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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 2019

FINANCIAL HIGHLIGHTS

	Six-month period ended 30 September		% Change
	2019	2018	
	(Unaudited)	(Unaudited)	
	HK$'000	*HK$'000*	
Revenue	**838,173**	895,772	(6.4)%
Hong Kong#	**536,565**	561,805	(4.5)%
Mainland China	**292,433**	325,481	(10.2)%
Others*	**9,175**	8,486	8.1%
EBITDA^	**125,584**	72,286	73.7%
Profit/(loss) attributable to owners of the Company	**(44,502)**	14,410	N/A
Basic earnings/(loss) per share	**HK(3.15) cents**	HK1.02 cents	N/A
Number of restaurants including joint ventures (As at 30 September)	**2019**	2018	
Hong Kong	**41**	36	
Mainland China	**38**	34	
Macau	**3**	3	
Singapore	**2**	1	

\# Revenue from external customers located in Hong Kong Special Administrative Region ("**Hong Kong**") of the People's Republic of China (the "**PRC**" or "**Mainland China**") includes revenue derived from the sale of food to a joint venture of the Group amounting to approximately HK$2,936,000 (six-month period ended 30 September 2018: approximately HK$3,940,000).

* 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 (the "**Board**") of directors (the "**Directors**", each a "**Director**") of Tsui Wah Holdings Limited (the "**Company**") announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively the "**Group**") for the six-month period ended 30 September 2019 together with relevant comparative audited or unaudited figures. The interim financial information for the six-month period ended 30 September 2019 has not been audited, but has been reviewed by the audit committee of the Board (the "**Audit Committee**").

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six-month period ended 30 September 2019

		Six-month period ended 30 September	
		2019	2018
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
REVENUE	*4*	**838,173**	895,772
Other income		**9,085**	6,987
Cost of inventories sold		**(241,551)**	(249,969)
Staff costs		**(291,362)**	(284,464)
Depreciation and amortisation		**(53,865)**	(53,934)
Amortisation of right-of-use assets		**(98,553)**	–
Property rentals and related expenses		**(55,643)**	(157,644)
Fuel and utility expenses		**(41,020)**	(45,059)
Selling and distribution expenses		**(16,596)**	(17,999)
Other operating expenses		**(89,973)**	(93,392)
Finance costs		**(15,077)**	(823)
Share of profits of joint ventures		**16,395**	20,411
PROFIT/(LOSS) BEFORE TAX		**(39,987)**	19,886
Income tax expense	*5*	**(5,416)**	(5,415)
PROFIT/(LOSS) FOR THE PERIOD		**(45,403)**	14,471
Attributable to:			
Owners of the Company		**(44,502)**	14,410
Non-controlling interests		**(901)**	61
		(45,403)	14,471
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic and diluted	*7*	**HK(3.15) cents**	HK1.02 cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six-month period ended 30 September 2019

	Six-month period ended 30 September	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
PROFIT/(LOSS) FOR THE PERIOD	**(45,403)**	14,471
OTHER COMPREHENSIVE LOSS		
Other comprehensive loss to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(27,154)**	(46,287)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX	**(72,557)**	(31,816)
Attributable to:		
Owners of the Company	**(71,656)**	(31,877)
Non-controlling interests	**(901)**	61
	(72,557)	(31,816)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 September 2019

	Notes	30 September 2019 (Unaudited) HK$'000	31 March 2019 (Audited) HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	8	**510,374**	531,617
Investment properties		**108,829**	117,333
Prepaid land lease payments		**–**	23,300
Right-of-use assets		**752,842**	–
Intangible assets		**5,559**	6,108
Goodwill		**4,354**	4,354
Investments in joint ventures		**69,981**	65,345
Prepayments and deposits paid in advance for purchases of property, plant and equipment		**23,054**	20,729
Non-current deposits and other receivables		**42,482**	55,399
Deferred tax assets		**10,963**	17,895
Total non-current assets		**1,528,438**	842,080
CURRENT ASSETS			
Inventories		**20,755**	19,431
Trade receivables	9	**6,748**	6,238
Prepayments, deposits and other receivables		**167,854**	126,345
Tax recoverable		**4,913**	6,063
Pledged time deposits		**2,919**	9,206
Cash and cash equivalents		**335,867**	424,480
Total current assets		**539,056**	591,763
CURRENT LIABILITIES			
Trade payables	10	**63,485**	70,733
Lease liabilities		**201,430**	–
Other payables and accruals		**137,255**	141,403
Interest-bearing bank borrowings		**61,066**	62,990
Finance lease payables		**–**	209
Tax payable		**6,585**	4,671
Total current liabilities		**469,821**	280,006
NET CURRENT ASSETS		**69,235**	311,757
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,597,673**	1,153,837

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

As at 30 September 2019

	Note	30 September 2019 (Unaudited) *HK$'000*	31 March 2019 (Audited) *HK$'000*
NON-CURRENT LIABILITIES			
Lease liabilities		**630,782**	–
Other payable and accruals		**5,768**	41,577
Finance lease payables		**–**	320
Deferred tax liabilities		**2,168**	2,154
Total non-current liabilities		**638,718**	44,051
Net assets		**958,955**	1,109,786
EQUITY			
Equity attributable to owners of the Company			
Issued capital	*11*	**14,112**	14,112
Reserves		**941,871**	1,091,460
		955,983	1,105,572
Non-controlling interests		**2,972**	4,214
Total equity		**958,955**	1,109,786

NOTES TO INTERIM FINANCIAL INFORMATION

1. CORPORATE INFORMATION

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

During the period, the Company acted as an investment holding company and its subsidiaries were principally engaged in the provision of food catering services through restaurants and bakery shops in Hong Kong, Macau Special Administrative Region of the PRC ("**Macau**"), the Mainland China and the Republic of Singapore ("**Singapore**").

2. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial information of the Group for the six-month period ended 30 September 2019 has been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") and are in compliance with Hong Kong Accounting Standard ("**HKAS**") 34 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants.

(a) Changes in accounting policies and disclosures

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

Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*
HKFRS 16	*Leases*
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*
Annual Improvements 2015-2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

Other than as explained below regarding the impact of HKFRS 16 *Leases*, the new and revised standards are not relevant to the preparation of the Group's condensed consolidated interim financial information. The nature and impact of the new and revised HKFRSs are described below:

(a) HKFRS 16 Leases

HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases* — Incentives and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 did not have any financial impact on leases where the Group is the lessor.

The Group adopted HKFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 April 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 April 2019, and the comparative information for 2018 was not restated and continues to be reported under HKAS 17.

New definition of a lease

Under HKFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from the use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 April 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their standard-alone prices. A practical expedient is available to a lessee, which the Group has adopted, not to separate non-lease components and to account for the lease and the associated non-lease components (e.g., property management services for leases of properties) as a single lease component.

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for various items of properties. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low value assets (elected on a lease by lease basis) and short-term leases (elected by class of underlying asset). The Group has elected not to recognise right-of-use assets and lease liabilities for (i) leases of low-value assets (e.g. office equipment); and (ii) leases, that at the commencement date, have a lease term of 12 months or less. Instead, the Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

Impacts on transition

Lease liabilities at 1 April 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 April 2019 and included in lease liabilities.

The right-of-use assets were recognised based on the carrying amount as if the standard had always been applied, except for the incremental borrowing rate where the Group applied the incremental borrowing rate at 1 April 2019. All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position.

For the leasehold land and building (that was held to earn rental income and/or for capital appreciation) previously included in investment property and measured at cost less accumulated depreciation and impairment loss, the Group has continued to include it as investment property at 1 April 2019. It continues to be measured at cost less accumulated depreciation and impairment loss.

The Group has used the following elective practical expedients when applying HKFRS 16 at 1 April 2019:

- Applied the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application

- Used hindsight in determining the lease term where the contract contains options to extend/ terminate the lease

The impacts arising from the adoption of HKFRS 16 as at 1 April 2019 are as follows:

	Increase/(decrease)
	(Unaudited)
	HK$'000
Assets	
Increase in right-of-use assets	802,772
Decrease in prepaid land lease payments	(23,996)
Decrease in property, plant and equipment	(493)
Decrease in investments in joint ventures	(2,774)
Decrease in deferred tax assets	(5,413)
Increase in total assets	770,096
Liabilities	
Increase in lease liabilities	878,778
Decrease in finance lease payables	(529)
Decrease in other payables and accruals	(43,991)
Increase in total liabilities	834,258
Equity	
Decrease in retained profits	(63,821)
Decrease in non-controlling interests	(341)
Decrease in total equity	(64,162)

The lease liabilities as at 1 April 2019 reconciled to the operating lease commitments as at 31 March 2019 are as follows:

	(Unaudited)
	HK$'000
Operating lease commitments as at 31 March 2019	735,287
Weighted average incremental borrowing rate as at 1 April 2019	3.43%
Discounted operating lease commitments as at 1 April 2019	667,169
Less: Commitments relating to short-term leases and those leases with a remaining lease term ending on or before 31 March 2020	(34,642)
Commitments relating to leases of low-value assets	(48)
Add: Commitments relating to leases previously classified as finance leases	529
Payments for optional extension periods not recognised as at 31 March 2019	245,770
Lease liabilities as at 1 April 2019	878,778

Summary of new accounting policies

The accounting policy for leases as disclosed in the annual financial statements for the year ended 31 March 2019 is replaced with the following new accounting policies upon adoption of HKFRS 16 from 1 April 2019:

Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated amortisation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are amortised on a straight-line basis over the shorter of the estimated useful life and the lease term. When a right-of-use asset meets the definition of investment property, it is included in investment properties. The corresponding right-of-use asset is initially measured at cost, and subsequently measured at fair value, in accordance with the Group's policy for 'investment properties'.

Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is any change in future lease payments arising from a change in an index or rate, the lease term, the in-substance fixed lease payments or the assessment to purchase the underlying asset.

Significant judgement in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, under some of its leases, to lease properties for additional terms of one to three years. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. It considers all relevant factors that create an economic incentive for it to exercise the renewal. After the lease commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within the control of the Group and affects its ability to exercise the option to renew.

Amounts recognised in the interim condensed consolidated statement of financial position and profit or loss

The carrying amounts of the Group's right-of-use assets and lease liabilities, and the movement during the period are as follows:

	Right-of-use assets				
	Motor vehicle	**Leasehold land**	**Properties**	**Total**	**Lease liabilities**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 1 April 2019	**493**	**23,996**	**778,283**	**802,772**	**878,778**
Additions	**–**	**–**	**62,592**	**62,592**	**62,592**
Amortisation charge	**(182)**	**(337)**	**(98,034)**	**(98,553)**	**–**
Interest expense	**–**	**–**	**–**	**–**	**14,327**
Payments	**–**	**–**	**–**	**–**	**(107,906)**
Exchange realignment	**–**	**(1,401)**	**(12,568)**	**(13,969)**	**(15,579)**
As at 30 September 2019	**311**	**22,258**	**730,273**	**752,842**	**832,212**

The Group recognised rental expenses from short-term leases of HK$31,456,000 for the six months ended 30 September 2019.

(b) Issued but not yet effective HKFRSs

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

3. OPERATING SEGMENT INFORMATION

The Group is principally engaged in the provision of food catering services through restaurants and 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. All revenue is recognised when the goods are transferred or services are provided at a point in time.

Geographical information

The following tables present revenue from external customers for the six-month period ended 30 September 2019 and certain non-current assets information as at 30 September 2019, by geographical area.

(a) Revenue from external customers

	Six-month period ended 30 September	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Hong Kong#	**536,565**	561,805
Mainland China	**292,433**	325,481
Others*	**9,175**	8,486
	838,173	895,772

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

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

Revenue from external customers located in Hong Kong includes revenue derived from the sale of food to a joint venture of the Group amounting to approximately HK$2,936,000 (six-month period ended 30 September 2018: approximately HK$3,940,000).

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

(b) Non-current assets

	As at 30 September 2019	As at 31 March 2019
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Hong Kong	**899,231**	380,039
Mainland China	**509,396**	330,433
Others	**66,366**	58,314
	1,474,993	768,786

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-month period ended 30 September	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Revenue		
Income from restaurant operations	**826,062**	883,346
Sale of food	**12,111**	12,426
	838,173	895,772
Timing of revenue recognition		
At a point in time	**838,173**	895,772

Performance obligation

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

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

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 2019 and 2018. 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	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current — Hong Kong		
Charge for the period	**1,394**	3,766
Under/(over)provision in prior years	**(298)**	749
Current — Elsewhere		
Charge for the period	**2,915**	3,553
Under/(over)provision in prior years	**(30)**	55
Deferred tax	**1,435**	(2,708)
Total tax charge for the period	**5,416**	5,415

6. INTERIM DIVIDEND

The Board has resolved not to declare the payment of an interim dividend for the six months ended 30 September 2019. In the prior period, the Board resolved the payment of an interim dividend for HK1.0 cent per share totalling HK$14,112,000.

7. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic loss per share amount for the six-month period ended 30 September 2019 is based on the loss for the period of HK$44,502,000 (six-month period ended 30 September 2018: profit of HK$14,410,000) attributable to ordinary equity holders of the Company and the weighted average number of 1,411,226,450 ordinary shares for the period (six-month period ended 30 September 2018: 1,411,226,450 ordinary shares) in issue.

The Group had no potentially dilutive ordinary shares in issue during the periods ended 30 September 2019 and 30 September 2018. Accordingly, there is no diluted earnings per share for the period and prior period.

8. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired property, plant and equipment of HK$42,214,000 (six-month period ended 30 September 2018: HK$58,203,000). There were write-offs of items of property, plant and equipment of HK$1,414,000 (six-month period ended 30 September 2018: HK$3,000).

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 2019 (Unaudited) ***HK$'000***	31 March 2019 (Audited) *HK$'000*
Less than one month	**3,530**	2,268
One month to two months	**3,218**	3,970
	6,748	6,238

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$3,667,000 as at 30 September 2019 (31 March 2019: HK$2,988,000), 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 2019 (Unaudited) *HK$'000*	31 March 2019 (Audited) *HK$'000*
Less than one month	**38,858**	45,304
One month to two months	**24,627**	25,429
	63,485	70,733

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

11. ISSUED CAPITAL

	30 September 2019 (Unaudited) *HK$'000*	31 March 2019 (Audited) *HK$'000*
Authorised:		
10,000,000,000 ordinary shares of HK$0.01 each	**100,000**	100,000
Issued and fully paid:		
1,411,226,450 ordinary shares of HK$0.01 each	**14,112**	14,112

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 2019 and 31 March 2019.

(b) Pre-IPO share option scheme

The Company adopted a pre-IPO share option scheme (the "**Pre-IPO Share Option Scheme**") on 5 November 2012 for the purpose of providing incentives and rewards to eligible participants who contributed to the success of the Group's operations. Eligible participants of the Pre-IPO Share Option Scheme included certain executives, employees and directors, who were in full-time employment of the Group. The Pre-IPO Share Option Scheme became effective on 5 November 2012 and, unless otherwise cancelled or amended, would remain in force for 10 years from that date.

Other than those share options under the Pre-IPO Share Option Scheme granted to the grantees on or before 7 November 2012 (the "**Pre-IPO Share Options**"), no further options have since been or would be granted under the Pre-IPO Scheme. As all the Pre-IPO Share Options were exercised or forfeited or lapsed on or before 25 November 2017, the Pre-IPO Share Option Scheme has no longer been in operation since then.

13. COMMITMENTS

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

	30 September 2019 (Unaudited) ***HK$'000***	31 March 2019 (Audited) *HK$'000*
Contracted, but not provided for:		
Leasehold improvements	**26,546**	19,141
Intangible assets	**4,503**	4,503
	31,049	23,644

14. 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:

		Six-month period ended 30 September	
		2019	2018
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
Sale of food to joint ventures	*(a)*	**12,111**	12,426
Rental fees paid and payable to:			
Success Path Limited	*(b)*	**1,568**	1,575
Champion Stage Limited	*(b)*	**1,112**	1,112
Joy Express Limited	*(b)*	**6,641**	6,641

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 market rates.

(b) These related parties are controlled by Mr. Lee Yuen Hong, a current Director and Mr. Ho Ting Chi, Mr. Cheung Yu To, Mr. Cheung Wai Keung and Mr. Cheung Yue Pui, all the former Directors. The rental fees had been determined between the Group and the parties, which approximated market rates.

(ii) Compensation of key management personnel of the Group, including the remuneration of the Directors and the chief executive, is as follows:

	Six-month period ended 30 September	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Short term employee benefits	**4,982**	5,052
Post-employment benefits	**74**	47
	5,056	5,099

15. CONTINGENT LIABILITIES

As at 30 September 2019, the Group had contingent liabilities of HK$2,917,000 (31 March 2019: HK$9,199,000) in respect of bank guarantees given in favour of the landlords in lieu of rental deposits.

16. PLEDGE OF ASSETS

As at 30 September 2019, certain land and buildings of the Group with net aggregate carrying amount of approximately HK$193,916,000 (31 March 2019: HK$197,675,000) 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$2,919,000 (31 March 2019: HK$9,206,000).

17. COMPARATIVE AMOUNTS

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

CHAIRMAN'S STATEMENT

Dear Shareholders:

On behalf of the Board, I present the interim report of the Group for the six months ended 30 September 2019 (the "**Review Period**").

Business Outlook

Since mid-June 2019, Hong Kong has been facing some unprecedented challenges. In addition to the depreciation of Renminbi and weakened consumer sentiment, there has also been a sharp decline in inbound visitors. Moreover, customers could barely visit the restaurants as most of the restaurants temporarily changed or shortened their business hours or even closed for business, particularly in weekends, due to the social events recently happened in Hong Kong. These unfavourable factors have caused severe impacts on the business and financial performance of the entire retail and catering sectors in Hong Kong. Apart from theses factors, the Group, as an operator of chain restaurants in Hong Kong, Macau, the Mainland China and Singapore, has also been affected by the rise in costs of food ingredients and manpower. For the Review Period, the Group recorded a loss, which in the view of the Board was mainly attributable to the substantial decrease in revenue resulting from the aforementioned factors and the continuous increase in operating costs, including the costs of food ingredients and manpower. Despite the challenges and uncertainties, we have striven to maintain a stable financial position and have sufficient cash on hand to meet our business needs. I shall walk along with each employee of the Group to overcome the current unfavourable environment.

Looking forward, we shall continue using our endeavours to focus on and actively promote the growth of business and the development of various aspects, including the expansion into different markets so as to increase our market share in different regions and shall put additional efforts on marketing so as to attract customers at different levels and expand our market share in these regions. Besides, we have reviewed our restaurant network in Hong Kong and the Mainland China, integrated restaurants with overlapping geographic coverage as well as rationalized the restaurants in order to maximize our operational efficiency. With the objective to broaden the Group's income sources, we shall continue putting effort to strengthen the business of the brand "Tsui Wah" while striving for diversified business by developing new brands, with an aim of providing our customers with more selections and better catering experience. In respect of our "Supreme Catering (至尊到會)" business, we shall equip ourselves with one-stop delivery service and continue to provide our customer with five-star service in wedding banquet, corporate gathering, birthday party and family or friends gathering as well as satisfying our customers on various occasions. We shall also continue introducing new elements, new taste and new choices in our Chinese, Western and Southern Asia cuisines with a view to attracting more customers.

In addition to the above, our objectives also include (i) upgrading the internal operation system, providing self-service ordering and payment service and enhancing the data management by staying abreast of the latest developments in technology; (ii) improving food quality by adopting only the quality, healthy and safe ingredients and providing our customers with more comfortable dining environment and catering experience by renovating our restaurants in phases; and (iii) enhancing service quality by providing appropriate training to our staff.

We believe that through the implementation of our strategies and with our objectives, we could continue providing our customers with the best quality of food and services and hence improve our financial performance and achieve better return for our shareholders in the future. We also believe that our various commitments such as provision of quality food and services has distinguished us from our competitors and put us in a better position in maintaining the loyalty of our customers.

Awards and Recognitions

In recognizing our efforts and contribution during the Review Period, we have obtained a number of major awards/recognitions, including the Supreme Gourmet Restaurant Gold Award and the Most Popular Hong Kong and Macau Brands in the 10th Most Popular Hong Kong and Macau Brands Award Competition organized by China Media Network; the Best in ESG Award — Small Cap 2019 and the Best in Reporting Award — Small Cap 2019 awarded by BDO Limited; HKIM Market Leadership Award 2018/2019 awarded by Hong Kong Institute of Marketing.

Appreciation

I would take this opportunity to thank all of the shareholders of the Company (the "**Shareholders**") and all investors, customers, suppliers and business partners of our Group for their unwavering support. I would also like to extend my appreciation to the management team and fellow staff members of the Group for their devoted commitment and contributions.

Lee Yuen Hong
Chairman and Executive Director
Hong Kong, 29 November 2019

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

As at 30 September 2019, a total of 84 restaurants were operated by the Group in the Mainland China, Hong Kong, Macau and Singapore. During the Review Period, for the purpose of expanding our geographic coverage, we opened our second overseas restaurant on Orchard Road in Singapore. Moreover, during the Review Period, we had also opened three restaurants in the Mainland China (two are located at Shenzhen Bao'an International Airport and one is located at Shenzhen Link City) and one restaurant in Hong Kong named Tsui Wah Cafe (翠華冰廳). We expect that these newly opened restaurants would further enhance our presence and increase our brand recognition in these regions. During the Review Period, the Group had also further reviewed our restaurant network in Hong Kong and the Mainland China, integrated restaurants with overlapping geographic coverage as well as rationalized the size of the restaurants in order to maximize our operational efficiency and improve the profitability of our restaurants in the long run.

In order to provide our customers with flexibility, the Group has extended its ordering channels through cooperating with various online food delivery platforms. During the Review Period, the Group had also actively and continuously expanded its "Supreme Catering (至尊到會)" business to provide comprehensive on-site catering services to its valued customers.

FINANCIAL REVIEW

Revenue

The Group's revenue for the Review Period was approximately HK$838.2 million, representing a decrease of approximately 6.4% as compared with approximately HK$895.8 million of the corresponding period in 2018 (the "**Last Corresponding Period**"). The decrease in revenue was mainly due to the closure of certain restaurants upon the expiry of the leases during the Review Period, the decrease in the number of customers in Hong Kong market during the Review Period affected by the social events that have occurred since June 2019 and the exchange loss arising from the conversion of the Group's income denominated in Renminbi into Hong Kong dollars following the depreciation of Renminbi as compared with the Last Corresponding Period.

Cost of inventories sold

For the six-month period ended 30 September 2018 and the Review Period, the cost of inventories sold amounted to approximately HK$250.0 million and HK$241.6 million, respectively, representing approximately 27.9% and 28.8% of the Group's revenue for the respective periods. The ratio of the cost of inventories sold in proportion to the Group's revenue had recorded an increase for the Review Period as compared with the Last Corresponding Period, which was mainly attributable to the general increasing price of ingredients, especially the price of pork, which is one of the main ingredients used by the Group.

Gross profit

The Group's gross profit, equivalent to revenue minus cost of inventories sold, for the Review Period was approximately HK$596.6 million, representing a decrease of approximately 7.6% from approximately HK$645.8 million for the Last Corresponding Period. The gross profit margin of the Group for the six-month period ended 30 September 2018 and the Review Period were approximately 72.1% and 71.2%, respectively. The slight decrease in gross profit for the Review Period was mainly attributable to the increase in ratio of the cost of inventories sold.

Staff costs

Staff costs for the six-month period ended 30 September 2018 and the Review Period were approximately HK$284.5 million and HK$291.4 million, respectively, representing approximately 31.8% and 34.8% of the Group's revenue for the corresponding periods. The increase as compared with the Last Corresponding Period was mainly attributable to the fact that the number of our restaurants increased to 84 as at the end of the Review Period from 74 as at the end of the Last Corresponding Period. Accordingly, the Group had to maintain sufficient manpower for the operation of its newly opened restaurants during the Review Period. In order to reduce the costs of manpower, the Group has been integrating restaurants with overlapping geographic coverage, promoting the optimization of corporate structure and upgrading the internal operation system of the Group through technological development so as to promote the productivity of employees and enhance the management and communication efficiency.

Depreciation and amortisation

For the six-month period ended 30 September 2018 and the Review Period, depreciation and amortisation were equivalent to approximately 6.0% and 6.4% of the Group's revenue for the corresponding periods, respectively. The slight increase of depreciation and amortisation to the Group's revenue was mainly due to an increase in the number of restaurants, coupled with the increase in the costs of renovation materials during the Review Period.

Property rentals and related expenses/Amortisation of right-of-use assets

As a result of the adoption of the new accounting policy – HKFRS 16 Leases, lease expenses in the consolidated income statement have been reflected by amortisation of right-of-use assets and related finance cost starting from 1 April 2019, with higher expenses to be incurred in the early years of the lease terms, diminishing over the lease's duration and eventually resulting in lower expenses in the latter part of the terms. For the six-month period ended 30 September 2018 and the Review Period, the Group's amortisation of right-of-use assets amounted to HK$0.0 and HK$98.6 million, respectively, with related finance costs and tax impact of HK$0.0 and HK$14.3 million, respectively. Property rentals and related expenses amounted to approximately HK$157.6 million and HK$55.6 million, respectively, for the six-month period ended 30 September 2018 and the Review Period. If the impact from the adoption of HKFRS 16 Leases was excluded, rental and related expenses for the Review Period were HK$166.4 million and accounted for 19.8% of the revenue as compared with 17.6% for the Last Corresponding Period. The increase in property rentals and related expenses was primarily due to the increased number of restaurants during the Review Period.

Share of profits from joint ventures

The share of profits from joint ventures amounted to approximately HK$20.4 million for the six-month period ended 30 September 2018 and approximately HK$16.4 million for the Review Period. The decrease was primarily due to the drop in contribution from joint ventures affected by the more cautious consumer sentiment during the Review Period.

Profit/(loss) for the Review Period

The Group has recorded a loss after tax of approximately HK$45.4 million for the Review Period, compared to a profit after tax of HK$14.5 million for the Last Corresponding Period.

The change was mainly due to an increase in operating expenses as a result of the opening of new restaurants and the weakened market sentiment in Hong Kong during the Review Period.

Liquidity, financial resources and capital structure

The Group financed its business with internally generated cash flows and proceeds received from the initial listing of shares of the Company (the "**Shares**") in issue on the Main Board of the Stock Exchange by way of a global offering on 26 November 2012 (the "**Listing**"). As at 30 September 2019, the Group had cash and cash equivalents amounting to approximately HK$335.9 million (as at 31 March 2019: approximately HK$424.5 million), representing a decrease of approximately 20.9% from 31 March 2019. 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 2019, the Group's total current assets and current liabilities were approximately HK$539.1 million (as at 31 March 2019: approximately HK$591.8 million) and approximately HK$469.8 million (as at 31 March 2019: approximately HK$280.0 million), respectively, while the current ratio (calculated by dividing total current assets by total current liabilities at the end of respective periods) was about 1.1 times (as at 31 March 2019: approximately 2.1 times).

As at 30 September 2019, the Group had interest-bearing bank borrowings of approximately HK$61.1 million (as at 31 March 2019: approximately HK$63.0 million). The interest-bearing bank borrowings are secured, repayable on demand and denominated in Hong Kong dollars, and bear interest at a rate of 1% above the one-month Hong Kong Interbank Offered Rate (the "**HIBOR**") (31 March 2019: HIBOR+1.0%). During the Review Period, no financial instruments were used for hedging purposes.

As at 30 September 2019, the gearing ratio of the Group, calculated by dividing the sum of interest-bearing bank borrowings and finance lease payables by equity attributable to owners of the Company and then multiplied by 100%, was approximately 6.4% (as at 31 March 2019: approximately 5.7%).

Material acquisition or disposal

For the Review Period, the Group had not made any material acquisitions or disposals of subsidiaries, associates or joint ventures.

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. Exchange rates of the Renminbi may fluctuate significantly as a result of the 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, as well as the demand and supply of the Renminbi. The appreciation or devaluation of the Renminbi against the Hong Kong dollar 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 movements.

Contingent liabilities

As at 30 September 2019, the Group had contingent liabilities of approximately HK$2.9 million (31 March 2019: approximately HK$9.2 million) in respect of bank guarantees given in favour of the landlords in lieu of rental deposits.

Charges on assets

Save as disclosed in note 16 to the interim financial information above, there were no other charges on the Group's assets as at 30 September 2019.

Human resources and remuneration policy

As at 30 September 2019, the Group (excluding its joint ventures) employed 3,785 employees. Remuneration packages are generally structured by reference to market terms, individual qualifications, experience and performance. The Share Option Scheme is in place, and details thereof are set forth in note 12 to the interim financial information above. In addition, the Company adopted a share award scheme (the "**Share Award Scheme**") on 9 August 2018 (the "**Adoption Date**") for the purposes of, amongst others, providing incentives and helping the Group in retaining its existing employees.

During the Review Period, 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

In order to diversify its scope of business and sources of income and accelerate its expansion into the markets outside Hong Kong, the Group intends to implement the following measures for its development in Hong Kong and the markets outside Hong Kong, which include: (i) as for Hong Kong market, continuously broadening its food delivery platform, developing new brands and exploring other innovative business models as well as renovating the restaurants in phases so as to provide customers with more comfortable dining environment and catering experience; (ii) as for the market in the Mainland China, striving for vigorous development with focus on prime locations equipped with good transportation facilities when the economic environment is favorable, despite the ongoing trade war between China and the United States; and (iii) as for overseas markets, maintaining the partnership with JUMBO Group, a leading multi-dining concept food and beverage group in Singapore, and paying close attention to any business opportunity arisen in the market by leveraging on the more and more stable development of our business in Singapore and the dense population in the region, so as to strike a balance between business growth and profitability. Besides, the Group will continue to explore the market opportunities in Southeast Asia with an aim to diversifying its customer base, which will consolidate the Group's brand position and increase its market share in Hong Kong, Macau, the Mainland China and Southeast Asia.

Moreover, the Group also plans to improve its business model through various methods, including: (i) enhancing the Group's data management by keeping abreast of technological developments and strengthening the Group's internal operating systems; (ii) expanding the Group's production capacity of the factory specialising in baked food; (iii) continuing to centralise the management of procurement and the distribution of raw ingredients; (iv) enhancing the Group's food quality by strictly using high-quality, healthy and safe raw ingredients and purchasing raw ingredients from reputable suppliers; (v) raising the standard of the Group's services by strengthening the Group's personnel training and developing a sense of belonging for its staff through the core philosophy of people-oriented leadership; (vi) continuing to provide five-star service to customers of the Group's "Supreme Catering" (至尊到會) business by catering to the needs of customers for various occasions and (vii) offering more order channels by partnering with various online food delivery platforms to diversify the means for customers ordering.

The Group will closely monitor the macroeconomic environment and continue to seize various growth opportunities to boost our brand reputation and maximise returns for the Shareholders. By leveraging on the determination and experience of its competent management team and staff, the Board is confident that the Group will continue striving to achieve its business strategies mentioned above.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Dividend

The Board has resolved not to declare the payment of an interim dividend for the Review Period (six-month period ended 30 September 2018: HK1.0 cent per Share, totalling approximately HK$14.1 million).

Use of proceeds

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

The use of the Net Proceeds during the Review Period and up to 30 September 2019 was approximately as follows:

Use of Net Proceeds	Percentage of Net Proceeds	Net Proceeds (in HK$ million)	Amount utilised during Review Period (in HK$ million)	Amount utilised up to 30 September 2019 (in HK$ million)	Amount remaining as at 30 September 2019 (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	(0.3)	(30.7)	9.1
Additional working capital and other general corporate purposes	10%	79.4	–	(79.4)	–
Total	100%	794.4	(0.3)	(734.7)	59.7

Corporate governance

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

In response to the specific enquiries made by the Company, all the Directors who held office during the Review Period confirmed that they had fully complied with the required standard set out in the Model Code throughout the Review Period.

Audit committee

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and has also reviewed and confirmed the Group's unaudited financial results for the Review Period and discussed auditing, internal control, risk management systems and financial reporting matters of the Group. The existing members of the Audit Committee comprise Mr. Yim Kwok Man and Mr. Goh Choo Hwee, both are independent non-executive Directors (the "**INEDs**"), and Mr. Wong Chi Kin, a non-executive Director (the "**NED**"). Mr. Yim Kwok Man is the chairman of the Audit Committee.

Share award scheme

The Company has adopted the Share Award Scheme to recognise and motivate the contribution of the eligible participants, to provide incentives and help the Company in retaining its existing participants and recruiting additional participants and to provide them with a direct economic interest in attaining the long-term business objectives of the Company. The Share Award Scheme was adopted by the Board on the Adoption Date and shall be valid until the business day immediately prior to the 10th anniversary of the Adoption Date. Since the Adoption Date and up to 30 September 2019, none of the issued Shares purchased has been awarded under the Share Award Scheme.

Purchase, sale or redemption of listed securities

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

Public float

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

Significant event after the reporting period

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

Publication of the interim report

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

Appreciation

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

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

Hong Kong, 29 November 2019

As at the date of this announcement, the Board comprises nine Directors: (a) Mr. Lee Yuen Hong (Chairman), Mr. Lee Tsz Kin Kenji (Group Chief Executive Officer) and Ms. Lee Sin Ying as executive Directors; (b) Mr. Cheng Chung Fan, Mr. Wong Chi Kin and Mr. Yang Dong John as NEDs; and (c) Mr. Goh Choo Hwee, Mr. Tang Man Tsz and Mr. Yim Kwok Man as INEDs.