



# Food Wise Holdings Limited

膳源控股有限公司

(Incorporated in the Cayman Islands with limited liability)

STOCK CODE: 1632

INTERIM REPORT

# 2016

## MANAGEMENT DISCUSSION AND ANALYSIS

The board of directors (the “Board”) of Food Wise Holdings Limited (the “Company”) presents the unaudited combined results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 September 2016 (the “Period”), together with the comparative figures for the corresponding period in 2015 (the “Last Corresponding Period”).

### BUSINESS REVIEW

The Group is a food and beverage group in Hong Kong operating Vietnamese-style casual dining restaurants under the Viet’s Choice Brands. As at 30 September 2016, the Group operated 22 restaurants under the Viet’s Choice Brands in Hong Kong, of which four were located on the Hong Kong Island, five were located in Kowloon and the remaining were located in the New Territories, and with a majority of the restaurants located within shopping malls.

The Company has successfully been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 29 November 2016 (the “Listing”) and a majority of the Group’s business activities were covered in the prospectus of the Company dated 17 November 2016 (the “Prospectus”).

### FINANCIAL REVIEW

#### *Revenue*

The Group’s revenue decreased slightly by approximately 2.1%, or HK\$2.2 million, from HK\$104.8 million for the Last Corresponding Period to HK\$102.6 million for the Period. The decrease in revenue was primarily due to (i) the downturn in Hong Kong retail and tourism sectors and (ii) the fact that the Easter holidays in 2016 fell in the month of March, and therefore the revenue for the Period did not benefit from the higher guest traffic during the Easter holidays, unlike in the Last Corresponding Period when the Easter holidays fell in the month of April.

#### *Other Income*

Other income remained relatively stable at HK\$0.2 million for the six months ended 30 September 2016 and 2015.

## **MANAGEMENT DISCUSSION AND ANALYSIS** *(Continued)*

### **FINANCIAL REVIEW** *(Continued)*

#### ***Cost of Food and Beverages***

The Group's cost of food and beverages decreased by 6.0%, or HK\$1.5 million, from HK\$25.2 million for the Last Corresponding Period to HK\$23.7 million for the Period, which was primarily due to (i) the decrease in revenue during the Period; and (ii) the decrease in procurement costs of certain major food ingredients, such as frozen meat, during the Period, which was in line with the decrease in market price based on the information from the Census and Statistics Department of Hong Kong. As a result of the above, the cost of food and beverages as a percentage of revenue slightly decreased from 24.0% for the Last Corresponding Period to 23.1% for the Period.

#### ***Staff Costs***

The Group's staff costs increased by 4.8%, or HK\$1.3 million, from HK\$27.1 million for the Last Corresponding Period to HK\$28.4 million for the Period. Such increase was primarily due to the increase in wage rate of the Group's employees during the Period.

#### ***Depreciation and Amortisation***

The Group's depreciation and amortisation remained relatively stable at HK\$4.1 million for the Period as compared to HK\$4.2 million for the Last Corresponding Period.

#### ***Property Rentals and Related Expenses***

The Group's property rentals and related expenses increased by 11.2%, or HK\$2.6 million, from HK\$23.3 million for the Last Corresponding Period to HK\$25.9 million for the Period. Such increase was mainly attributable to the increase in monthly rental of the Group's leased properties upon renewal of the relevant leases and new properties leased for its replacement restaurants as discussed in the Prospectus. The Group's property rentals and related expenses accounted for 25.2% and 22.2% of the revenue for the six months ended 30 September 2016 and 2015, respectively.

#### ***Fuel and Utility Expenses***

The Group's fuel and utility expenses remained relatively stable at HK\$3.0 million for the Period as compared to HK\$2.9 million for the Last Corresponding Period.

## **MANAGEMENT DISCUSSION AND ANALYSIS** *(Continued)*

### **FINANCIAL REVIEW** *(Continued)*

#### ***Advertising and Marketing Expenses***

The Group's advertising and marketing expenses remained relatively stable at HK\$0.2 million for the six months ended 30 September 2016 and 2015.

#### ***Other Operating Expenses***

The Group's other operating expenses increased by 7.7%, or HK\$0.3 million, from HK\$3.9 million for the Last Corresponding Period to HK\$4.2 million for the Period. Such increase was primarily due to (i) an increase in office expenses as the Group expanded its office in July 2016; and (ii) an increase in consumables for the Group's new replacement restaurants opened during the Period.

#### ***Listing Expenses***

The Group's listing expenses amounted to HK\$14.7 million for the Period as compared to Nil for the Last Corresponding Period due to the expenses incurred during the Period in preparation for the Listing.

#### ***Finance Costs, Net***

The Group's net finance costs decreased by 33.3%, or HK\$8,000, from HK\$24,000 for the Last Corresponding Period to HK\$16,000 for the Period. Such decrease was primarily due to the full settlement of its bank borrowing in August 2016.

#### ***Income Tax Expense***

The Group's income tax expense decreased by 32.3%, or HK\$1.0 million, from HK\$3.1 million for the Last Corresponding Period to HK\$2.1 million for the Period. The decrease was primarily due to the decrease in profit before taxation, excluding the listing expenses, by HK\$5.0 million.

The Group's effective tax rate was 16.9% for the Last Corresponding Period but (131.8)% for the Period, as a loss before taxation of HK\$1.6 million for the Period was recorded, mainly due to the incurrence of listing expenses of HK\$14.7 million in the Period.

## **MANAGEMENT DISCUSSION AND ANALYSIS** *(Continued)*

### **FINANCIAL REVIEW** *(Continued)*

#### *Loss Attributable to Shareholders of the Company*

The Company turned from a profit attributable to shareholders of the Company of HK\$15.1 million for the Last Corresponding Period to a loss of HK\$3.6 million for the Period, mainly attributable to the inclusion of non-recurring listing expenses of HK\$14.7 million, coupled with the other factors discussed above, which have been disclosed in the Prospectus. As a result, the Company's net profit margin decreased from 14.4% for the Last Corresponding Period to (3.5)% for the Period.

### **LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE**

#### *Financial Resources*

The Group's use of cash primarily relates to its operating activities, capital expenditures, and repayment of bank borrowings. The Group has historically financed its operation primarily through a combination of capital contribution and advances from its Controlling Shareholders (as defined in the Prospectus), cash generated from its operations, and proceeds from bank and other borrowings. The Group was able to repay its obligations when they became due. The Group did not experience material difficulties in rolling over its banking facilities. The Group currently expects that there will not be any material change in its sources of cash and use of cash, except that the Group will cease relying on advances from its Controlling Shareholders after the Listing, and additional funds are expected to be available from the net proceeds of the Global Offering (as defined in the Prospectus) for implementing its future plans as detailed in "Future Plans and Use of Proceeds" of the Prospectus.

#### *Capital Structure*

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debts.

The Group monitors its capital on the basis of the debt to capital ratio, which is expressed as a percentage of the sum of interest-bearing bank and other borrowings over capital. Capital represents total debts and total equity as shown on the condensed combined interim statements of financial position.

## **MANAGEMENT DISCUSSION AND ANALYSIS** *(Continued)*

### **LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE**

*(Continued)*

#### ***Cash Position***

As at 30 September 2016, the Group's cash and cash equivalents were HK\$28.6 million, representing a decrease of 12.5% as compared with HK\$32.7 million as at 31 March 2016. The decrease was mainly due to listing expenses paid during the Period, which exceeded the positive cash flow the Group generated from its operations during the Period.

#### ***Bank Borrowing***

As at 30 September 2016, the Group did not have any bank borrowings (as at 31 March 2016, the total bank borrowing of the Group, all of which were denominated in Hong Kong dollar, amounted to HK\$3.4 million and bore an interest rate of 2.3% per annum).

#### ***Finance Lease Payable***

As at 30 September 2016, the Group did not have any finance lease payable (as at 31 March 2016, the total finance lease payable of the Group, all of which were denominated in Hong Kong dollar, amounted to HK\$90,000 and bore a fixed interest rate of 6.1% per annum).

#### ***Gearing Ratio***

As at 30 September 2016, the gearing ratio of the Group was not applicable as it had no outstanding debt (as at 31 March 2016: 6.5%). The gearing ratio equals total debts divided by total equity and multiplied by 100%.

#### ***Banking Facilities***

As at 30 September 2016, the Group had unused banking facilities of HK\$6.0 million comprising (i) an overdraft facility of HK\$2.0 million, and the applicable annual interest rate was the best lending rate of the bank less 2.35%; and (ii) standby letter of credits and letter of guarantee facilities of HK\$4.0 million, and the applicable interest rate was 0.25% per month for the guaranteed amount.

### **CAPITAL COMMITMENTS**

The Group did not have any material capital commitments as at 30 September 2016 and 31 March 2016.

## **MANAGEMENT DISCUSSION AND ANALYSIS** *(Continued)*

### **SIGNIFICANT INVESTMENTS**

The Group did not hold any significant investments as at 30 September 2016 and 31 March 2016.

### **MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES**

The Group had no material acquisitions or disposals of subsidiaries, associates and joint ventures during the six months ended 30 September 2016 and 2015.

### **EMPLOYEES AND REMUNERATION POLICIES**

The Group had 349 employees and 313 employees as at 30 September 2016 and 31 March 2016, respectively. Remuneration is determined by reference to prevailing market terms and in accordance with the performance, qualification and experience of each individual employee. The Company has adopted a share option scheme to reward the participants defined thereunder for their past contribution to the Group's success and to provide them incentives to further contribute to the Group. The share option scheme has become effective on 29 November 2016. In addition, employees are entitled to performance and discretionary year-end bonuses.

### **PLEDGE OF ASSETS**

The Group did not have any assets pledged as at 30 September 2016 and 31 March 2016.

### **FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS**

Save as disclosed in the Prospectus, the Group did not have other plans for material investments and capital assets.

### **FOREIGN CURRENCY EXPOSURE**

Most of transactions of the Group are denominated in Hong Kong dollar and the Group is not exposed to any significant foreign exchange exposure.



## MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

### CONTINGENT LIABILITIES

The Group did not have any contingent liabilities as at 30 September 2016 and 31 March 2016.

### PROSPECT

The Group's strategic objective is to become a leading full-service casual dining restaurant chain operator in Hong Kong. To achieve such objective, the Group intends to implement the following strategies:

- maintaining the Group's market share and continuing to expand its network of Vietnamese-style casual dining restaurants in Hong Kong by the replacement of restaurants planned to close, the opening of new Vietnamese-style casual dining restaurants as well as further refurbishment of existing restaurants;
- leveraging on the Group's standardised operations and management and broadening the Group's cuisine offerings to capture a larger market share in Hong Kong by developing different lines of casual dining restaurants, including full-menu Vietnamese-style restaurants, French-Vietnamese-style restaurants and international cuisines restaurants;
- upgrading and expanding the food processing capabilities of the Group's food processing centre;
- upgrading the information technology systems to support the Group's future expansion and growth; and
- broadening the promotion of the Group's brand image and market recognition.

Please also see "Business – Our Business Strategies" of the Prospectus for further details.

### USE OF PROCEEDS FROM THE GLOBAL OFFERING

A total of 50,000,000 shares were issued in the Global Offering at a price of HK\$2.00 each on the Listing. The estimated net proceeds from the Global Offering amount to approximately HK\$71.8 million. The Listing has strengthened the Group's financial position and the Group will implement its future plans according to the details as disclosed in the section headed "Future Plans and Use of Proceeds" of the Prospectus.



## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### INTERESTS AND SHORT POSITIONS OF THE DIRECTORS AND THE CHIEF EXECUTIVE OF THE COMPANY IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

Since the shares of the Company (the "Shares") are only listed on the Stock Exchange on 29 November 2016, the Company was not required to keep any register under Part XV of the Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong (the "SFO") as at 30 September 2016.

Upon the Listing and as at 29 November 2016, the interests or short positions of the Company's directors (the "Directors") and the chief executive in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) required: (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); (b) pursuant to section 352 of the SFO, to be recorded in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), are as follows:

#### *Long positions in the Shares*

Name of Directors/ chief executive	Capacity/Nature of interest	Number of Shares held	Percentage of shareholding in the Company
Mr. WONG Che Kin ("Mr. Wong")	Interest in a controlled corporation and interest of spouse	150,000,000 (Note 1)	75%
Ms. WONG Chui Ha Iris ("Mrs. Wong")	Interest in a controlled corporation and interest of spouse	150,000,000 (Note 2)	75%



## **MANAGEMENT DISCUSSION AND ANALYSIS** *(Continued)*

### **INTERESTS AND SHORT POSITIONS OF THE DIRECTORS AND THE CHIEF EXECUTIVE OF THE COMPANY IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS** *(Continued)*

Notes:

1. Pioneer Vantage Global Limited ("Pioneer Vantage") is wholly owned by Mr. Wong, an executive Director, the chairman and the chief executive officer of the Company. Accordingly, Mr. Wong is deemed to be interested in all the 127,500,000 Shares owned by Pioneer Vantage by virtue of the SFO. Mr. Wong is the husband of Mrs. Wong. Under the SFO, Mr. Wong is deemed to be interested in all the 22,500,000 Shares owned by Mrs. Wong through Blaze Forum Limited ("Blaze Forum").
2. Blaze Forum is wholly owned by Mrs. Wong, an executive Director. Accordingly, Mrs. Wong is deemed to be interested in all the 22,500,000 Shares owned by Blaze Forum by virtue of the SFO. Mrs. Wong is the wife of Mr. Wong. Under the SFO, Mrs. Wong is deemed to be interested in all the 127,500,000 Shares owned by Mr. Wong through Pioneer Vantage.

Save as disclosed above, as at the date of this report, none of the Directors or the chief executive of the Company has any interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she is taken or deemed to have taken under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or will be required, pursuant to the Model Code to be notified to the Company and the Stock Exchange.

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### INTERESTS AND SHORT POSITIONS OF THE SUBSTANTIAL SHAREHOLDERS OF THE COMPANY AND OTHER PERSONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

So far as the Directors are aware, immediately following completion of the Global Offering and as at 29 November 2016, the following corporations (not being a Director or the chief executive of the Company) have an interest or a short position in Shares or underlying Shares which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which are recorded in the register required to be kept by the Company under section 336 of the SFO, are as follows:

Name of shareholders	Capacity/Nature of interest	Number of Shares held/ Position	Percentage of shareholding in the Company
Pioneer Vantage	Beneficial owner	127,500,000 Long position	63.75%
Blaze Forum	Beneficial owner	22,500,000 Long position	11.25%

Save as disclosed above, as at the date of this report, so far as the Directors or the chief executive of the Company are aware, no person/corporation (not being a Director or the chief executive of the Company) has any interests or short positions in the Shares and underlying Shares which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which are recorded in the register required to be kept by the Company under section 336 of the SFO.

### SHARE OPTION SCHEME

On 8 November 2016, the then shareholders of the Company approved and conditionally adopted a share option scheme (the "Share Option Scheme") to enable the Company to grant options to eligible participants as incentives and rewards for their contribution to the Group. The Share Option Scheme has become effective on 29 November 2016. No option has been granted since then.



## MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

### PURCHASE, SALE OR REDEMPTION OF SHARES

As the Shares are only listed on the Stock Exchange on 29 November 2016, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Period.

### CORPORATE GOVERNANCE

The code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules were not applicable to the Company for the Period as the Shares are only listed on the Stock Exchange on 29 November 2016.

Upon the Listing, the Company has complied with the code provisions of the CG Code as set out in Appendix 14 to the Listing Rules with the exception of code provision A.2.1, which requires the roles of chairman and chief executive should be separate and should not be performed by the same individual.

#### *Deviation from the CG Code*

Under code provision A.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Wong currently holds both positions. Throughout the Group's business history of over 13 years, Mr. Wong has been holding the key leadership position of the Group and has been deeply involved in the formulation of corporate strategies and management of business and operations of the Group. Taking into account the consistent leadership within the Group and in order to enable more effective and efficient overall strategic planning and continuation of the implementation of such plans, the Directors (including the independent non-executive Directors) consider that Mr. Wong is the best candidate for both positions and the present arrangements are beneficial to and in the interests of the Company and its shareholders as a whole.

The Directors will review the Group's corporate governance policies and compliance with the CG Code each financial year and comply with the "comply or explain" principle in the corporate governance report which will be included in the annual reports.

## MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

### MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Model Code was not applicable to the Company during the Period as the Shares are only listed on the Stock Exchange on 29 November 2016. The Company has adopted the Model Code as the code of conduct regarding Directors' securities transactions upon the Listing and all Directors have confirmed, upon specific enquiries made by the Company, that they complied with the Model Code on the date of the Listing (which is also the date of this report).

### INTERIM DIVIDEND

The Board takes into account, among other factors, the Group's overall results of operation, financial position and capital requirements in considering the declaration of dividends. The Board has resolved not to declare any interim dividend for the Period (2015: Nil).

### AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee"), comprising three independent non-executive Directors, namely Mr. CHEUNG Yui Kai Warren (chairman of the Audit Committee), Prof. LAI Kin Keung and Mr. LUI Hong Peace, has reviewed the accounting standards and policies adopted by the Group and the unaudited condensed combined financial information of the Group for the Period and this report.

By order of the Board  
**Food Wise Holdings Limited**  
**WONG Che Kin**  
*Chairman, Executive Director and  
Chief Executive Officer*

Hong Kong, 29 November 2016

*As at the date of this report, the Board comprises Mr. WONG Che Kin and Ms. WONG Chui Ha Iris as executive Directors; Mr. CHEUNG Wai Chi as a non-executive Director; and Mr. CHEUNG Yui Kai Warren, Prof. LAI Kin Keung and Mr. LUI Hong Peace as independent non-executive Directors.*

## CONDENSED COMBINED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2016

		<b>Six months ended 30 September</b>	
	Note	<b>2016 HK\$'000 (Unaudited)</b>	2015 HK\$'000 (Unaudited)
<b>Revenue</b>	5	<b>102,631</b>	104,794
Other income	6	<b>184</b>	247
Cost of food and beverages		<b>(23,713)</b>	(25,157)
Staff costs		<b>(28,418)</b>	(27,103)
Depreciation and amortisation		<b>(4,100)</b>	(4,230)
Property rentals and related expenses		<b>(25,925)</b>	(23,275)
Fuel and utility expenses		<b>(3,047)</b>	(2,917)
Advertising and marketing expenses		<b>(240)</b>	(259)
Other operating expenses		<b>(4,246)</b>	(3,941)
Listing expenses		<b>(14,677)</b>	–
Finance costs, net	7	<b>(16)</b>	(24)
<b>(Loss)/profit before taxation</b>	8	<b>(1,567)</b>	18,135
Income tax expense	9	<b>(2,065)</b>	(3,072)
<b>(Loss)/profit and total comprehensive (loss)/income for the period</b>		<b>(3,632)</b>	15,063
(Loss)/profit and total comprehensive (loss)/income for the period attributable to shareholders of the Company		<b>(3,632)</b>	15,063
Basic and diluted earnings per share	11	<b>N/A</b>	N/A

The notes on pages 19 to 32 form an integral part of this condensed combined interim financial information.

## CONDENSED COMBINED INTERIM STATEMENT OF FINANCIAL POSITION

As at 30 September 2016

	Note	30 September 2016 HK\$'000 (Unaudited)	31 March 2016 HK\$'000 (Audited)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	12	14,694	15,325
Intangible assets		15	16
Investment in an associate	13	–	–
Rental and utilities deposits	15	9,621	8,216
Prepayments for property, plant and equipment	15	–	31
Deferred income tax assets		2,327	2,139
<b>Total non-current assets</b>		<b>26,657</b>	<b>25,727</b>
<b>CURRENT ASSETS</b>			
Inventories	14	2,256	2,889
Prepayments, deposits and other receivables	15	17,819	12,978
Current income tax assets		442	943
Bank deposits with maturity over three months		–	524
Restricted cash		2,353	2,424
Cash and cash equivalents		28,550	32,662
<b>Total current assets</b>		<b>51,420</b>	<b>52,420</b>
<b>CURRENT LIABILITIES</b>			
Trade payables	16	4,031	3,780
Other payables and accruals	17	17,690	12,876
Bank borrowing	18	–	3,428
Finance lease payables		–	53
Current income tax liabilities		2,946	1,390
<b>Total current liabilities</b>		<b>24,667</b>	<b>21,527</b>

## CONDENSED COMBINED INTERIM STATEMENT OF FINANCIAL POSITION *(Continued)*

As at 30 September 2016

	Note	30 September 2016 HK\$'000 (Unaudited)	31 March 2016 HK\$'000 (Audited)
<b>NON-CURRENT LIABILITIES</b>			
Other payables	17	2,300	1,961
Finance lease payables		–	37
Deferred income tax liabilities		340	220
<b>Total non-current liabilities</b>		<b>2,640</b>	<b>2,218</b>
<b>Net assets</b>		<b>50,770</b>	<b>54,402</b>
<b>EQUITY</b>			
<b>Equity attributable to shareholders of the Company</b>			
Combined capital	19	342	342
Retained earnings	19	50,428	54,060
<b>Total equity</b>		<b>50,770</b>	<b>54,402</b>

The notes on pages 19 to 32 form an integral part of this condensed combined interim financial information.



## CONDENSED COMBINED INTERIM STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2016

	Attributable to shareholders of the Company		
	Combined capital HK\$'000 (Unaudited) (Note 19)	Retained earnings HK\$'000 (Unaudited) (Note 19)	Total HK\$'000 (Unaudited)
<b>At 1 April 2016</b>	<b>342</b>	<b>54,060</b>	<b>54,402</b>
<b>Loss and total comprehensive loss for the period</b>	<b>–</b>	<b>(3,632)</b>	<b>(3,632)</b>
<b>At 30 September 2016</b>	<b>342</b>	<b>50,428</b>	<b>50,770</b>
At 1 April 2015	342	59,869	60,211
Profit and total comprehensive income for the period	–	15,063	15,063
At 30 September 2015	342	74,932	75,274

The notes on pages 19 to 32 form an integral part of this condensed combined interim financial information.

## CONDENSED COMBINED INTERIM STATEMENT OF CASH FLOWS

For the six months ended 30 September 2016

	Six months ended 30 September	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
<b>Cash flows from operating activities</b>		
Cash generated from operations	5,416	17,578
Interest received	16	16
Hong Kong profits tax (paid)/refunded	(76)	69
	5,356	17,663
	5,356	17,663
<b>Cash flows from investing activities</b>		
Purchases of property, plant and equipment	(3,330)	(2,042)
Proceeds from disposal of property, plant and equipment	–	75
Decrease in prepayments for property, plant and equipment	31	275
Increase in amount due from a related company	–	(29)
Decrease in restricted cash	71	272
Decrease/(increase) in bank deposits with maturity over three months	524	(196)
	(2,704)	(1,645)
	(2,704)	(1,645)

## CONDENSED COMBINED INTERIM STATEMENT OF CASH

### FLOWS (Continued)

For the six months ended 30 September 2016

	Six months ended 30 September	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
<b>Cash flows from financing activities</b>		
Repayment of bank loans	(3,428)	(2,056)
Proceeds from bank loans	–	4,000
Listing expenses paid	(3,214)	–
Capital element of finance lease rental payments	(90)	(25)
Interests paid	(32)	(40)
Repayment to shareholders	–	(13,863)
Advances from shareholders	–	801
	<hr/>	<hr/>
Net cash used in financing activities	(6,764)	(11,183)
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<b>Net (decrease)/increase in cash and cash equivalents</b>	(4,112)	4,835
Cash and cash equivalents at the beginning of the period	32,662	33,127
	<hr/>	<hr/>
<b>Cash and cash equivalents at the end of the period</b>	<b>28,550</b>	<b>37,962</b>
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The notes on pages 19 to 32 form an integral part of this condensed combined interim financial information.

# NOTES TO THE CONDENSED COMBINED INTERIM FINANCIAL INFORMATION

## 1 GENERAL INFORMATION, REORGANISATION AND BASIS OF PRESENTATION

The Company was incorporated in the Cayman Islands on 14 April 2016 as an exempted company with limited liability under the Companies Law (Cap. 22, Law 3 of 1961 as consolidated and revised) of the Cayman Islands. The address of the Company's registered office is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company is an investment holding company and its subsidiaries are principally engaged in the operation of restaurant chains in Hong Kong (the "Listing Business").

The Company has listed its shares on the Stock Exchange on 29 November 2016.

The condensed combined interim financial information is presented in Hong Kong dollar ("HK\$"), unless otherwise stated.

This condensed combined interim financial information has not been audited.

Prior to the incorporation of the Company and the reorganisation as described in Note 1.2 of the Accountant's Report set out in Appendix I to the Prospectus, which was completed on 7 November 2016 (the "Reorganisation"), the Listing Business was primarily carried out by 111 Limited, 333 Limited, Goody Limited, Aero Tech Limited, Prosino Limited, Unlimit Limited, Dotco Limited, Hotex Limited, Sydney Limited, Printech Corporation Limited, Tri-pros Limited, 555 Limited and Richfield Development Limited (collectively the "Operating Subsidiaries"). After the completion of the Reorganisation, the Company became the holding company of the subsidiaries now comprising the Group.

The Operating Subsidiaries were ultimately controlled by Mr. Wong and Mrs. Wong, who is the spouse of Mr. Wong, throughout the six months ended 30 September 2016 and 2015. The basis of presentation of this condensed combined interim financial information is the same with that described in Note 1.3 of the Accountant's Report set out in Appendix I to the Prospectus. The condensed combined interim financial information has been prepared as if the Group structure after the Reorganisation had been in existence throughout both periods presented.

# NOTES TO THE CONDENSED COMBINED INTERIM FINANCIAL INFORMATION

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and basis of preparation adopted in the preparation of the condensed combined interim financial information are consistent with those described in the Accountant's Report set out in Appendix I to the Prospectus, except as described below.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

### 2.1 Basis of preparation

This condensed combined interim financial information for the six months ended 30 September 2016 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34, "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The condensed combined interim financial information should be read in conjunction with the Accountant's Report set out in Appendix I to the Prospectus, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") and have been prepared under the historical cost convention.

# NOTES TO THE CONDENSED COMBINED INTERIM FINANCIAL INFORMATION

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 2.1 Basis of preparation *(Continued)*

#### ***New standards and amendments to standards and interpretations not yet adopted***

A number of new standards and amendments to standards and interpretations have been issued but not effective for the financial year beginning on or after 1 April 2016 and have not been early adopted:

		<b>Effective for annual periods beginning on or after</b>
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
HKAS 7 (Amendment)	Statement of Cash Flows	1 January 2017
HKAS 12 (Amendment)	Income Taxes	1 January 2017
HKFRS 2 (Amendment)	Classification and measurement of share-based payment transactions	1 January 2018
HKFRS 9	Financial Instruments	1 January 2018
HKFRS 15	Revenue from Contracts with Customers	1 January 2018
HKFRS 16	Leases	1 January 2019

The Group is in the process of making an assessment of the impact of these new standards and amendments to standards and interpretations upon initial application but is not yet in a position to state whether these new standards and amendments to standards and interpretations would have a significant impact on its financial performance and financial position.

# NOTES TO THE CONDENSED COMBINED INTERIM FINANCIAL INFORMATION

## 3 ESTIMATES

The preparation of condensed combined interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimated.

In preparing this condensed combined interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were similar to those applied to the Accountant's Report included in Appendix I to the Prospectus.

## 4 FINANCIAL RISK MANAGEMENT

### 4.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner. Because of the simplicity of the financial structure and the current operations of the Group, no hedging activities are undertaken by management.

The condensed combined interim financial information do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Accountant's Report set out in Appendix I to the Prospectus.

There have been no changes in the risk management policies since year end.



## NOTES TO THE CONDENSED COMBINED INTERIM FINANCIAL INFORMATION

### 4 FINANCIAL RISK MANAGEMENT *(Continued)*

#### 4.2 Fair value estimation

The carrying values of the Group's financial assets, including deposits and other receivables, bank deposits with maturity over three months, restricted cash and cash and cash equivalents, and financial liabilities, including trade and other payables, bank borrowing and finance lease payables, approximate to their fair values due to their short-term maturities. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments, unless the discounting effect is insignificant.

### 5 REVENUE AND SEGMENT INFORMATION

The Executive Directors of the Company, who are the chief operating decision-makers of the Group, review the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on reports reviewed by the Executive Directors of the Company that are used to make strategic decisions.

The Group is principally engaged in the operation of restaurant chains in Hong Kong. Management reviews the operating results of the business as one segment to make decisions about resources to be allocated. Therefore, the Executive Directors of the Company regard that there is only one segment which is used to make strategic decisions. Revenue and profit after income tax are the measures reported to the Executive Directors for the purpose of resources allocation and performance assessment.

The major operating entities of the Group are domiciled in Hong Kong. All of the Group's revenue are derived in Hong Kong during the six months ended 30 September 2016 and 2015.

As at 30 September 2016 and 31 March 2016, all of the non-current assets of the Group were located in Hong Kong.



## NOTES TO THE CONDENSED COMBINED INTERIM FINANCIAL INFORMATION

### 5 REVENUE AND SEGMENT INFORMATION *(Continued)*

Revenue, which is also the Group's turnover, represents amounts received and receivable from the operation of restaurants in Hong Kong. An analysis of revenue is as follows:

	<b>Six months ended 30 September</b>	
	<b>2016 HK\$'000 (Unaudited)</b>	<b>2015 HK\$'000 (Unaudited)</b>
Restaurant operations	<b>102,631</b>	104,794

### 6 OTHER INCOME

	<b>Six months ended 30 September</b>	
	<b>2016 HK\$'000 (Unaudited)</b>	<b>2015 HK\$'000 (Unaudited)</b>
Sales of scrap materials	<b>26</b>	34
Sundry income	<b>158</b>	213
	<b>184</b>	247

### 7 FINANCE COSTS, NET

	<b>Six months ended 30 September</b>	
	<b>2016 HK\$'000 (Unaudited)</b>	<b>2015 HK\$'000 (Unaudited)</b>
Interest expense on bank loans wholly repayable within 5 years	<b>29</b>	35
Interest expense on finance leases	<b>3</b>	5
Interest income	<b>(16)</b>	(16)
	<b>16</b>	24

## NOTES TO THE CONDENSED COMBINED INTERIM FINANCIAL INFORMATION

### 8 (LOSS)/PROFIT BEFORE TAXATION

(Loss)/profit before taxation is stated after:

		Six months ended 30 September	
	Note	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Cost of food and beverages		23,713	25,157
Depreciation of property, plant and equipment	12	4,099	4,230
Amortisation of intangible assets		1	–
Lease payments under operating leases in respect of land and buildings:			
– Minimum lease payments		21,524	18,535
– Contingent rental		262	237
		21,786	18,772
Employee benefit expenses (excluding directors' remuneration):			
Wages and salaries		23,956	22,829
Discretionary bonuses		118	288
Retirement benefit scheme contributions		1,025	1,045
Insurance expense		708	715
Staff welfare		604	498
Provision for/(reversal of) unutilised annual leave		200	(53)
Provision for long service payment		130	154
		26,741	25,476
Auditors' remuneration			
– Audit services		125	100
– Non-audit services		–	230
Gain on disposal of items of property, plant and equipment		–	(75)
Foreign exchange differences, net		104	91
Listing expenses		14,677	–

## NOTES TO THE CONDENSED COMBINED INTERIM FINANCIAL INFORMATION

### 9 INCOME TAX EXPENSE

Hong Kong profits tax has been provided on the estimated assessable profits at a rate of 16.5% (six months ended 30 September 2015: 16.5%).

The major components of the income tax expense are as follows:

	<b>Six months ended 30 September</b>	
	<b>2016</b>	2015
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Hong Kong profits tax		
Current income tax	<b>2,253</b>	2,925
Over-provision in prior years	<b>(120)</b>	–
Deferred income tax	<b>(68)</b>	147
	<hr/>	<hr/>
Total tax charge for the period	<b>2,065</b>	3,072

### 10 DIVIDENDS

The Board does not declare the payment of an interim dividend for the Period (six months ended 30 September 2015: Nil).

### 11 EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

No earnings per share information is presented as its inclusion, for the purpose of this report, is not considered meaningful due to the Reorganisation and the preparation of the financial performance for each of the six months ended 30 September 2016 and 2015 on a combined basis as disclosed in Note 1 above.

# NOTES TO THE CONDENSED COMBINED INTERIM FINANCIAL INFORMATION

## 12 PROPERTY, PLANT AND EQUIPMENT

	Land and buildings HK\$'000 (Unaudited)	Leasehold improvements HK\$'000 (Unaudited)	Restaurants and kitchen equipment HK\$'000 (Unaudited)	Computer equipment HK\$'000 (Unaudited)	Furniture and fixtures HK\$'000 (Unaudited)	Office equipment HK\$'000 (Unaudited)	Motor vehicles HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
<b>At 1 April 2016</b>								
Cost	-	25,990	11,243	1,624	6,567	111	869	46,404
Accumulated depreciation	-	(18,833)	(7,365)	(1,004)	(3,061)	(57)	(759)	(31,079)
Net carrying amount	-	7,157	3,878	620	3,506	54	110	15,325
<b>Six months ended 30 September 2016</b>								
Opening net carrying amount	-	7,157	3,878	620	3,506	54	110	15,325
Additions	-	1,086	736	748	730	168	-	3,468
Depreciation	-	(2,118)	(1,082)	(174)	(675)	(25)	(25)	(4,099)
Closing net carrying amount	-	6,125	3,532	1,194	3,561	197	85	14,694
<b>At 30 September 2016</b>								
Cost	-	24,766	11,276	2,247	6,996	279	869	46,433
Accumulated depreciation	-	(18,641)	(7,744)	(1,053)	(3,435)	(82)	(784)	(31,739)
Net carrying amount	-	6,125	3,532	1,194	3,561	197	85	14,694

## NOTES TO THE CONDENSED COMBINED INTERIM FINANCIAL INFORMATION

### 12 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

	Land and buildings HK\$'000 (Unaudited)	Leasehold improvements HK\$'000 (Unaudited)	Restaurants and kitchen equipment HK\$'000 (Unaudited)	Computer equipment HK\$'000 (Unaudited)	Furniture and fixtures HK\$'000 (Unaudited)	Office equipment HK\$'000 (Unaudited)	Motor vehicles HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
<b>At 1 April 2015</b>								
Cost	3,707	27,448	11,003	1,417	4,088	86	869	48,618
Accumulated depreciation	(283)	(19,524)	(6,850)	(1,074)	(2,685)	(40)	(699)	(31,155)
Net carrying amount	3,424	7,924	4,153	343	1,403	46	170	17,463
<b>Six months ended 30 September 2015</b>								
Opening net carrying amount	3,424	7,924	4,153	343	1,403	46	170	17,463
Additions	-	1,488	107	558	17	25	-	2,195
Depreciation	(53)	(2,557)	(1,095)	(149)	(332)	(8)	(36)	(4,230)
Closing net carrying amount	3,371	6,855	3,165	752	1,088	63	134	15,428
<b>At 30 September 2015</b>								
Cost	3,707	23,364	9,465	1,623	3,623	111	869	42,762
Accumulated depreciation	(336)	(16,509)	(6,300)	(871)	(2,535)	(48)	(735)	(27,334)
Net carrying amount	3,371	6,855	3,165	752	1,088	63	134	15,428

The net carrying amounts of the Group's property, plant and equipment held under finance leases included in the total amounts of motor vehicles as at 30 September 2016 and 31 March 2016 were Nil and HK\$110,000, respectively.

### 13 INVESTMENT IN AN ASSOCIATE

	<b>30 September 2016 HK\$'000 (Unaudited)</b>	31 March 2016 HK\$'000 (Audited)
Investment, at cost	<b>250</b>	250
Losses shared in previous years	<b>(250)</b>	(250)
	<b>-</b>	-

## NOTES TO THE CONDENSED COMBINED INTERIM FINANCIAL INFORMATION

### 14 INVENTORIES

	<b>30 September 2016 HK\$'000 (Unaudited)</b>	31 March 2016 HK\$'000 (Audited)
Food and consumables for restaurant operations	<b>2,256</b>	2,889

### 15 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	<b>30 September 2016 HK\$'000 (Unaudited)</b>	31 March 2016 HK\$'000 (Audited)
Prepayments	3,000	2,606
Prepaid listing expenses	5,211	490
Rental and utilities deposits	19,143	18,104
Other receivables	86	25
	<b>27,440</b>	21,225
Less: non-current portion		
– Rental and utilities deposits	(9,621)	(8,216)
– Prepayments for property, plant and equipment	–	(31)
Current portion	<b>17,819</b>	12,978

### 16 TRADE PAYABLES

An aging analysis of the trade payables as at 30 September 2016 and 31 March 2016, based on the invoice date, is as follows:

	<b>30 September 2016 HK\$'000 (Unaudited)</b>	31 March 2016 HK\$'000 (Audited)
Within 30 days	<b>4,031</b>	3,780

## NOTES TO THE CONDENSED COMBINED INTERIM FINANCIAL INFORMATION

### 17 OTHER PAYABLES AND ACCRUALS

	<b>30 September 2016 HK\$'000 (Unaudited)</b>	31 March 2016 HK\$'000 (Audited)
Rent payable	52	200
Accrued employee benefit expenses	4,314	5,506
Provision for long service payment	878	748
Provision for unutilised annual leave	858	658
Provision for reinstatement costs	3,865	3,963
Provision for effective rental	1,513	1,591
Accrued listing expenses	7,008	1,020
Others	1,502	1,151
	<b>19,990</b>	14,837
Less: non-current portion		
– Provision for reinstatement costs	<b>(2,300)</b>	(1,961)
Current portion	<b>17,690</b>	12,876

### 18 BANK BORROWING

	<b>30 September 2016 HK\$'000 (Unaudited)</b>	31 March 2016 HK\$'000 (Audited)
Bank loan – secured	–	3,428

Borrowings due for repayment after one year which contain a repayment on demand clause are classified as current liabilities.

The carrying amount of the Group's borrowing is denominated in HK\$ and approximates to its fair value.

## NOTES TO THE CONDENSED COMBINED INTERIM FINANCIAL INFORMATION

### 18 BANK BORROWING (Continued)

As at 30 September 2016 and 31 March 2016, the Group had aggregate banking facilities of HK\$6,000,000 and HK\$4,000,000, respectively, for loans. There are unused banking facilities of HK\$6,000,000 as at 30 September 2016. There are no unused banking facilities as at 31 March 2016 as all banking facilities are installment loans. The Group's banking facilities are subject to annual review and secured or guaranteed by:

- (i) unlimited personal guarantee from Mr. Wong as at 31 March 2016 and was subsequently released upon the repayment of the bank borrowing; and
- (ii) mortgage over land and buildings held by Mr. Wong, Mrs. Wong and Eternal Prosper Pacific Limited as at 31 March 2016 and was subsequently released upon the repayment on the bank borrowing.

### 19 COMBINED CAPITAL AND RETAINED EARNINGS

The Reorganisation has not been completed as at 30 September 2016. As mentioned in Note 1 above, the condensed combined interim financial information has been prepared as if the Group structure after the Reorganisation had been in existence throughout the both periods presented. Combined capital and retained earnings as at 30 September 2016 and 31 March 2016 represent the combined share capital and retained earnings of the companies now comprising the Group after elimination of inter-company transactions and balances. Apart from (loss)/profit and total comprehensive (loss)/income for the period, there were no other movements in combined capital and retained earnings during the six months ended 30 September 2016 and 2015.

### 20 RELATED PARTY TRANSACTIONS

- (a) In addition to the transactions and balances disclosed elsewhere in this report, the Group had the following transactions with related parties in the ordinary course of business:

	<b>Six months ended 30 September</b>	
	<b>2016 HK\$'000 (Unaudited)</b>	2015 HK\$'000 (Unaudited)
Rental expenses paid and payable to		
– Eternal Prosper Pacific Limited (ii)	<b>627</b>	315
– Mr. Wong (i)	<b>72</b>	45
– Mrs. Wong (i)	<b>153</b>	90



## NOTES TO THE CONDENSED COMBINED INTERIM FINANCIAL INFORMATION

### 20 RELATED PARTY TRANSACTIONS (Continued)

#### (a) (Continued)

- (i) Rental expenses are paid in accordance with the terms mutually agreed by relevant parties.
- (ii) Eternal Prosper Pacific Limited is controlled by Mr. Wong and Mrs. Wong. Rental expenses are paid in accordance with the terms mutually agreed.

#### (b) Key management compensation

Key management includes executive directors and the senior management of the Group.

Compensation of key management personnel of the Group is as follows:

	<b>Six months ended 30 September</b>	
	<b>2016 HK\$'000 (Unaudited)</b>	<b>2015 HK\$'000 (Unaudited)</b>
Salaries and other short term employee benefits	<b>1,884</b>	1,745
Retirement benefit scheme contribution	<b>80</b>	58
	<b>1,964</b>	1,803

#### (c) Other arrangements with related parties

Save as disclosed in Notes 18 and 20 to the condensed combined interim financial information, there are no other arrangements with related parties.

### 21 EVENTS AFTER THE REPORTING PERIOD

On 7 November 2016, the Reorganisation was completed and the Company became the holding company of the subsidiaries now comprising the Group.

On 29 November 2016, the Company has issued 149,999,900 ordinary shares pursuant to the capitalisation issue and has its shares listed on the Stock Exchange with the issuance of 50,000,000 offer shares at an issue price of HK\$2.00 per share.