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翠華集團®

TSUI WAH GROUP

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 MONTHS ENDED 30 SEPTEMBER 2023**

FINANCIAL HIGHLIGHTS			
	Six months ended 30 September		% Change
	2023	2022	
	(Unaudited)	(Unaudited)	
	HK\$'000	HK\$'000	
Revenue	497,285	414,564	20.0%
Hong Kong	258,472	241,001	7.2%
Mainland China	231,276	170,953	35.3%
Others*	7,537	2,610	188.8%
EBITDA[^]	75,681	161,277	(53.1%)
Profit attributable to owners of the Company	6,747	40,867	(83.5%)
Basic earnings per share	HK0.49 cent	HK2.96 cents	(83.3%)
NUMBER OF RESTAURANTS INCLUDING JOINT VENTURES			
	As at 30 September 2023	As at 31 March 2023	As at 30 September 2022
Hong Kong	32	34	37
Mainland China	35	39	40
Macau	3	3	3
Singapore	3	3	4

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

[^] Means earnings before interest, tax, depreciation and amortisation.

INTERIM RESULTS

The board of directors of Tsui Wah Holdings Limited (the “Company”, the “Director(s)” and the “Board”, respectively) announces the unaudited consolidated interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 September 2023 (the “Review Period”) together with relevant comparative audited or unaudited figures. The interim financial information for the Review Period has not been audited, but has been reviewed by the audit committee of the Board (the “Audit Committee”).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 September 2023

		Six months ended	
		30 September	
		2023	2022
		(Unaudited)	(Unaudited)
	<i>Notes</i>	HK\$'000	HK\$'000
REVENUE	4	497,285	414,564
Other income and other gains		16,046	23,590
Gain on disposal of assets held for sale	5	–	84,244
Cost of inventories sold		(131,041)	(120,319)
Staff costs		(162,055)	(143,605)
Depreciation and amortisation		(21,728)	(26,200)
Depreciation of right-of-use assets		(48,344)	(85,154)
Property rentals and related (expenses)/income		(24,943)	883
Fuel and utility expenses		(22,919)	(21,075)
Selling and distribution expenses		(22,559)	(24,274)
Other operating expenses		(89,835)	(53,152)
Finance costs		(5,150)	(8,008)
Share of profit of joint ventures		19,781	658
		<hr/>	<hr/>
PROFIT BEFORE TAX	6	4,538	42,152
Income tax (expense)/credit	7	(1,719)	361
		<hr/>	<hr/>
PROFIT FOR THE PERIOD		2,819	42,513
Attributable to:			
Owners of the Company		6,747	40,867
Non-controlling interests		(3,928)	1,646
		<hr/>	<hr/>
		2,819	42,513
		<hr/> <hr/>	<hr/> <hr/>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic and diluted	9	HK0.49 cent	HK2.96 cents
		<hr/> <hr/>	<hr/> <hr/>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2023

	Six months ended 30 September	
	2023	2022
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
PROFIT FOR THE PERIOD	2,819	42,513
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	<u>(14,251)</u>	<u>(35,365)</u>
TOTAL COMPREHENSIVE INCOME (EXPENSE) FOR THE PERIOD, NET OF TAX	<u>(11,432)</u>	<u>7,148</u>
Attributable to:		
Owners of the Company	(7,504)	5,502
Non-controlling interests	<u>(3,928)</u>	<u>1,646</u>
	<u>(11,432)</u>	<u>7,148</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2023

		As at 30 September 2023 (Unaudited) <i>HK\$'000</i>	As at 31 March 2023 (Audited) <i>HK\$'000</i>
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment	<i>10</i>	169,016	175,735
Investment properties		92,923	98,967
Right-of-use assets	<i>10</i>	201,292	258,877
Intangible assets		2,365	2,835
Investments in joint ventures		57,605	37,816
Prepayments and deposits paid in advance for purchases of property, plant and equipment and intangible assets		814	13,227
Non-current deposits and other receivables		64,765	66,258
		<hr/>	<hr/>
Total non-current assets		588,780	653,715
CURRENT ASSETS			
Inventories		10,518	8,695
Trade receivables	<i>11</i>	4,396	4,162
Prepayments, deposits and other receivables		83,928	83,936
Tax recoverable		203	216
Restricted cash		2,500	2,500
Non-pledged time deposits		–	100,000
Cash and cash equivalents		226,043	186,395
		<hr/>	<hr/>
Total current assets		327,588	385,904

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

As at 30 September 2023

		As at 30 September 2023 (Unaudited) <i>HK\$'000</i>	As at 31 March 2023 (Audited) <i>HK\$'000</i>
	<i>Notes</i>		
CURRENT LIABILITIES			
Trade payables	12	33,067	28,170
Other payables and accruals		116,464	119,603
Lease liabilities		114,719	126,992
Tax payable		16,857	14,732
		281,107	289,497
Total current liabilities		281,107	289,497
NET CURRENT ASSETS		46,481	96,407
TOTAL ASSETS LESS CURRENT LIABILITIES		635,261	750,122
NON-CURRENT ASSETS			
Other payable and accruals		9,819	10,142
Lease liabilities		155,552	204,636
Deferred tax liabilities		1,147	1,184
		166,518	215,962
Total non-current liabilities		166,518	215,962
Net assets		468,743	534,160
EQUITY			
Equity attributable to owners of the Company			
Issued capital	13	14,112	14,112
Reserves		474,409	535,898
		488,521	550,010
Non-controlling interests		(19,778)	(15,850)
Total equity		468,743	534,160

NOTES TO INTERIM FINANCIAL STATEMENTS

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 Review Period, the Company acted as an investment holding company and its subsidiaries were principally engaged in the provision of food catering services through restaurants and bakery shops in Hong Kong, Mainland China, Macau and Singapore.

2. BASIS OF PREPARATION

The interim results set out in this announcement do not constitute the Company's interim report for the Review Period (the "**Interim Report**") but are extracted from the report.

The unaudited consolidated financial statements of the Group for the Review Period (the "**Interim Financial Statements**") have been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"), including compliance with Hong Kong Accounting Standard ("**HKAS**") 34, "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). They have been prepared under the historical cost convention. These Interim Financial Statements are presented in Hong Kong dollars ("**HK\$**") and all values are rounded to the nearest thousand except when otherwise stated.

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

The Interim Financial Statements have been prepared in accordance with the same accounting policies adopted in the Group's audited annual consolidated financial statements for the year ended 31 March 2023 (the "**2023 Annual Financial Statements**"), except for the accounting policy changes that are expected to be reflected in the annual financial statements for the year ending 31 March 2024.

The accounting policies adopted in the preparation of the Interim Financial Statements are consistent with those applied in the preparation of the 2023 Annual Financial Statements, except as disclosed below.

Changes in accounting policies and disclosures

The HKICPA has issued certain amendments to Hong Kong Financial Reporting Standards ("**HKFRSs**") that are first effective for the current accounting period of the Company. None of these developments has had a material effect on how the Company's results and financial position for the current or prior periods have been prepared or presented. The Company has not applied any new standard or interpretation that is not yet effective for the current accounting period.

The HKICPA has also issued a new HKICPA guidance on the accounting implications of the mandatory provident fund-long service payment offsetting mechanism in July 2023. As the Group is in the progress of making an assessment, further impacts may be identified in due course.

3. OPERATING SEGMENT INFORMATION

The Group is principally engaged in the provision of food catering services through restaurants and bakery shops. 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 Review Period and certain non-current assets information as at 30 September 2023 by geographical area.

(a) Revenue from external customers

	Six months ended 30 September	
	2023	2022
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Hong Kong	258,472	241,001
Mainland China	231,276	170,953
Others*	7,537	2,610
	<u>497,285</u>	<u>414,564</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 10% or more of the Group's total revenue during both periods, no information about major customers is presented.

* "Others" mainly represents revenue derived from the sale of food to a joint venture of the Group.

(b) Non-current assets

	As at 30 September 2023	As at 31 March 2023
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Hong Kong	188,617	226,297
Mainland China	277,801	323,344
Others	57,597	37,816
	<u>524,015</u>	<u>587,457</u>

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

4. REVENUE

An analysis of revenue is as follows:

	Six months ended	
	30 September	
	2023	2022
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Revenue		
Income from restaurant operations transferred at a point in time under HKFRS 15	487,263	401,859
Sales of food transferred at a point in time under HKFRS 15	10,022	12,705
	497,285	414,564

Performance obligation

The performance obligation of revenue from restaurant operations is satisfied upon completion of the service.

The performance obligation from sales of food is satisfied upon delivery of the food and payment is generally due from delivery to 60 days from delivery.

5. GAIN ON DISPOSAL OF ASSETS HELD FOR SALE

On 14 April 2022, the Group entered into a sale and purchase agreement with an independent third party to dispose of its properties, namely (i) Units Nos. 1601, 1602, 1603, 1604, 1605, 1606, 1607 and 1608 on the 16th Floor of Riley House, No. 88 Lei Muk Road, Kwai Chung, New Territories, Hong Kong; and (ii) Units Nos. 1701, 1702, 1703 and 1704 on the 17th Floor of Riley House, No. 88 Lei Muk Road, Kwai Chung, New Territories, Hong Kong (Lot No. 937 IN D.D. 450) at a total consideration of HK\$264,044,650, and the transaction was completed on 14 July 2022 (the “**Completion**”).

Following the Completion, the Group had recognised a gain on disposal of assets held for sale of approximately HK\$84,244,000 during the six months ended 30 September 2022 the (“**Previous Review Period**”).

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Six months ended	
	30 September	
	2023	2022
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Cost of inventories sold	131,041	120,319
Depreciation of items of property, plant and equipment	19,807	24,289
Depreciation of right-of-use assets	48,344	85,154
Depreciation of investment properties	1,560	1,500
Amortisation of intangible assets	361	411
Gain on disposal of assets held for sale (<i>Note 5</i>)	–	(84,244)
Impairment of property, plant and equipment	13,214	–
Impairment of right-of-use assets	23,366	2,157
Foreign exchange differences, net	570	704
	<u>148,664</u>	<u>129,846</u>
Employee benefit expenses (including Directors' and chief executive's remuneration):		
Wages and salaries	148,664	129,846
Retirement benefit scheme contributions	13,391	13,759
	<u>162,055</u>	<u>143,605</u>
Government subsidies (included in other income and other gains) (<i>Note</i>)	(177)	(18,417)
COVID-19-related rent concessions received	(737)	(19,772)
	<u>(914)</u>	<u>(38,189)</u>

Note:

For the Previous Review Period, these represented subsidies granted by the Hong Kong Government under the Anti-epidemic fund. There were no unfulfilled conditions or other contingencies attaching to the subsidies and the Government grant that had been recognised by the Group.

7. INCOME TAX EXPENSE/(CREDIT)

The Company was incorporated in the Cayman Islands. It is tax exempted as no business was carried out in the Cayman Islands under the tax laws of the Cayman Islands during both periods.

Under the two-tiered profits tax rates regime, the first HK\$2 million of assessable profits of a qualifying group entity established in Hong Kong will be taxed at 8.25% (2022: 8.25%), and profits above that amount will be subject to the tax rate of 16.5% (2022: 16.5%). The profits of the group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at 16.5% (2022: 16.5%).

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the locations in which the Group operates.

	Six months ended	
	30 September	
	2023	2022
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current — Hong Kong		
Over provision in prior periods	–	(225)
Current — Elsewhere		
Charge for the period	1,753	–
Over provision in prior periods	–	(103)
Deferred tax	(34)	(33)
	<hr/>	<hr/>
Total tax charge/(credit) for the period	<u>1,719</u>	<u>(361)</u>

8. INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of HK1.0 cent per share to the shareholders of the Company (the “**Shareholders**”) for the Review Period (the Previous Review Period: nil). This dividend is not reflected as a dividend payable in the Interim Financial Statements, but will be reflected as an appropriation of reserves for the year ending 31 March 2024.

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

The calculation of the basic earnings per share amount for the Review Period is based on the profit for the period of approximately HK\$6,747,000 (the Previous Review Period: approximately HK\$40,867,000) attributable to ordinary equity holders of the Company and the weighted average number of 1,411,226,450 ordinary shares of the Company for the Review Period (the Previous Review Period: 1,411,226,450 ordinary shares of the Company) in issue deducting the weighted average number of shares held under the share award scheme of the Company (the “**Share Award Scheme**”) of 44,221,000 ordinary shares (the Previous Review Period: 29,624,000 ordinary shares of the Company).

The Group had no potentially dilutive ordinary shares in issue during both periods. Accordingly, diluted earnings per share for both periods was the same as the basic earnings per share.

10. PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

During the Review Period, the Group acquired property, plant and equipment of HK\$17,427,000 (the Previous Review Period: HK\$5,110,000). No write-off of items of property, plant and equipment was recognised.

11. TRADE RECEIVABLES

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

	As at 30 September 2023 (Unaudited) HK\$'000	As at 31 March 2023 (Audited) HK\$'000
Less than one month	783	1,567
One to two months	427	891
Over two months to three months	752	249
Over three months	<u>2,434</u>	<u>1,455</u>
	<u>4,396</u>	<u>4,162</u>

The trading terms of the Group with its customers are mainly settlement in cash and by smart card, 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 the Group's senior management. The Group does not hold any collateral or other credit enhancement over its trade receivable balances. Trade receivables are non-interest-bearing. They are stated net of loss allowance.

Included in the Group's trade receivables are amounts due from the Group's joint-ventures of HK\$4,844,000 as at 30 September 2023 (31 March 2023: HK\$3,548,000), which are repayable on credit terms similar to those offered to the major customers of the Group.

12. TRADE PAYABLES

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

	As at 30 September 2023 (Unaudited) HK\$'000	As at 31 March 2023 (Audited) HK\$'000
Less than one month	21,104	20,544
One to two months	9,574	5,585
Over two months	2,389	2,041
	<u>33,067</u>	<u>28,170</u>

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

13. ISSUED CAPITAL

	As at 30 September 2023 (Unaudited) HK\$'000	As at 31 March 2023 (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>

14. COMMITMENTS

The Group had the following capital commitments at the end of the reporting periods:

	As at 30 September 2023 (Unaudited) HK\$'000	As at 31 March 2023 (Audited) HK\$'000
Contracted, but not provided for:		
Leasehold improvements	10,259	14,884
Intangible assets	343	831
	<u>10,602</u>	<u>15,715</u>

15. RELATED PARTY TRANSACTIONS

- (i) In addition to the transactions detailed elsewhere in the Interim Financial Statements, the Group had the following material transactions with related parties during the periods:

		Six months ended	
		30 September	
		2023	2022
		(Unaudited)	(Unaudited)
	<i>Notes</i>	HK\$'000	HK\$'000
Sale of food to joint ventures	(a)	7,472	2,610
Laundry service fee paid and payable to a related party	(b)	<u>200</u>	<u>147</u>

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 and usual 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 the market rates.
- (b) The related party is controlled by a close family member of certain Directors. The service fee was mutually agreed between the parties, which approximately the market rate.
- (ii) Compensation of key management personnel of the Group, including the remuneration of the Directors and the chief executive, is as follows:

	Six months ended	
	30 September	
	2023	2022
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Short term employee benefits	4,020	3,575
Post-employment benefits	<u>70</u>	<u>63</u>
	<u>4,090</u>	<u>3,638</u>

16. FINANCIAL INSTRUMENTS BY CATEGORY

As at 30 September 2023 and 31 March 2023, all the financial assets and liabilities of the Group were at amortised cost.

The carrying amounts of the Group's financial assets and liabilities carried at amortised cost were not materially different from the fair values as at 30 September 2023 and 31 March 2023.

17. CONTINGENT LIABILITIES

At the end of the reporting period, contingent liabilities not provided for in the Interim Financial Statements were as follows:

	As at 30 September 2023 (Unaudited) HK\$'000	As at 31 March 2023 (Audited) HK\$'000
Bank guarantees in favour of landlords in lieu of rental deposits (unsecured)	<u>2,871</u>	<u>3,697</u>
	<u>2,871</u>	<u>3,697</u>

CHAIRMAN'S STATEMENT

Dear Shareholders:

On behalf of the Board, I hereby present the unaudited consolidated financial statements of the Group for the Review Period (the “**Interim Financial Statements**”).

BUSINESS REVIEW

With the three-year-long pandemic over, all anti-pandemic measures finally lifted and the borders reopened, the habit of people dining out has returned, which has given the Group's business the impetus to recover. During the Review Period, the Group made revenue of approximately HK\$497.3 million, representing an increase of approximately 20.0% against the same period of last year, with profit attributable to owners of Company reaching approximately HK\$6.7 million. It is worth noting that in the previous same review period, the Group recorded a one-time revenue of HK\$84.2 million from the sale of certain properties. If that being excluded, the results of the Group in the first half of this year would had improved markedly when compared with the same period of last year.

However, as the overall catering market was still shrouded in challenges in the first half of 2023, the Group's business performance in different markets varied notably during the Review Period. In Hong Kong, with the pandemic dragging on for three years, the consumption habits of Hong Kong people have changed drastically. Besides, as more and more Hong Kong people incline to go north to spend their money, local consumption power has diminished, coupled with labour shortages and rising costs, the catering industry has been adversely affected. To meet these challenges, we have kept optimizing our business model to raise efficiency and competitiveness.

Outside Hong Kong, food and beverage consumption in Mainland China recovered at a good momentum in the first half of 2023. Benefiting from easy transportation access, cross-city consumption in the Greater Bay Area continued to boom and our restaurants in Macau performed particularly well. As for the Singapore market, the Group, with a profound brand story of the Group, has won the heart of consumers, who are fond of Hong Kong-style food and beverage. However, amid fierce market competition, the Group has to innovate continuously to cope with market changes and competitive pressure.

OUTLOOK

Looking ahead, there are still certain challenges as well as opportunities in the catering market. Given the increasing demand on dining experience, and that digital solutions such as online ordering platforms, mobile payment and smart ordering systems have become increasingly popular, we plan to rejuvenate the “Tsui Wah” brand with a history of more than half a century, and return in a fresh image to the prime location in Central of Hong Kong to provide customers with a dining experience like never before. Moreover, the Group will continue developing sub-brands in Hong Kong, and creating as well as adjusting products with a view to catering for the needs of young people’s market and demand for diversified tastes.

In light of the rapid development of the Greater Bay Area, the Group plans to open new restaurants in the area in the second half of 2023 to meet the needs of local consumers and enlarge its market share. For the Singapore market, we are preparing to open our fourth restaurant in the first quarter of 2024 and continue promoting Hong Kong-style dining culture overseas.

AWARDS AND RECOGNITIONS

During the Review Period, we received a number of major awards and recognitions, including “2023–24 Caring Company” by The Hong Kong Council of Social Service, “2021–2023 Hong Kong Green Organisation” by the Environmental Campaign Committee, “HKCT Certificate Award and Business Award 2023 — Most Outstanding Chain Restaurant of the Year” by Hong Kong Commercial Times, “A Recognised Quality Merchant” by the Hong Kong Tourism Board, “Brand of the Year 2023–2024” by World Branding Award and “The Asia’s Most Valuable Brand Awards” by MythFocus.

APPRECIATION

I would like to take this opportunity to relay my sincere gratitude to all shareholders and investors, customers, suppliers and business partners for supporting the Group. I would also like to thank our management team and colleagues for their dedication and contribution to the Group’s business during the Review Period.

Lee Yuen Hong

Chairman and Executive Director

Hong Kong, 24 November 2023

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the Review Period, the Group's business in Hong Kong, Mainland China, Macau and Singapore had been improved by the removal of anti-pandemic measures which were imposed during the pandemic. As people resumed their habit of dining out, the market sentiment of the catering industry began to recover. Alongside with the full resumption of the normal travel between Hong Kong and Mainland China, the number of inbound visitors has been steadily increased, which further increased the recovery momentum in the catering industry. In Mainland China, after the relaxation of anti-pandemic control measures, the footfall in the market picked up gradually, and the production and operation of the catering industry had been restored in an orderly manner during the Review Period.

As at 30 September 2023, a total of 73 restaurants were operated by the Group in Hong Kong, Mainland China, Macau and Singapore. During the Review Period, the Group had opened a total of 2 restaurants and closed down 8 restaurants. The Group has been taking a strategic approach to redevelop its restaurant network and will carry out timely arrangements.

Hong Kong

During the Review Period, the catering industry in Hong Kong gradually recovered from the impact of the pandemic and the macro environment continued posing challenges. As more and more Hong Kong people incline to go north to spend their money, local consumption power has diminished.

On the other hand, the prices of global raw materials and energy have been on the rise due to various factors, including the pandemic and international conflicts. These increases in costs can have a direct impact on the catering industry, leading to higher food costs and operating expenses.

Additionally, the labour shortage in Hong Kong has been a going concern since the fourth quarter of 2022, which makes it more challenging for businesses in the catering industry to recruit and retain talented employees. As a result, the costs associated with hiring and retaining staff may also increase.

In view of this uncertain factor, the Group has responded proactively by adhering to prudent financial management policies and implementing stringent cost control measures. By continuously optimizing the operating strategy and business layout, the Group demonstrates its toughness in its operation. This approach ensures the steady development of core businesses and reinforces the Group's ability to response to challenges.

The Group's brands in Hong Kong include "Tsui Wah (翠華)", "Nijuuichi Don (廿一堂)", "Homurice (揚食屋)", "Ceylon (錫蘭)", "Ging Sun Ho King of Bun (堅信號上海生煎皇)" and "From Seed to Wish", etc. After a review of the Group's restaurant network, during the Review Period, the Group had closed down 3 restaurants in Hong Kong and 5 restaurants in Mainland China, while we had opened 1 restaurant in Hong Kong and 1 restaurant in Mainland China respectively.

Mainland China

The Group's business in Mainland China has shown a relatively stable development trend, with business growth in the first half of 2023 exceeding 35% on a year-on-year basis. However, with the complexity and variability of the external market environment and changes in catering development trends, competition in the catering industry has become increasingly fierce. The Group will continue strengthening its operational management capabilities and brand promotion, establishing joint ventures for new brands, increasing traffic and effects on online platforms (such as Douyin (抖音), Dianping (點評), etc.) and continue to optimizing our takeaway services.

In terms of development strategy, we continue shifting our focus to cities in the Guangdong-Hong Kong-Macao Greater Bay Area. In the first half of 2023, we closed 5 stores whose tenancies had expired and opened a flagship store in Nansha District, Guangzhou for the first time. At the same time, we will open 2 more flagship stores in the Greater Bay Area in the 4th quarter of 2023, and continue developing a flagship store plus multiple Tsui Wah Express stores in one area as its core strategy.

Others

In Singapore, the Group has maintained its strategic partnership with Jumbo Group Limited ("Jumbo") and is operating a Hong Kong style Cha Chaan Teng (茶餐廳) under the brand of "Tsui Wah". Leveraging on Jumbo's strong presence in Singapore, the Group is confident that this joint venture will continue to be successful and expects that "Tsui Wah" will establish an excellent international reputation of its products among the approximately 5.9 million population to expand its business network in Singapore.

The Group currently has 3 restaurants in Singapore and plans to open a restaurant in the first quarter of 2024. The lifting of vaccination-differentiated safe management measures in Singapore in October 2022, coupled with the easing of border restrictions worldwide, has had a positive impact on the revenue front in our Singapore operations. However, we remain cautious about rising operating costs, including raw materials, manpower, rental and utilities, as well as the ongoing manpower shortage and projected world economic headwinds.

In Macau, the Macau government has fully resumed the group express travel endorsements for mainland residents traveling to Macau. Many concerts and exhibitions are held in major hotels in Macau, which attracts many artists and international companies coming to Macau from around the world.

Driven by the Macau government's policies and activities, there are a large number of tourists visiting Macau, thereby boosting Macau's economy and the Group's "Tsui Wah" brand business in Macau.

The Macau government actively promotes the "1+4" moderately diversified economic development strategy, and in accordance with the goal of building a world tourism and leisure center, actively promotes the diversified development of Macau's tourism and leisure, and strives to improve, refine and strengthen the comprehensive tourism and leisure industry.

Our Group has started to invest in self-service ordering at the Tsui Wah branch of Macau, which has improved the table turnover rate to a certain extent.

FINANCIAL REVIEW

Revenue

Revenue of the Group for the Review Period was approximately HK\$497.3 million, representing an increase of approximately 20.0% as compared with approximately HK\$414.6 million for the six months ended 30 September 2022 (the "**Previous Review Period**"). The increase in revenue was mainly attributable to the lifting of social distancing measures which were imposed in Hong Kong, Macau and Mainland China.

Cost of inventories sold

The cost of inventories sold for the Review Period was approximately HK\$131.0 million, representing an increase of approximately 8.9% as compared with approximately HK\$120.3 million for the Previous Review Period. The cost of inventories sold accounted for approximately 26.4% of the Group's revenue for the Review Period (the Previous Review Period: approximately 29.0%). The decrease in ratio of cost of inventories sold in proportion to the Group's revenue was mainly attributable to the effectiveness of the Group's strategies in controlling and reviewing the prices of food materials applied since the Previous Review Period.

Gross profit

The Group's gross profit (equivalent to revenue minus the cost of inventories sold) for the Review Period was approximately HK\$366.2 million, representing an increase of 24.5% compared with approximately HK\$294.3 million for the Previous Review Period. The increase was mainly due to the increase in revenue as a result of the lifting of the social distancing measures in Hong Kong, Macau and Mainland China.

Staff costs

The Group's staff costs for the Review Period were approximately HK\$162.1 million, representing an increase of approximately 12.8% as compared with approximately HK\$143.6 million for the Previous Review Period. The increase was mainly due to the increase in wage in order to retain employees in an intense labour market.

Depreciation and amortisation

During the Review Period, (1) depreciation and amortisation were approximately HK\$21.7 million, equivalent to approximately 4.4% of the Group's revenue (the Previous Review Period: approximately HK\$26.2 million, equivalent to 6.3% to the Group's revenue); and (2) depreciation of right-of-use assets was approximately HK\$48.3 million, equivalent to 9.7% of the Group's revenue (the Previous Review Period: approximately HK\$85.2 million, equivalent to 20.5% to the Group's revenue). The decrease in the combined ratio of depreciation and amortisation and depreciation of right-of-use assets to the Group's revenue was mainly due to the decrease in the number of restaurants, as well as the impairment loss recognised for the year ended 31 March 2023 which had reduced the net book value of the property, plant and equipment and right-of-use assets.

Other operating expenses

Other operating expenses for the Review Period increased by approximately 69.0% as compared with the Previous Review Period, from approximately HK\$53.2 million for the Previous Review Period to approximately HK\$89.8 million for the Review Period, which represented approximately 18.1% of the Group's revenue for the Review Period. The increase were mainly attributable to the impairment of right-of-use assets and property, plant and equipment.

	Six months ended	
	30 September	
	2023	2022
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Other operating expenses included:		
Tools and consumables	12,077	10,532
Logistic and transportation	8,034	6,161
Repair and maintenance	5,979	4,376
Staff welfare	7,051	5,270
Sanitation	5,140	4,312
Foreign exchange differences, net	570	704
Impairment of property, plant and equipment	13,214	–
Impairment of right-of-use assets	23,366	2,157
Other operating related expenses	14,404	19,640
	<u>89,835</u>	<u>53,152</u>

Finance costs

Finance costs amounted to HK\$5.2 million for the Review Period, representing a decrease of HK\$2.8 million from the Previous Review Period, which was mainly the interest on lease liabilities of approximately HK\$5.1 million.

Share of profit from joint ventures

There was share of profit from joint ventures amounting to approximately HK\$19.8 million for the Review Period, as compared with that of approximately HK\$0.7 million for the Previous Review Period.

Profit for the Review Period

The Group's profit attributable to owners of the Company amounted to approximately HK\$6.7 million for the Review Period, as compared with HK\$40.9 million in the Previous Review Period. The profit attributable to owners of the Company in the Previous Review Period was primarily due to the gain on disposal of certain properties. If such gain was excluded, the Group would have recorded a loss. Such turnaround from loss to profit was mainly attributable to the lifting of social distancing measures in Hong Kong, Macau and Mainland China.

Liquidity, financial resources and capital structure

The Group financed its business principally with internally generated cash flows and the proceeds received from the initial public offering of the Company's shares (the "Shares") in issue for listing on the Main Board of the Stock Exchange on 26 November 2012 (the "Listing"). Taking into account the financial resources available to the Group, including internally generated funds and available banking facilities, the Group has sufficient working capital to meet its present requirements.

As at 30 September 2023, the Group had cash and cash equivalents amounting to approximately HK\$226.0 million, representing a decrease of approximately HK\$60 million from approximately HK\$286.0 million as at 31 March 2023. Most of the Group's bank deposits and cash were denominated in Hong Kong dollars and Renminbi.

As at 30 September 2023, the Group's total current assets and current liabilities were approximately HK\$327.6 million (31 March 2023: approximately HK\$385.9 million) and approximately HK\$281.1 million (31 March 2023: approximately HK\$289.5 million), respectively, while the current ratio calculated by dividing the total current assets over the total current liabilities was approximately 1.2 times (31 March 2023: approximately 1.3 times).

As at 30 September 2023, the Group's gearing ratio, calculated by the interest-bearing bank borrowings divided by the equity attributable to owners of the Company and then multiplied by 100%, was 0% (the Previous Review Period: approximately 0%).

Material acquisitions and disposals

The Group had no material acquisitions or disposals of subsidiaries, associates or joint ventures during the Review Period.

Significant investments and plans for material investments or capital assets

Save as disclosed elsewhere in the Interim Financial Statements, the Group did not have any significant investments or any other plans for material investments or capital assets as at 30 September 2023.

Foreign currency risk

The Group's sales and purchases for the Review Period 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 capital controls that could be imposed by the PRC government. The exchange rates may also be affected by economic developments and political changes both domestically and internationally, and the demand and supply of the Renminbi. The appreciation or depreciation 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 currency movements. The Group has currently not implemented any foreign currency hedging policy. The management will consider hedging against significant foreign exchange exposure should the need arise.

Contingent liabilities

As at 30 September 2023, the Group had contingent liabilities of approximately HK\$2.9 million (31 March 2023: approximately HK\$3.7 million) in respect of bank guarantees given in favour of the landlords in lieu of rental deposits.

Charge on assets

There was no charge on the Group's assets as at 30 September 2023.

Human resources and remuneration policy

As at 30 September 2023, the Group employed approximately 1,700 (30 September 2022: approximately 1,700) employees. The Group's staff costs increased by approximately 12.8% from approximately HK\$143.6 million for the Previous Review Period to approximately HK\$162.1 million for the Review Period.

Remuneration packages are generally determined by reference to market norms, individual qualifications, relevant experience and performance as well as the Group's results. The Company adopted the Share Award Scheme on 9 August 2018 for the purpose of, amongst others, providing incentives and helping the Group in retaining its existing employees. The Group periodically reviews the remuneration of its employees. Since the expiry of its share option scheme on 25 November 2022, the Company has not adopted any share option scheme.

During the Review Period, the Group had provided comprehensive training programmes and development initiatives pertaining to operational and occupational safety as well as customer services for relevant employees in order to enhance the quality of services expected from customer-facing staff and ensure the effective implementation of the Group's business ethos.

PROSPECTS AND OUTLOOK

Customer satisfaction

In the face of multiple challenges, the Group has maintained vigilance, examining ways to best adapt to market dynamics. The Group will continue to implement its core strategy of prioritising its customers' dining experience by maintaining stringent food safety and diversifying the menu to suit seasonal changes in order to attract a broader base of customers whilst ensuring that its signature dishes will continue to be served at the highest quality. The Group has always endeavoured to provide high-quality food for its customers in a comfortable and hygienic Cha Chaan Teng environment. Furthermore, we trust that the Group will strive to build customer satisfaction by diversifying the Group's business under new brand names.

Corporate social responsibility

The Group is committed to adhering to its core corporate values and social responsibilities. The Group has been strongly encouraging all its employees to participate in charitable activities organised by and associated with the Group such as the Hong Kong Community Chest's fundraising activities. The Group has also promoted environmental protection initiatives, bolstered its green procurement and energy saving policies, and provided customers with friendly reminders to reduce food waste. The Group continues to take a proactive role in giving back to the community.

Outlook

Looking forward, the Group plans to implement the following measures so as to diversify its business scope and source of revenue. The Group will actively broaden its platforms and develop its new brands and explore other new business models with a view to maintaining flexible market responses and coping with the change in consumption manner. Besides, the Group will accelerate its expansion in overseas markets and the Guangdong-Hong Kong-Macau Greater Bay Area, and strengthen marketing efforts to expand its customer base. We hope to consolidate the brand presence of the Group and increase its market share in Hong Kong, Macau and Mainland China. The Group will also make good use of its strategic partnership relationship with Jumbo in Singapore, and continue seeking development opportunities with caution in Singapore and other Southeast Asia regions.

Apart from restructuring the restaurants and developing business, the Group will also actively promote takeaway services to further strengthen its food delivery business and will make additional marketing promotions to attract more customers. With rising food costs, driven by global logistic challenges and high transportation expenses, the Group has continued to procure ingredients with good quality from relatively lower cost locations. The Group has also adjusted menus to fully capitalise on the price movement of ingredients, as well as launched new value-added food items that satisfy the tastes of restaurant-goers. To enhance its efficiency and productivity, the Group is taking decisive measures to maintain its profit margins by controlling its costs (such as rent and labour costs) as well as reviewing and readjusting its recurrent expenditure.

On 12 May 2020, the Group won the bid for a licence by the Airport Authority to operate a catering concession at the Hong Kong International Airport (the “**Airport**”). The pandemic has caused a sharp decline in the Airport’s passenger flow and, therefore, the Group’s restaurant at the Airport had been temporarily suspended until 31 March 2023. On 1 April 2023, the restaurant at the Airport resumed its business operation and it is performing well after reopening especially during the summer holidays when more people are traveling in and out from the city.

Despite the challenging external environment, the Group, with its solid cash flow and strong resources reserve, can choose the most advantageous way to improve its operations and seize various attractive business opportunities.

CORPORATE GOVERNANCE AND OTHER INFORMATION

INTERIM DIVIDEND

The Board has resolved to declare the payment of an interim dividend of HK 1.0 cent per share in respect of the Review Period (the “**Interim Dividend**”) (the Previous Review Period: nil) to the shareholders of the Company (the “**Shareholders**”) whose names will appear on the register of members of the Company (the “**Register**”) at the close of business on Wednesday, 13 December, 2023. It is expected that the Interim Dividend will be paid in cash on or about Friday, 22 December 2023.

CLOSURE OF REGISTER

For the purpose of the Interim Dividend, the Register will be closed from Monday, 11 December 2023 to Wednesday, 13 December 2023 (both days inclusive), during which period no transfer of the shares of the Company will be registered. In order to qualify for the Interim Dividend, non-registered Shareholders must lodge all properly completed and stamped transfer forms accompanied by the relevant share certificates with the Company’s branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17/F., Hopewell Centre, 183 Queen’s Road East, Hong Kong, for registration not later than 4:30 p.m. on Friday, 8 December 2023.

USE OF NET PROCEEDS

The net proceeds from the Listing (the “**Net Proceeds**”) were approximately HK\$794.4 million (after deducting the underwriting fees and all related expenses).

The use of the Net Proceeds up to 30 September 2023 was approximately as follows:

Use of Net Proceeds	Percentage of Net Proceeds	Net Proceeds (in HK\$ million)	Aggregate amount utilised as at 1 April 2023 (in HK\$ million)	Amount utilised during Review Period (in HK\$ million)	Amount remaining as at 30 September 2023 (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	(39.8)	–	–
Additional working capital and other general corporate purposes	10%	79.4	(79.4)	–	–
Total	<u>100%</u>	<u>794.4</u>	<u>(743.8)</u>	<u>–</u>	<u>50.6</u>

The unused Net Proceeds of HK\$50.6 million were mainly intended to be applied to construction of new central kitchens in Shanghai and Southern China (the “**Unmaterialized Plan**”). However, given the unfavourable factors and impact of the pandemic, the Directors were of the view that it was relatively not a good timing for taking further steps in pursuing the Unmaterialized Plan. If it is determined by the Board that it would be in the interest of the Company and the Shareholders to shelve the Unmaterialized Plan and reallocate the unused Net Proceeds, the Company will inform the Shareholders by making a further announcement. In view of the lifting of social distancing measures and the resumption of the normal travel between Hong Kong and Mainland China, the Company will assess whether it is feasible to proceed with the Unmaterialized Plan.

CORPORATE GOVERNANCE

The Company had adopted and complied with the code provisions in the Corporate Governance Code as set out in Appendix 14 to the Listing Rules (the “**CG Code**”) for the Review Period. 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 Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the “**Model Code**”) as its own code of conduct governing the Directors’ securities transactions in the listed securities of the Company.

Following the specific enquiries made to the Directors by the Company, all of them confirmed that they had fully complied with the standards as set out in the Model Code for the Review Period.

AUDIT COMMITTEE

The Interim Financial Statements have not been audited nor reviewed by the independent auditors of the Company. The Audit Committee has reviewed the accounting principles and practices adopted by the Group as well as certain of its internal control matters and has also reviewed and confirmed the Group’s Interim Financial Statements. The existing members of the Audit Committee comprise Mr. Yim Kwok Man (“**Mr. Yim**”) and Mr. Goh Choo Hwee, both independent non-executive Directors, and Mr. Wong Chi Kin, a non-executive Director. Mr. Yim is the chairman of the Audit Committee.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the Review Period, the Company did not redeem any of the Shares listed on the Stock Exchange nor did the Company or any of its subsidiaries purchase or sell any of such Shares.

SIGNIFICANT EVENT AFTER THE REPORTING PERIOD

No material events have occurred after the end of the Review Period and up to the date of this announcement.

PUBLICATION OF THE INTERIM REPORT

The Interim Report containing all the information required by the Listing Rules (including the Interim Financial Statements) will be published on the website of the Company (www.tsuiwah.com) as well as the designated website of the Stock Exchange (www.hkexnews.hk).

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

Hong Kong, 24 November 2023

As at the date of this announcement, the Board comprises the following eight members:

- (a) Mr. Lee Yuen Hong (Chairman), Mr. Lee Kun Lun Kenji (Group Chief Executive Officer) and Ms. Lee Yi Fang as executive Directors;*
- (b) Mr. Cheng Chung Fan and Mr. Wong Chi Kin as non-executive Directors; and*
- (c) Mr. Goh Choo Hwee, Mr. Tang Man Tsz and Mr. Yim Kwok Man as independent non-executive Directors.*