented 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
	2017	2017
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Hong Kong	349,242	347,622
Mainland China	387,170	375,140
Others	54,558	53,898
	790,970	776,660

The non-current asset information above is based on the locations of the assets and excludes non-current rental deposits 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	
	2017	2016
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Revenue		
Restaurant operations	889,963	917,987
Sale of food	14,878	13,525
	<u>904,841</u>	<u>931,512</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 2017 and 2016. 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	
	2017	2016
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current — Hong Kong		
Charge for the period	7,562	8,794
Under/(over)provision in prior years	(2,981)	598
Current — Elsewhere		
Charge for the period	9,889	7,324
Underprovision in prior years	218	2,217
Deferred tax	(509)	1,116
	<u>14,179</u>	<u>20,049</u>

6. INTERIM DIVIDEND

On 28 November 2017, the Board declared the payment of an interim dividend of HK2.0 cents per share (six-month period ended 30 September 2016: HK2.0 cents per share), totalling HK\$28,224,529 (six-month period ended 30 September 2016: HK\$28,224,529).

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

The calculation of the basic and diluted earnings per share amount for the six-month period ended 30 September 2017 is based on the profit for the period of HK\$48,009,000 (six-month period ended 30 September 2016: HK\$42,234,000) attributable to ordinary equity holders of the Company and the weighted average number of 1,411,226,450 ordinary shares (six-month period ended 30 September 2016: 1,411,226,450 ordinary shares) in issue.

No adjustment has been made to basic earnings per share amounts presented for the periods ended 30 September 2017 and 2016 in respect of a dilution as the impact of the Pre-IPO share options outstanding had an anti-dilutive effect on the basic earnings per share amounts presented.

8. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired property, plant and equipment of HK\$23,874,000 (six-month period ended 30 September 2016: HK\$59,916,000). There were write-offs of items of property, plant and equipment of HK\$929,000 (six-month period ended 30 September 2016: Nil). In the prior period, there were disposals of items of property, plant and equipment of HK\$174,000.

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 2017 (Unaudited) HK\$'000	31 March 2017 (Audited) HK\$'000
Less than one month	4,795	4,699
One month to two months	4,718	2,942
Over two months	1,202	–
	<u>10,715</u>	<u>7,641</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\$4,537,000 as at 30 September 2017 (31 March 2017: HK\$4,144,000), 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 2017 (Unaudited) HK\$'000	31 March 2017 (Audited) HK\$'000
Less than one month	55,997	51,994
One month to two months	<u>32,792</u>	<u>25,050</u>
	<u>88,789</u>	<u>77,044</u>

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

11. ISSUED CAPITAL

	30 September 2017 (Unaudited) HK\$'000	31 March 2017 (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 2017 and 31 March 2017.

(b) Pre-IPO share option scheme

The Company operates a 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.

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

	Six-month period ended 30 September 2017		Year ended 31 March 2017	
	Exercise price <i>HK\$</i> <i>per share</i>	Number of options <i>'000</i>	Exercise price <i>HK\$</i> <i>per share</i>	Number of options <i>'000</i>
At beginning of the period/year and at end of the period/year	2.27	<u>26,800</u>	2.27	<u>26,800</u>

No share options were exercised or cancelled or lapsed under the Pre-IPO Share Option Scheme during the current period and prior year.

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 2017 (Unaudited) HK\$'000	31 March 2017 (Audited) HK\$'000
Within one year	217,436	216,650
In the second to fifth years, inclusive	399,805	400,415
After five years	62,968	83,697
	<u>680,209</u>	<u>700,762</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 2017 (Unaudited) HK\$'000	31 March 2017 (Audited) HK\$'000
Contracted, but not provided for:		
Land and buildings	–	8,122
Leasehold improvements	15,227	2,661
Intangible assets	4,141	847
	<u>19,368</u>	<u>11,630</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	2016
		(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
Sale of food to joint ventures	<i>(a)</i>	14,878	13,525
Rental fees paid and payable to:			
Success Path Limited	<i>(b)</i>	1,604	1,604
Champion Stage Limited	<i>(b)</i>	1,138	1,138
Joy Express Limited	<i>(b)</i>	6,796	6,796
Cheermax Limited	<i>(c)</i>	–	1,401
		14,878	13,525

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 Wai Keung and Mr. Cheung Yue Pui are the former Directors. Mr. Cheung Yu To ceased to be a Director with effect from 1 November 2017. The rental fees had been determined between the Group and the parties, which approximated market rates.
- (c) In the prior period, this related party was controlled by Ms. Chan Choi Fung, the wife of Mr. Lee Yuen Hong. The rental fee had been mutually agreed between 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	2016
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Short term employee benefits	6,741	6,016
Post-employment benefits	63	62
	6,804	6,078

16. CONTINGENT LIABILITIES

As at 30 September 2017, the Group had contingent liabilities of HK\$10,050,000 (31 March 2017: HK\$8,092,000) in respect of bank guarantees given in favour of the landlords in lieu of rental deposits.

17. PLEDGE OF ASSETS

As at 30 September 2017, certain land and buildings of the Group with a net aggregate carrying amount of approximately HK\$208,951,000 (31 March 2017: HK\$212,710,000) 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\$10,063,000 (31 March 2017: HK\$8,098,000).

18. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Fair value hierarchy

The Group did not have any financial assets measured at fair value as at 30 September 2017 and 31 March 2017.

Liabilities for which fair values are disclosed:

<i>HK\$'000</i>	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
As at 30 September 2017				
Other payable and accruals — non-current portion	—	29,758	—	29,758
Finance lease payables	—	494	—	494
	—	30,252	—	30,252
As at 31 March 2017				
Other payable and accruals — non-current portion	—	17,294	—	17,294

19. 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 of Directors of the Company, I am pleased to announce the unaudited consolidated interim results of the Group for the six months ended 30 September 2017.

In spite of the existing socio-economic uncertainties in Hong Kong and the global economy, there has been a gradual improvement in the retail market of Hong Kong and the recovery of the Chinese and US economies. During the period under review, with sound corporate governance policies, the Group has been able to effectively control its costs. It has strived to consolidate its financial position through strategic growth and accelerated its market penetration by continuously expanding the Tsui Wah brand across eastern China. The Group is also enhancing its organisational structure and management, in order to operate its business efficiently and optimise its procurement and production processes. The Group will continue to diligently serve its customers with the utmost care by enhancing customer experience and product quality.

In order to optimise the scale of the Group's operations and rate of market penetration, the Group is undergoing steady expansion in respect of its restaurant network. During the first half of this financial year, after careful and strategic selection of new restaurant locations, the Group opened two new restaurants in eastern China, namely Shanghai Dingxiang branch and Shanghai Raffles City Changning branch. As at 30 September 2017, the Group operated 65 restaurants and it will continue to open new restaurants to reach a total of 130 restaurants by 2022.

As part of the celebrations for Tsui Wah's 50th anniversary and the 5th anniversary of the Company's listing on the Stock Exchange, the Group has sponsored a Cantonese drama series jointly produced by Television Broadcast Limited and Tencent Penguin Pictures (騰訊企鵝影視). The Group has also invited a renowned local celebrity Mr. Louis Cheung (張繼聰) as its brand ambassador to promote Tsui Wah's brand image and heighten awareness. The 50th anniversary of Tsui Wah is not simply a remarkable milestone for the Group, but also a fruitful result of the enormous support received from all walks of life. It also marks a new starting point for Tsui Wah. 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 improve its business model through various methods, in particular:

- To diversify the Group's sources of income and to create vitality for its brand through the broadening of its platform, development of new brands and exploring other innovative business models, hoping to offer customers with more choice and a better catering experience. The Group expects to attract a wider customer base with "Supreme Catering" (至尊到會) by 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;

- Strengthening marketing to attract customers from a diverse customer base and consolidating the Group's branding position in Hong Kong, Macau and Mainland China by accelerating its expansion to oversea markets and across the Guangdong-Hong Kong-Macau Greater Bay Area, so as to increase its market share;
- The Group will improve its data management by keeping abreast of technological developments, as well as enhancing the Group's internal operating systems to increase its operational efficiency and production capacity and to establish a modern and highly efficient food and catering business in order for customers to experience the best service from Tsui Wah;
- In order to increase the Group's production capacity, a factory specialising in baked goods will be launched in 2018, and the Group will 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 food quality, the Group strictly uses high-quality, healthy and safe raw ingredients, and purchases food from reputable suppliers. The Group also strictly monitors its food 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; and
- Raising the standard of the Group's services, strengthening the Group's training personnel and developing a sense of belonging for its staff through 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 improve the operation of its restaurants in order to deliver excellent services to its customers.

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

- Hong Kong Tourism Board's "Outstanding QTS Merchant Service Staff Award 2017 (Front-line staff) — Chinese Cuisine Silver Award";
- Weekend Weekly Magazine's "2017 Best Ever Dining Awards — Best *Cha Chaan Teng*";
- South China Morning Post's "Enterprising Hong Kong Brand Awards — 2017 Best Hong Kong Travel and Hospitality Brand (Publicly-listed company) — Special Commendation";
- World Green Organisation's "Green Office Award" and "2017 Sustainable Business Award"; and
- Federation of Hong Kong Industries & Bank of China (Hong Kong)'s "BOCK Corporate Environmental Leadership Award 2016".

Rooted in Hong Kong for 50 years, Tsui Wah has witnessed the "Spirit of Lion Rock" within the people of Hong Kong, which is characterised by the attitude of striving to become stronger. By adhering to the principle of "speed, quality and perfection", the Group continues to grow with the people of Hong Kong and through supporting each other, we have witnessed many changes in society and have overcome a number of economic cycles together. In addition to promoting local food culture, the Group is also committed to continuously adding new vitality to its 50-year-old brand so that it can keep up with changes over time. Upon the 5th anniversary of Tsui Wah's listing on the Stock Exchange, the Group is determined to develop Tsui Wah in a more diverse, varied and multi-directional manner to propagate the Tsui Wah brand worldwide to sustain a growing momentum for the Group.

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 love we have received from society, and equip ourselves with a proactive and positive attitude to welcome our next 50th anniversary.

Lee Yuen Hong
Chairman and Executive Director

Hong Kong, 28 November 2017

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

As at 30 September 2017, the Group operated 31 restaurants in Hong Kong, 31 restaurants in Mainland China and three restaurants in Macau under the brand of Tsui Wah, respectively, and of which the three restaurants in Macau have been operating under a joint venture arrangement. The Group operated a total of 65 restaurants in Hong Kong, Mainland China and Macau.

During the six-month period ended 30 September 2017, the Group opened a total of two new restaurants in Mainland China, namely Shanghai Dingxiang branch and Shanghai Raffles City Changning branch. 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.

In addition, during the period under review, the Group has continued to expand its delivery service “Tsui Wah Delivery” (快翠送) and has further strengthened its 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. This represents a potential source of long-term profit and growth for the Group’s business.

FINANCIAL REVIEW

Revenue

The Group’s revenue for the six-month period ended 30 September 2017 was approximately HK\$904.8 million, representing a decrease of approximately 2.9% as compared with approximately HK\$931.5 million of the corresponding period in 2016. 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 sluggish domestic consumption sentiment and fierce competition in Mainland China during the period under review.

Cost of inventories sold

For the six-month periods ended 30 September 2016 and 2017, the cost of inventories sold amounted to approximately HK\$268.3 million and HK\$256.1 million, respectively, representing approximately 28.8% and 28.3% of the Group’s revenue for the respective periods. The decrease in the ratio of the cost of inventories sold vis-a-vis the Group’s revenue as compared with the corresponding period last year was mainly due to the fact that the Group strengthened its management and control of food preparation and the reduction in the wastage of ingredients during the period and continued to maintain a centralised procurement strategy, which in turn reduced the bulk purchase cost while strengthening its central kitchens in both Hong Kong and Mainland China. The Group also actively optimised its menu combinations to help improve the level of inventory and reduce cost in relation to food processing.

Gross profit

The Group's gross profit, equivalent to revenue minus cost of inventories sold, for the six-month period ended 30 September 2017 was approximately HK\$648.7 million, representing a decrease of approximately 2.2% from approximately HK\$663.2 million for the corresponding period in 2016. The gross profit margin of the Group for the six-month period ended 30 September 2016 and 2017 were approximately 71.2% and 71.7%, respectively. The increase in gross profit was mainly attributable to the aforementioned measures leading to a decrease in food costs.

Human resources and remuneration policy

Staff costs for the six-month periods ended 30 September 2016 and 2017 approximately HK\$267.6 million and HK\$257.5 million, respectively, representing approximately 28.7% and 28.5% of the Group's revenue for the corresponding periods. The decrease as compared with the corresponding period last year was mainly attributable to the improvement in labour costs, achieved through the streamlining of business procedures by the Group, which in turn enhanced operational efficiency, optimised personnel structure and consolidated a modern model of operation.

Depreciation and amortisation

For the six-month periods ended 30 September 2016 and 2017, depreciation and amortisation were equivalent to approximately 6.4% and 5.9% of the Group's revenues respectively. The decrease of depreciation and amortisation to the Group's revenue was mainly due to fewer restaurants being opened and the Group exerting tighter control over the costs of renovating restaurants and new restaurant openings during the period under review.

Property rentals and related expenses

Property rentals and related expenses amounted to approximately HK\$158.3 million and HK\$166.8 million, respectively, for the six-month periods ended 30 September 2016 and 2017, representing approximately 17.0% and 18.4% of the revenue during respective periods. The increase in property rentals and related expenses for the six-month period ended 30 September 2017 was primarily due to which were preparing for opening during the period. In order to control property rentals and related expenses better, 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\$16.0 million for the six-month period ended 30 September 2016 and approximately HK\$18.8 million for the six-month period ended 30 September 2017, respectively. The increase was primarily due to the gradual recovery of the economy in Macau, leading to an increase in the number of tourists, which in turn stimulated the catering income of restaurants adjacent to hotels, thereby increasing the contribution to the income of the Group from restaurants in Macau during the period under review.

Profit for the period

The profit for the period increased by approximately HK\$5.7 million, or 13.4%, from HK\$42.5 million for the six-month period ended 30 September 2016 to approximately HK\$48.2 million for the six-month period ended 30 September 2017. The increase was mainly due to a decrease in income tax expenses and operating expenses.

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 2017, the Group had cash and cash equivalents amounting to approximately HK\$483.1 million (as at 31 March 2017: approximately HK\$496.6 million), representing a decrease of approximately 2.7% from 31 March 2017. 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 2017, the Group’s total current assets and current liabilities were approximately HK\$655.5 million (as at 31 March 2017: approximately HK\$638.1 million) and approximately HK\$317.1 million (as at 31 March 2017: approximately HK\$304.0 million), respectively, while the current ratio (calculated by dividing current assets by current liabilities) was about 2.1 times (as at 31 March 2017: approximately 2.1 times).

The Group had finance lease payables of approximately HK\$0.5 million as at 30 September 2017 (as at 31 March 2017: nil) and interest-bearing bank borrowings of approximately HK\$68.9 million as at 30 September 2017 (as at 31 March 2017: approximately HK\$71.5 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 1.75%. During the six-month period ended 30 September 2017, no financial instruments were used for hedging purposes.

As at 30 September 2017, 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, was approximately 5.9% (as at 31 March 2017: approximately 6.2%).

Material acquisition or disposal

For the six-month period ended 30 September 2017, the Group had not made any material acquisitions or disposals.

Foreign currency risk

The Group's sales and purchases for the six-month period ended 30 September 2017 were mostly denominated in Hong Kong dollars or 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, 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 2017, the Group had contingent liabilities of approximately HK\$10.1 million (31 March 2017: approximately HK\$8.1 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 the interim financial information above, there were no other charges on the Group's assets.

Human resources

As at 30 September 2017, the Group (excluding its joint ventures) employed approximately 4,292 employees (31 March 2017: 4,280). Remuneration packages are generally structured in reference to market terms, individual qualifications, experience and performance. The Company has also adopted two share option schemes, details of such schemes are set forth in note 12 to the interim financial information above.

During the six-month period ended 30 September 2017, 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.

PROSPECTS AND OUTLOOK

The Group will continue to implement its steady and prudent restaurant-opening strategy in Hong Kong, Macau and Mainland China. The Group plans to further enhance its market share by expanding its restaurant network across different regions overseas. The Group will continue to execute its development strategy 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 delivery service “Tsui Wah Delivery” (快翠送) and is dedicated to increasing and optimising the speed and ordering efficiency of “Tsui Wah Delivery” in order to provide a more convenient service to its customers. In addition, the Group will continue to provide its customers with its five-star catering service under “Supreme Catering” (至尊到會). The Group has been striving to fulfill customer needs by offering Chinese, Western and South Asian cuisines for its catering services on various occasions such as weddings and business banquets, birthday parties as well as gatherings for family and friends. The Board is confident that the Group will continue to explore business opportunities and expand its restaurant network in both 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 HK2.0 cents per Share for the six-month period ended 30 September 2017 (six-month period ended 30 September 2016: HK2.0 cents per Share) payable on Thursday, 21 December 2017 to the shareholders of the Company (the “**Shareholders**”) whose names appear on the register of members of the Company on Thursday, 14 December 2017.

Closure of register of members

The register of members of the Company will be closed on Wednesday, 13 December 2017 and Thursday, 14 December 2017 (both dates inclusive), during which period no transfer of Shares will be effected. In order to qualify for the interim dividend, the non-registered Shareholders must lodge all transfer documents 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 Tuesday, 12 December 2017.

Use of proceeds

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

The use of net proceeds from the Listing up to 30 September 2017 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	(25.6)	14.2
Additional working capital and other general corporate purposes	10%	79.4	(79.4)	–
Total	100%	794.4	(729.6)	64.8

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 2017. 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 (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules 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 2017 confirmed that they had fully complied with the required standard set out in the Model Code throughout the six-month period ended 30 September 2017.

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 2017 has been reviewed by the Audit Committee and the Company's external auditors, Ernst & Young.

Purchase, sale or redemption of listed securities

During the six-month period ended 30 September 2017, 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 in the public hands) as required under the Listing Rules.

Significant event after the reporting period

Change in the Board's composition

On 1 November 2017, the following change in the composition of the Board took place:

- (i) the resignation of Mr. Cheung Yu To as an executive Director.

For further details, please refer to the announcement of the Company dated 11 August 2017.

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 2017 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.

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 2017

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