FOOD WISE HOLDINGS LIMITED
膳源控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1632)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2017

ANNUAL RESULTS

The board (the "**Board**") of directors (the "**Directors**") of Food Wise Holdings Limited (the "**Company**", together with its subsidiaries, the "**Group**") announces the consolidated results of the Group for the year ended 31 March 2017, together with the comparative figures for the year ended 31 March 2016, as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2017

	Note	2017 HK$'000	2016 HK$'000
Revenue	3	**189,830**	200,915
Other income and gains	4	**280**	2,390
Cost of food and beverages		**(44,066)**	(47,427)
Staff costs		**(57,121)**	(54,416)
Depreciation and amortisation		**(7,550)**	(8,394)
Property rentals and related expenses		**(51,382)**	(48,169)
Fuel and utility expenses		**(5,737)**	(5,862)
Advertising and marketing expenses		**(481)**	(501)
Other operating expenses		**(12,466)**	(8,264)
Listing expenses		**(17,591)**	(1,478)
Finance income/(costs), net	5	**138**	(51)
(Loss)/profit before taxation	6	**(6,146)**	28,743
Income tax expense	7	**(1,782)**	(4,838)
(Loss)/profit and total comprehensive (loss)/ income for the year		**(7,928)**	23,905
Attributable to:			
Shareholders of the Company		**(7,928)**	23,905
Basic and diluted (loss)/earnings per share (HK cents)	9	**(4.75)**	15.94

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2017

	Note	2017 HK$'000	2016 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**18,682**	15,325
Intangible assets		**14**	16
Investment in an associate		**–**	–
Rental and utilities deposits	*10*	**15,815**	8,216
Prepayments for property, plant and equipment	*10*	**826**	31
Deferred income tax assets		**3,372**	2,139
		38,709	25,727
CURRENT ASSETS			
Inventories		**2,005**	2,889
Prepayments, deposits and other receivables	*10*	**8,883**	12,978
Current income tax recoverable		**2,103**	943
Bank deposits with maturity over three months		**–**	524
Restricted cash		**2,049**	2,424
Cash and cash equivalents		**108,359**	32,662
		123,399	52,420
Total assets		**162,108**	78,147
EQUITY			
Equity attributable to shareholders of the Company			
Share capital	*13*	**2,000**	–
Other reserves	*14*	**134,444**	54,402
Total equity		**136,444**	54,402

	Note	2017 HK$'000	2016 HK$'000
NON-CURRENT LIABILITIES			
Other payables		**3,115**	1,961
Finance lease payables		**–**	37
Deferred income tax liabilities		**299**	220
		3,414	2,218
CURRENT LIABILITIES			
Trade payables	*11*	**3,857**	3,780
Other payables and accruals		**18,085**	12,876
Bank borrowings	*12*	**–**	3,428
Finance lease payables		**–**	53
Current income tax liabilities		**308**	1,390
		22,250	21,527
Total liabilities		**25,664**	23,745
Total equity and liabilities		**162,108**	78,147

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 General information, reorganisation and basis of presentation

1.1 General information

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 "**Business**").

The Company has listed its shares on the Main Board of The Stock Exchange of Hong Kong Limited since 29 November 2016.

The consolidated financial statements are presented in Hong Kong dollar ("**HK$**"), unless otherwise stated.

1.2 Reorganisation and basis of presentation

Prior to the incorporation of the Company and the completion of the reorganisation (the "**Reorganisation**") as described below, the 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**"). The Business was collectively controlled by Mr. WONG Che Kin ("**Mr. Wong**") and Ms. WONG Chui Ha Iris ("**Mrs. Wong**"), who is the spouse of Mr. Wong.

In preparation for the initial listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Listing**"), the Group underwent the Reorganisation, which principally involved the following steps:

a. On 24 November 2015, Blaze Forum Limited was incorporated in the British Virgin Islands ("**BVI**") with limited liability. On 6 April 2016, 1 share of Blaze Forum Limited was allotted and issued to Mrs. Wong at par value of US$1. Since then, Mrs. Wong is the sole shareholder of Blaze Forum Limited.

b. On 11 March 2016, Pioneer Vantage Global Limited was incorporated in the BVI with limited liability. On 6 April 2016, 1 share of Pioneer Vantage Global Limited was allotted and issued to Mr. Wong at par value of US$1. Since then, Mr. Wong is the sole shareholder of Pioneer Vantage Global Limited.

c. On 15 March 2016, Prosperity One Limited was incorporated in the BVI with limited liability. On 6 April 2016, 85 shares and 15 shares of Prosperity One Limited were allotted and issued at a par value of US$1 each to Pioneer Vantage Global Limited and Blaze Forum Limited, respectively. In return, on 13 June 2016, all the entire issued share capital in each of the Operating Subsidiaries held by Mr. Wong and Mrs. Wong were transferred to Prosperity One Limited. Since then, Prosperity One Limited was ultimately owned as to 85% by Mr. Wong and 15% by Mrs. Wong, respectively.

d. On 14 April 2016, the Company was incorporated in the Cayman Islands with limited liability. On the date of incorporation, 1 share of the Company was allotted and issued at par value of HK$0.01 to a first subscriber which was subsequently transferred to Pioneer Vantage Global Limited on the same day.

e. On 7 November 2016, the Company acquired all the issued share capital in Prosperity One Limited held by Pioneer Vantage Global Limited and Blaze Forum Limited for a consideration of allotting and issuing 84 and 15 shares in the Company to Pioneer Vantage Global Limited and Blaze Forum Limited, respectively. Since then, the Operating Subsidiaries became wholly-owned subsidiaries of the Company through Prosperity One Limited and the Company was ultimately owned as to 85% by Mr. Wong and 15% by Mrs. Wong, respectively.

Upon completion of the Reorganisation, the Company became the holding company of the subsidiaries now comprising the Group.

Immediately prior to and after the Reorganisation, the Business was held by Mr. Wong and Mrs. Wong. The Business was conducted through the Operating Subsidiaries which were owned as to 85% and 15% by Mr. Wong and Mrs. Wong, respectively.

Pursuant to the Reorganisation, the Business was transferred to the Company and is being held by the Company since 7 November 2016. The Company has not been involved in any other business prior to the Reorganisation and does not meet the definition of a business. The Reorganisation is merely a reorganisation of the Business with no change in management of such business and the ultimate owners of the Business remain the same. Accordingly, the Group resulting from the Reorganisation is regarded as a continuation of the Business and the consolidated financial statements of the Company and the Business are prepared in accordance with HKFRS 10, "Consolidated Financial Statements", issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), using the carrying values of the Business as if the group structure after the Reorganisation had been in existence throughout the years presented.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRSs**") and the disclosure requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements have been prepared under the historical cost convention.

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

(a) New standards and amendments to standards adopted by the Group

The following new standards and amendments to standards have been adopted by the Group for the first time for the financial year beginning on or after 1 April 2016:

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

The adoption of these new standards and amendments to standards did not have any significant impact on the current period or any prior period.

(b) New standards and amendments to standards not yet adopted

A number of new standards and amendments to standards are effective for annual periods beginning after 1 April 2016 and have not been applied in preparing these consolidated financial statements:

		Effective for annual periods beginning on or after
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

HKFRS 9, 'Financial Instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. It replaces the guidance in HKAS 39 that relates to the classification and measurement of financial instruments. HKFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit or loss. For financial liabilities, there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. The Group assesses that adopting HKFRS 9 will not have a material impact to the Group's consolidated financial statements.

HKFRS 15, 'Revenue from contracts with customers', deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces HKAS 18 'Revenue' and HKAS 11 'Construction contracts' and related interpretations. The Group assesses that adopting HKFRS 15 will not have a material impact to the Group's consolidated financial statements.

HKFRS 16, ‘Leases’, addresses the definition of a lease, recognition and measurement of leases. The standard replaces HKAS 17 ‘Leases’ and related interpretations. The Group is a lessee of office premises, various restaurants and warehouses, the leases of which are currently classified as operating leases. The Group had total future minimum lease payments under non-cancellable operating leases, which are not reflected in the consolidated statement of financial position, falling due as follows:

	2017	2016
	HK$'000	*HK$'000*
As lessees		
Within one year	40,108	33,579
In the second to fifth years, inclusive	48,858	32,882
Beyond five years	–	1,315
	88,966	67,776

HKFRS 16 provides new provisions for the accounting treatment of leases and will in the future no longer allow lessees to recognise certain leases outside of the consolidated statement of financial position. Instead, all non-current leases must be recognised in the form of an asset (for the right of use) and a financial liability (for the payment obligation). Thus each lease will be mapped in the Group’s consolidated statement of financial position. Short-term leases of less than twelve months and leases of low-value assets are exempt from the reporting obligation. The new standard will therefore result in an increase in right-of-use asset and an increase in financial liability in the consolidated statement of financial position. In the consolidated statement of comprehensive income, leases will be recognised in the future as depreciation and amortisation and will no longer be recorded as property rental and related expenses. Interest expense on the lease liability will be presented separately from depreciation and amortisation under finance costs. As a result, the property rental and related expenses under otherwise identical circumstances will decrease, while depreciation and amortisation and the interest expense will increase. The combination of a straight-line depreciation of the right-of-use asset and the effective interest rate method applied to the lease liability will result in a higher total charge to profit or loss in the initial year of the lease, and decreasing expenses during the latter part of the lease term. The new standard is not expected to apply until the financial year 2019, including the adjustment of prior years. The Group assesses that adopting HKFRS 16 may have a material impact to the Group’s consolidated financial statements.

There are no other new standards and amendments to standards and interpretations that are not yet effective that would be expected to have a material impact on the Group.

3 Revenue and segment information

The Executive Directors of the Company, who are the chief operating decision-maker 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.

All of the Group's revenue are derived in Hong Kong during the years ended 31 March 2017 and 2016.

As at 31 March 2017 and 2016, all of the non-current assets of the Group are located in Hong Kong.

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:

	2017	2016
	HK$'000	*HK$'000*
Restaurants operation	**189,830**	200,915

4 Other income and gains

	2017	2016
	HK$'000	*HK$'000*
Sales of scrap materials	**59**	67
Sundry income	**221**	607
Gain on disposal of land and buildings	**–**	1,716
	280	2,390

5 Finance income/(costs), net

	2017	2016
	HK$'000	*HK$'000*
Interest expense on bank loans wholly repayable within 5 years	**(29)**	(77)
Interest expense on finance leases	**(3)**	(7)
Interest income	**170**	33
	138	(51)

6 (Loss)/profit before taxation

(Loss)/profit before taxation is stated after:

	2017	2016
	HK$'000	*HK$'000*
Cost of food and beverages	**44,066**	47,427
Depreciation of property, plant and equipment	**7,548**	8,391
Amortisation of intangible assets	**2**	3
Lease payments under operating leases in respect of land and buildings:		
– Minimum lease payments	**42,778**	40,000
– Contingent rental	**299**	265
	43,077	40,265
Employee benefit expenses (excluding Directors' remuneration):		
Wages and salaries	**46,742**	45,181
Discretionary bonuses	**1,356**	1,339
Retirement benefit scheme contributions	**2,104**	2,114
Insurance expense	**1,473**	1,417
Staff welfare	**1,247**	986
Provision for/(reversal of) unutilised annual leave	**106**	(105)
Provision for long service payment	**157**	308
	53,185	51,240
Auditors' remuneration		
– Audit services	**1,885**	240
– Non-audit services	**839**	230
Loss on disposal of items of property, plant and equipment	**–**	98
Foreign exchange differences, net	**169**	164
Listing expenses	**17,591**	1,478

7 Income tax expense

Hong Kong profits tax has been provided at a rate of 16.5% (2016: 16.5%) on the estimated assessable profit for the year.

The amount of income tax charged to the consolidated statement of comprehensive income represents:

	2017	2016
	HK$'000	*HK$'000*
Hong Kong profits tax		
Current income tax	**3,000**	4,553
Over-provision in prior year	**(64)**	–
Deferred income tax	**(1,154)**	285
	1,782	4,838

The tax on the Group's (loss)/profit before tax differs from the theoretical amount that would arise using the tax rate of Hong Kong as follows:

	2017	2016
	HK$'000	*HK$'000*
(Loss)/profit before taxation	**(6,146)**	28,743
Calculated at the statutory tax rate of 16.5% (2016: 16.5%)	**(1,014)**	4,743
Income not subject to taxation	**(28)**	(268)
Over-provision in prior year	**(64)**	–
Expenses not deductible for taxation purposes	**2,888**	363
Income tax expense	**1,782**	4,838

The negative weighted average applicable tax rate for the year ended 31 March 2017 was -29% mainly due to the non-deductible listing expenses of HK$17,591,000.

8 Dividends

No dividend has been paid or declared by the Company since its incorporation.

At the board meeting held on 28 June 2017, the directors do not recommend the payment of any final dividend for the year ended 31 March 2017.

Dividends disclosed for the year ended 31 March 2016 represented dividends declared and paid or payable by the Operating Subsidiaries to their respective shareholders based on their then respective shareholdings. The rates for dividends and the number of shares ranking for dividends are not presented as such information is not considered meaningful for the purpose of this announcement.

9 (Loss)/earnings per share

(a) Basic

Basic (loss)/earnings per share is calculated by dividing the profit attributable to shareholders of the Company by the weighted average number of ordinary shares in issue during the year.

	2017	2016
	HK$'000	*HK$'000*
(Loss)/profit attributable to shareholders of the Company	**(7,928)**	23,905
Weighted average number of ordinary shares in issue (thousands) *(Note)*	**166,849**	150,000
Basic (loss)/earnings per share (HK cents)	**(4.75)**	15.94

Note: The weighted average number of shares in issue for the years ended 31 March 2017 and 2016 for the purpose of (loss)/earnings per share computation has been retrospectively adjusted for the effect of the 1 share issued on 14 April 2016 (the date of incorporation), 99 shares issued on 7 November 2016 under the Reorganisation in preparation for listing and the 149,999,900 shares issued under the capitalisation issue on 29 November 2016 (Note 13(a)).

(b) Diluted

For the years ended 31 March 2017 and 2016, diluted (loss)/earnings per share equals basic (loss)/earnings per share as there was no dilutive potential share.

10 Prepayments, deposits and other receivables

	2017	2016
	HK$'000	*HK$'000*
Prepayments	**3,945**	2,606
Prepaid listing expenses	**–**	490
Rental and utilities deposits	**21,386**	18,104
Other receivables	**193**	25
	25,524	21,225
Less: non-current portion		
– Rental and utilities deposits	**(15,815)**	(8,216)
– Prepayments for property, plant and equipment	**(826)**	(31)
Current portion	**8,883**	12,978

As at 31 March 2017, the balances of deposits and other receivables were neither past due nor impaired. Financial assets included in the above balances relate to receivables for which there was no recent history of default.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The Group did not hold any collateral as security. The carrying amounts of prepayments, deposits and other receivables approximate to their fair values and are denominated in HK$.

11 Trade payables

An aging analysis of the trade payables as at 31 March 2017, based on the invoice date, is as follows:

	2017	2016
	HK$'000	*HK$'000*
Within 30 days	**3,857**	3,780

The trade payables are non-interest bearing with payment terms of 30 days in general.

The carrying amounts of the trade payables approximate to their fair values and are denominated in HK$.

12 Bank borrowings

	2017	2016
	HK$'000	*HK$'000*
Bank loans – secured	**–**	3,428

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

Borrowings due for repayment, based on the scheduled repayment terms set out in the loan agreements and without taking into account the effect of any repayment on demand clause are as follows:

	2017	2016
	HK$'000	*HK$'000*
Within 1 year	**–**	778
Between 1 and 2 years	**–**	795
Between 2 and 5 years	**–**	1,855
Over 5 years	**–**	–
	–	3,428

The weighted average interest rates as at 31 March 2017 and 2016 were as follows:

	2017	2016
Bank loans – secured	**N/A**	2.3%

The carrying amounts of the Group's borrowings are denominated in HK$ and approximate to their fair values.

As at 31 March 2017, the Group had no banking facilities. As at 31 March 2016, the Group had aggregate banking facilities of HK$4,000,000 for loans. There were no unused facilities as at 31 March 2016 as all banking facilities were installment loans. The Group's banking facilities as at 31 March 2016 were 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 borrowings; 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 of the bank borrowings.

13 Share Capital

	Number of shares	Nominal value
		HK$'000
Authorised:		
Ordinary shares of HK$0.01 each		
At 14 April 2016 (date of incorporation)	38,000,000	380
Increase in authorised share capital *(Note (c))*	962,000,000	9,620
At 31 March 2017	1,000,000,000	10,000
Issued and fully paid:		
Ordinary shares of HK$0.01 each		
At 14 April 2016 (date of incorporation)	1	–
Shares issued pursuant to the Reorganisation *(Note 1.2e)*	99	–
Capitalisation issue of shares *(Note (a))*	149,999,900	1,500
Shares issued pursuant to the global offering *(Note (b))*	50,000,000	500
At 31 March 2017	200,000,000	2,000

Notes:

(a) Pursuant to the resolution passed by the shareholders of the Company on 8 November 2016 and conditional upon the share premium account of the Company being credited as a result of the issuance of new shares pursuant to the global offering of the Company's shares, the Directors were authorised to capitalise an amount of HK$1,499,999 standing to the credit of the share premium account of the Company by applying such sum in paying up in full at par of 149,999,900 shares for allotment and issue to the persons whose names appear on the register of members of the Company at the close of business on 28 November 2016.

(b) On 29 November 2016, the Company listed its shares on the Main Board of the Stock Exchange of Hong Kong Limited with global offering of 50,000,000 shares at an issue price of HK$2 per share. The transaction costs attributable to issue of shares amounted to HK$10,030,000.

(c) On 8 November 2016, the authorised share capital of the Company was increased from HK$380,000 divided into 38,000,000 shares of HK$0.01 each to HK$10,000,000 divided into 1,000,000,000 shares of HK$0.01 each by creation of an additional 962,000,000 shares, ranking pari passu in all respects with the then existing shares.

14 Other reserves

	Share premium	Capital reserve *(Note)*	Retained earnings	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2015	–	342	59,869	60,211
Profit and total comprehensive income for the year	–	–	23,905	23,905
Dividends	–	–	(29,714)	(29,714)
At 31 March 2016 and 1 April 2016	–	342	54,060	54,402
Loss and total comprehensive loss for the year	–	–	(7,928)	(7,928)
Issuance of shares pursuant to Reorganisation *(Note 1.2(e))*	–	–	–	–
Capitalisation issue of shares *(Note 13(a))*	(1,500)	–	–	(1,500)
Shares issued pursuant to the global offering *(Note 13(b))*	99,500	–	–	99,500
Transaction costs attributable to the global offering *(Note 13(b))*	(10,030)	–	–	(10,030)
At 31 March 2017	**87,970**	**342**	**46,132**	**134,444**

Note: As at 31 March 2017, capital reserve of HK$341,699 represented the difference between the combined capital of Operating Subsidiaries acquired over the nominal value of the share capital of the Company issued in exchange thereof, please refer to Note 1.2. As at 31 March 2016, capital reserve of HK$341,700 represented the combined share capital of Operating Subsidiaries within the Group after elimination of intercompany investments.

CHAIRMAN'S STATEMENT

To Our Shareholders

On behalf of the Board, I present the annual results of the Group for the year ended 31 March 2017, together with the comparative figures for the year ended 31 March 2016.

Financial Results

The Group's total revenue decreased by approximately 5.5%, or HK$11.1 million, from HK$200.9 million for the year ended 31 March 2016 to HK$189.8 million for the year ended 31 March 2017. The Company turned from a profit attributable to shareholders of the Company (the "**Shareholders**") of HK$23.9 million for the year ended 31 March 2016 to a loss of HK$7.9 million for the year ended 31 March 2017, mainly due to the non-recurring listing expenses, decrease in revenue, initial start-up costs for a new brand restaurant and continued rise in rental costs and staff costs.

Business Review

The issued shares of the Company (the "**Shares**") have successfully been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") since 29 November 2016 (the "**Listing Date**"). The Listing has strengthened the Group's financial position, which facilitates the Group to implement its business strategies as stated in the section "Business – Our Business Strategies" in the prospectus of the Company dated 17 November 2016 (the "**Prospectus**").

As at 31 March 2017, the Group operated 21 restaurants under "Viet's Choice"（越棧）brand and one restaurant under "Five Spice"（5越）brand, which is the Group's first full-menu Vietnamese-style casual dining restaurant offering a more comprehensive menu as compared with Viet's Choice in order to broaden its cuisine offerings to capture a larger market share in Hong Kong and enhance the profitability of the Group.

Prospects

Looking ahead, the food and beverage industry in Hong Kong will continue to encounter various challenges, such as rising rental and staff costs. By leveraging on the Group's competitive strengths, the management remains optimistic in operating and expanding the food and beverage businesses in Hong Kong. The Group will continue to seek opportunities to expand our network of Viet's Choice restaurants as well as broaden our cuisine offerings to capture a larger market share in Hong Kong.

Appreciation

I would like to take this opportunity to express my gratitude to all our Shareholders, fellow members of the Board, the senior management and staff of all levels for their dedication and effort over the years. In addition, on behalf of the Board, I would also like to express our most sincere thanks to all our customers, suppliers and business partners for their continuous support.

WONG Che Kin
Chairman, Executive Director and Chief Executive Officer

Hong Kong, 28 June 2017

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY REVIEW

The Hong Kong economy expanded at a slower pace in 2016 as the global economic growth pace has weakened to its lowest level since 2009. According to the statistics published by the Hong Kong Census and Statistics Department, gross domestic product grew moderately by 3.9% in 2016, slower than the growths in 2010-2015 ranging from 5.0% to 8.9%.

In the food and beverage sector, restaurant operators continue to face a number of challenges, which include the following:

- High staff cost – Due to the rising staff cost and with the statutory minimum wage in Hong Kong, restaurant operators have to absorb the increase in wages thus causing an increase in operation costs.

- High rental prices – Retail rental prices in Hong Kong experience consistent year-on-year growth. To maintain customer loyalty, reduce bill shock and remain in business, full-service restaurants are compelled to generate smaller profit margins as operating costs from both rental and labour costs continue to climb.

- Labour shortage – Restaurant operators have been affected by labour shortage and high staff turnover. Shortage of quality customer service staff presents a challenge for restaurant operators in Hong Kong. Customer service within the food service industry is perceived to be a less than desirable occupation by the local population. This challenge is more apparently felt by low-end to mid-level restaurants. In addition, given the long working hours and low rates, particularly for those who are paid at the minimum wage level, a large section of the workforce is attracted by other industries like property management and security rather than the full-service restaurant industry.

The Group opened its first Viet's Choice restaurant in the midst of the economic downturn in 2003 and has the experience to operate its business in adverse economic conditions. The management considers that the recent slowdown in Hong Kong economy and the stabilising property market which led to a stabilised rental rate provided an opportunity for the Group in terms of, among other things, choices of locations and bargaining power in securing suitable locations at more reasonable rates. As such, the management believes that it is an appropriate timing for the Group to critically consider all surrounding factors and take a more proactive approach to expand the restaurant network to enhance the market competitiveness to position the Group in the market so that it can capture the opportunities upon the recovery of the economic downturn.

BUSINESS REVIEW

The Group is a food and beverage group in Hong Kong operating Vietnamese-style casual dining restaurants.

For the year ended 31 March 2017, the Group (i) opened two Viet's Choice restaurants as replacement restaurants and one new Viet's Choice restaurant; and (ii) closed four Viet's Choice restaurants. Of the four closed Viet's Choice restaurants, despite the under-performance of one of the restaurants which necessitated its closure, as the Group and the landlord could not reach agreement on commercially sound terms for renewal of other three restaurants, the Group planned to open replacement restaurants as a substitute in the same district.

In order to broaden the Group's cuisine offerings to capture a larger market share in Hong Kong, in March 2017, the Group opened its first full-menu Vietnamese-style casual dining restaurant, named "Five Spice"（5越）, which offers a more comprehensive menu as compared with that of Viet's Choice.

As at 31 March 2017, the Group operated 21 Viet's Choice restaurants and one Five Spice restaurant in Hong Kong, of which three were located in the Hong Kong Island, six were located in Kowloon and the remaining were located in the New Territories.

FINANCIAL REVIEW

Revenue

The Group's revenue decreased by approximately 5.5%, or HK$11.1 million, from HK$200.9 million for the year ended 31 March 2016 to HK$189.8 million for the year ended 31 March 2017. The decrease in revenue was primarily due to (i) the downturn in Hong Kong retail and tourism sectors, and (ii) the decrease in the aggregate number of operating days of the restaurants being the net effect of opening and closing of the restaurants during the two years ended 31 March 2017.

Cost of Food and Beverages

The Group's cost of food and beverages decreased by 7.0%, or HK$3.3 million, from HK$47.4 million for the year ended 31 March 2016 to HK$44.1 million for the year ended 31 March 2017, which was primarily due to the decreases in revenue and procurement costs of certain major food ingredients during the year ended 31 March 2017. As a result, the cost of food and beverages as a percentage of revenue slightly decreased from 23.6% for the year ended 31 March 2016 to 23.2% for the year ended 31 March 2017.

Staff Costs

The Group's staff costs increased by 5.0%, or HK$2.7 million, from HK$54.4 million for the year ended 31 March 2016 to HK$57.1 million for the year ended 31 March 2017. Such increase was primarily due to increases in the number of management and administrative staff to support the business expansion plan and the wage rate of the Group's employees during the year ended 31 March 2017.

Property Rentals and Related Expenses

The Group's property rentals and related expenses increased by 6.6%, or HK$3.2 million, from HK$48.2 million for the year ended 31 March 2016 to HK$51.4 million for the year ended 31 March 2017. Such increase was mainly attributable to an increase in the monthly rentals of the Group's leased properties upon renewal of the relevant leases and new properties leased for the replacement restaurants. As a result, the property rentals and related expenses as a percentage of revenue increased from 24.0% for the year ended 31 March 2016 to 27.1% for the year ended 31 March 2017.

Loss Attributable to Shareholders of the Company

The Company turned from a profit attributable to shareholders of the Company of HK$23.9 million for the year ended 31 March 2016 (representing a net profit margin of 11.9%) to a loss of HK$7.9 million for the year ended 31 March 2017, mainly attributable to the inclusion of non-recurring listing expenses of HK$17.6 million, coupled with the other factors discussed above.

Liquidity and Financial Resources

The Group has financed its business with internally generated cash flows and proceeds received from the Listing.

As at 31 March 2017, the Group's cash and cash equivalents were HK$108.4 million, representing an increase of 231.5%, or HK$75.7 million, as compared with HK$32.7 million as at 31 March 2016. The increase was mainly attributable to the receipt of proceeds from the Listing. Most bank deposits and cash were denominated in Hong Kong dollar.

The Group will continue to use the internally generated cash flows and proceeds received from the Listing as a source of funding for future developments.

As at 31 March 2017, the Group's total current assets and current liabilities were HK$123.4 million (as at 31 March 2016: HK$52.4 million) and HK$22.3 million (as at 31 March 2016: HK$21.5 million) respectively, representing a current ratio of 5.5 times (as at 31 March 2016: 2.4 times).

As at 31 March 2017, the Group did not have any bank borrowings (as at 31 March 2016, the Group had bank borrowings of HK$3.4 million, which were denominated in Hong Kong dollar and bore an interest rate of 2.3% per annum).

As at 31 March 2017, the Group did not have any finance lease payables (as at 31 March 2016, the Group had finance lease payables of HK$90,000, which were denominated in Hong Kong dollar and bore a fixed interest rate of 6.1% per annum).

As at 31 March 2017, the gearing ratio of the Group was not applicable as it had no outstanding debt (as at 31 March 2016: a gearing ratio of 6.5%). The gearing ratio equals total debts divided by total equity and multiplied by 100%.

Use of Net Proceeds from the Listing

The Shares were listed on the Stock Exchange on the Listing Date with net proceeds from the global offering of the Shares of HK$70.9 million.

The use of the net proceeds from the Listing as at 31 March 2017 was approximately as follows:

Use of net proceeds	Percentage of net proceeds	Net proceeds *(in HK$ million)*	Amount utilized *(in HK$ million)*	Amount remaining *(in HK$ million)*
Maintain and expand Viet's Choice Brand restaurants	23.3%	16.5	(2.9)	13.6
Broaden cuisine offerings	61.5%	43.6	(3.9)	39.7
Upgrade and expand food processing centre	3.3%	2.3	–	2.3
Upgrade information technology systems	2.7%	1.9	(0.1)	1.8
Broaden the promotion of brand image and recognition	1.5%	1.1	–	1.1
Working capital and general corporate purpose	7.7%	5.5	(5.5)	–
Total	100.0%	70.9	(12.4)	58.5

Significant Investments

As at 31 March 2017, the Group did not hold any significant investment.

Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

During the year ended 31 March 2017, the Group had no material acquisition or disposal of subsidiaries, associates or joint ventures.

Employees and Remuneration Policies

As at 31 March 2017, the Group had 330 employees (as at 31 March 2016: 313 employees). Remuneration is determined by reference to prevailing market terms and in accordance with the performance, qualification and experience of each individual employee.

The emoluments of the Directors are recommended by the remuneration committee of the Company, with reference to their respective contribution of time, effort and expertise on the Company's matters. The Company has adopted a share option scheme to reward the participants defined thereunder for their contribution to the Group's success and to provide them with 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.

Charges on Assets

As at 31 March 2017, the Group did not have any mortgage or charge over its assets.

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

Contingent Liabilities

As at 31 March 2017, the Group did not have any material contingent liabilities.

Prospects

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 will continue 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 which the Group has plans to close, 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 the section headed "Business – Our Business Strategies" of the Prospectus for further details.

DIVIDENDS

The Board has resolved not to recommend the payment of any final dividend in respect of the year ended 31 March 2017.

CORPORATE GOVERNANCE

The Company is committed to fulfilling its responsibilities to its Shareholders and protecting and enhancing Shareholders' value through good corporate governance.

The Directors recognise the importance of incorporating elements of good corporate governance in the management structures, internal control and risk management procedures of the Group so as to achieve effective accountability.

As the Shares were initially listed on the Stock Exchange on the Listing Date, the Corporate Governance Code (the "**CG Code**") as contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") was not applicable to the Company for the period from 1 April 2016 to 28 November 2016, being the date immediately before the Listing Date. The Company has adopted and, save for the deviation from code provision A.2.1 of the CG Code as disclosed below, has complied with all applicable code provisions as set out in the CG Code during the period from the Listing Date to 31 March 2017 (the "**Period**").

Deviation from Code Provision A.2.1 of the CG Code

Code provision A.2.1 of the CG Code stipulates that 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, all the other 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.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as contained in Appendix 10 to the Listing Rules as its own code of conduct governing the securities transactions by the Directors. Following a specific enquiry made by the Company on each of the Directors, all Directors have confirmed that they had complied with the Model Code during the Period.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

The Company has not redeemed any of its Shares during the Period. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's Shares during the Period.

AUDIT COMMITTEE AND REVIEW OF FINANCIAL STATEMENTS

The audit committee of the Company (the "**Audit Committee**") was established on 8 November 2016 with written terms of reference in compliance with the CG Code. The written terms of reference of the Audit Committee are published on the respective websites of the Stock Exchange and the Company. It comprises three independent non-executive Directors, namely Mr. CHEUNG Yui Kai Warren, Prof. LAI Kin Keung and Mr. LUI Hong Peace. Mr. CHEUNG Yui Kai Warren is the chairman of the Audit Committee.

The Audit Committee has reviewed the Group's consolidated financial statements and annual results for the year ended 31 March 2017. The Audit Committee is of the view that the consolidated financial statements have been prepared in accordance with the applicable accounting standards, the Listing Rules and the statutory provisions, and sufficient disclosures have already been made.

The figures in respect of the Group's consolidated statement of comprehensive income, consolidated statement of financial position, and the related notes thereto for the year ended 31 March 2017 as set out in this preliminary announcement have been agreed by the Group's independent auditor, PricewaterhouseCoopers, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently, no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

SUBSEQUENT EVENT

There is no material subsequent event after 31 March 2017 and up to the date of this announcement.

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

Hong Kong, 28 June 2017

As at the date of this announcement, 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.