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FOOD WISE HOLDINGS LIMITED

膳源控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1632)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

The board (the “Board”) of directors (the “Directors”) of Food Wise Holdings Limited (the “Company”) hereby announces the unaudited consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 September 2017 (the “Period”), together with the comparative figures for the corresponding period in 2016 (the “Last Corresponding Period”). The condensed consolidated interim financial information has not been audited, but has been reviewed by the audit committee of the Company (the “Audit Committee”).

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2017

		Six months ended 30 September	
		2017	2016
	Note	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Revenue	6	101,456	102,631
Other income and gains	7	175	184
Cost of food and beverages		(24,220)	(23,713)
Staff costs		(30,879)	(28,418)
Depreciation and amortisation		(4,271)	(4,100)
Property rentals and related expenses		(26,894)	(25,925)
Fuel and utility expenses		(3,336)	(3,047)
Advertising and marketing expenses		(359)	(240)
Other operating expenses		(7,805)	(4,246)
Listing expenses		–	(14,677)
Finance income/(costs), net	8	<u>294</u>	<u>(16)</u>
Profit/(loss) before taxation	9	4,161	(1,567)
Income tax expense	10	<u>(596)</u>	<u>(2,065)</u>
Profit/(loss) and total comprehensive income/(loss) for the period		<u>3,565</u>	<u>(3,632)</u>
Attributable to:			
Shareholders of the Company		<u>3,565</u>	<u>(3,632)</u>
Basic and diluted earnings/(loss) per share (HK cents)	12	<u>1.78</u>	<u>(2.42)</u>

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

As at 30 September 2017

		30 September 2017 <i>HK\$'000</i> (Unaudited)	31 March 2017 <i>HK\$'000</i> (Audited)
	<i>Note</i>		
ASSETS			
Non-current assets			
Property, plant and equipment	13	20,174	18,682
Intangible assets		12	14
Investment in an associate	14	–	–
Rental and utilities deposits	15	17,387	15,815
Prepayments for property, plant and equipment	15	2,622	826
Deferred income tax assets		3,641	3,372
		<u>43,836</u>	<u>38,709</u>
Current assets			
Inventories		1,992	2,005
Prepayments, deposits and other receivables	15	9,087	8,883
Current income tax recoverable		2,103	2,103
Restricted cash		1,051	2,049
Cash and cash equivalents		104,647	108,359
		<u>118,880</u>	<u>123,399</u>
Total assets		<u>162,716</u>	<u>162,108</u>
EQUITY			
Equity attributable to shareholders of the Company			
Share capital	18	2,000	2,000
Other reserves		138,009	134,444
Total equity		<u>140,009</u>	<u>136,444</u>

		30 September	31 March
		2017	2017
	<i>Note</i>	HK\$'000	HK\$'000
		(Unaudited)	(Audited)
LIABILITIES			
Non-current liabilities			
Other payables	17	3,358	3,115
Deferred income tax liabilities		304	299
		<u>3,662</u>	<u>3,414</u>
Current liabilities			
Trade payables	16	4,008	3,857
Other payables and accruals	17	13,869	18,085
Current income tax liabilities		1,168	308
		<u>19,045</u>	<u>22,250</u>
Total liabilities		<u>22,707</u>	<u>25,664</u>
Total equity and liabilities		<u>162,716</u>	<u>162,108</u>

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2017

	(Unaudited)				
	Attributable to shareholders of the Company				
	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Retained earnings <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2017	2,000	87,970	342	46,132	136,444
Profit and total comprehensive income for the period	–	–	–	3,565	3,565
At 30 September 2017	<u>2,000</u>	<u>87,970</u>	<u>342</u>	<u>49,697</u>	<u>140,009</u>
At 1 April 2016	–	–	342	54,060	54,402
Loss and total comprehensive loss for the period	–	–	–	(3,632)	(3,632)
At 30 September 2016	<u>–</u>	<u>–</u>	<u>342</u>	<u>50,428</u>	<u>50,770</u>

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

For the six months ended 30 September 2017

	Six months ended 30 September	
	2017	2016
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Cash flows from operating activities		
Cash generated from operations	2,192	5,416
Interest received	294	16
Hong Kong profits tax paid, net	—	(76)
	<u> </u>	<u> </u>
Net cash flows generated from operating activities	<u>2,486</u>	<u>5,356</u>
Cash flows from investing activities		
Purchases of property, plant and equipment	(5,400)	(3,330)
(Increase)/decrease in prepayments for property, plant and equipment	(1,796)	31
Decrease in restricted cash	998	71
Decrease in bank deposits with maturity over three months	—	524
	<u> </u>	<u> </u>
Net cash flows used in investing activities	<u>(6,198)</u>	<u>(2,704)</u>
Cash flows from financing activities		
Repayment of bank loans	—	(3,428)
Listing expenses paid	—	(3,214)
Capital element of finance lease rental payments	—	(90)
Interests paid	—	(32)
	<u> </u>	<u> </u>
Net cash flows used in financing activities	<u>—</u>	<u>(6,764)</u>
Net decrease in cash and cash equivalents	(3,712)	(4,112)
Cash and cash equivalents at the beginning of the period	<u>108,359</u>	<u>32,662</u>
Cash and cash equivalents at the end of the period	<u>104,647</u>	<u>28,550</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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 issued shares of the Company (the "Shares") were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 29 November 2016 (the "Listing Date" and the "Listing", respectively).

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

This condensed consolidated interim financial information has not been audited.

2 BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 September 2017 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 ("HKICPA"). The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 March 2017, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") and have been prepared under the historical cost convention.

3 ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 March 2017, as described in those annual financial statements, except for the estimation of income tax using the tax rate that would be applicable to expected total annual earnings and the adoption of amendments to HKFRSs effective for the financial year ending 31 March 2018.

Amendments to HKFRSs effective for the financial year ending 31 March 2018 do not have a material impact on the Group.

Impact of standards issued but not yet applied by the Group

(i) *HKFRS 9, “Financial Instruments”*

HKFRS 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The standard does not need to be applied until 1 January 2018 but is available for early adoption.

The Group does not expect the new guidance to have a significant impact on the classification and measurement of its financial assets.

There will be no impact on the Group’s accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from HKAS 39 Financial Instruments: Recognition and Measurement and have not been changed.

The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at fair value through other comprehensive income, contract assets under HKFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group’s disclosures about its financial instruments particularly in the year of the adoption of the new standard.

The Group does not plan to early adopt HKFRS 9 and assesses that adopting HKFRS 9 will not have a material impact to the Group’s condensed consolidated interim financial information.

(ii) HKFRS 15 Revenue from contracts with customers

The HKICPA has issued a new standard for the recognition of revenue. This will replace HKAS 18 which covers revenue arising from the sale of goods and the rendering of services and HKAS 11 which covers construction contracts.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer.

The standard permits either a full retrospective or a modified retrospective approach for the adoption. The new standard is effective for first interim periods within annual reporting periods beginning on or after 1 January 2018.

The Group does not plan to early adopt HKFRS 15 and assesses that adopting HKFRS 15 will not have a material impact to the Group's condensed consolidated interim financial information.

(iii) HKFRS 16 Leases

HKFRS 16 was issued in January 2016. It will results in almost all leases being recognized on the consolidated statement of financial position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognized. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for the Group's operating leases. As at 30 September 2017, the Group has non-cancellable operating lease commitments of approximately HK\$88,774,000. However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under HKFRS 16.

The standard is mandatory for first interim periods within annual reporting periods beginning on or after 1 January 2019. The Group does not plan to early adopt HKFRS 16 and assesses that adopting HKFRS 16 may have a material impact to the Group's condensed consolidated interim financial information.

4 ESTIMATES

The preparation of condensed consolidated 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 estimates.

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 March 2017.

5 FINANCIAL RISK MANAGEMENT

5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk.

The condensed consolidated interim financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the financial year ended 31 March 2017.

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

5.2 Fair value estimation

The carrying values of the Group's financial assets, including deposits and other receivables, restricted cash and cash and cash equivalents, and financial liabilities, including trade and other 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.

6 REVENUE AND SEGMENT INFORMATION

The executive Directors, 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 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 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 Period and the Last Corresponding Period.

As at 30 September 2017 and 31 March 2017, 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:

	Six months ended	
	30 September	
	2017	2016
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Restaurants operation	<u>101,456</u>	<u>102,631</u>

7 OTHER INCOME AND GAINS

	Six months ended	
	30 September	
	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Sales of scrap materials	36	26
Sundry income	139	158
	175	184

8 FINANCE INCOME/(COSTS), NET

	Six months ended	
	30 September	
	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Interest expense on bank loans wholly repayable within 5 years	–	(29)
Interest expense on finance leases	–	(3)
Interest income	294	16
	294	(16)

9 PROFIT/(LOSS) BEFORE TAXATION

Profit/(loss) before taxation is stated after:

	Six months ended 30 September	
	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Cost of food and beverages	24,220	23,713
Depreciation of property, plant and equipment	4,269	4,099
Amortisation of intangible assets	2	1
Lease payments under operating leases in respect of land and buildings:		
– Minimum lease payments	22,523	21,524
– Contingent rental	62	262
	<u>22,585</u>	<u>21,786</u>
Employee benefit expenses (excluding directors' remuneration):		
Wages and salaries	25,546	23,956
Discretionary bonuses	166	118
Retirement benefit scheme contributions	1,155	1,025
Insurance expense	794	708
Staff welfare	536	604
Provision for unutilised annual leave	192	200
Provision for long service payment	36	130
	<u>28,425</u>	<u>26,741</u>
Auditors' remuneration		
– Audit services	900	125
– Non-audit services	334	–
Foreign exchange differences, net	(45)	104
Listing expenses	<u>–</u>	<u>14,677</u>

10 INCOME TAX EXPENSE

Hong Kong profits tax has been provided on the estimated assessable profits at a rate of 16.5% (the Last Corresponding Period: 16.5%).

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

	Six months ended	
	30 September	
	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Hong Kong profits tax		
Current income tax	860	2,253
Over-provision in prior year	–	(120)
Deferred income tax	(264)	(68)
	596	2,065

11 DIVIDENDS

The Board has resolved not to declare any interim dividend for the Period (the Last Corresponding Period: Nil).

12 EARNINGS/(LOSS) PER SHARE

(a) Basic

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

	Six months ended 30 September	
	2017	2016
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Profit/(loss) attributable to shareholders of the Company	3,565	(3,632)
Weighted average number of ordinary shares in issue (thousands) (<i>Note</i>)	<u>200,000</u>	<u>150,000</u>
Basic earnings/(loss) per share (<i>HK cents</i>)	<u><u>1.78</u></u>	<u><u>(2.42)</u></u>

Note: The weighted average number of shares in issue for the six months ended 30 September 2016 for the purpose of earnings/(loss) 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 capitalization issue on 29 November 2016, as if the shares had been in issue throughout the entire reporting period.

(b) Diluted

For six months ended 30 September 2017 and 2016, diluted earnings/(loss) per share equals basic earnings/(loss) per share as there was no dilutive potential share.

13 PROPERTY, PLANT AND EQUIPMENT

During the Period, the Group acquired items of property, plant and equipment with total costs of approximately HK\$5,400,000 (the Last Corresponding Period: approximately HK\$3,330,000).

14 INVESTMENT IN AN ASSOCIATE

	As at 30 September 2017 <i>HK\$'000</i> (Unaudited)	As at 31 March 2017 <i>HK\$'000</i> (Audited)
Investment, at cost	250	250
Losses shared in previous years	(250)	(250)
	<u> </u>	<u> </u>
	<u> </u>	<u> </u>
	<u> </u>	<u> </u>

15 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 30 September 2017 <i>HK\$'000</i> (Unaudited)	As at 31 March 2017 <i>HK\$'000</i> (Audited)
Prepayments	6,268	3,945
Rental and utilities deposits	22,431	21,386
Other receivables	397	193
	<u> </u>	<u> </u>
	29,096	25,524
<i>Less: non-current portion</i>		
– Rental and utilities deposits	(17,387)	(15,815)
– Prepayments for property, plant and equipment	(2,622)	(826)
	<u> </u>	<u> </u>
Current portion	<u> </u>	<u> </u>
	<u> </u>	<u> </u>
	<u> </u>	<u> </u>

16 TRADE PAYABLES

An aging analysis of the trade payables as at 30 September 2017 and 31 March 2017, based on the invoice date, is as follows:

	As at 30 September 2017 <i>HK\$'000</i> (Unaudited)	As at 31 March 2017 <i>HK\$'000</i> (Audited)
Within 30 days	<u>4,008</u>	<u>3,857</u>

17 OTHER PAYABLES AND ACCRUALS

	As at 30 September 2017 <i>HK\$'000</i> (Unaudited)	As at 31 March 2017 <i>HK\$'000</i> (Audited)
Accrued employee benefit expenses	4,369	5,408
Provision for long service payment	941	905
Provision for unutilised annual leave	956	764
Provision for reinstatement costs	3,758	3,976
Provision for effective rental	2,802	2,672
Accrued listing expenses	–	2,200
Others	<u>4,401</u>	<u>5,275</u>
	17,227	21,200
<i>Less: non-current portion</i>		
– Provision for reinstatement costs	<u>(3,358)</u>	<u>(3,115)</u>
Current portion	<u>13,869</u>	<u>18,085</u>

18 SHARE CAPITAL

	Number of shares	Nominal value <i>HK\$'000</i>
Ordinary shares of HK\$0.01 each		
Authorised:		
At 31 March 2017, 1 April 2017 and 30 September 2017 (Unaudited)	<u>1,000,000,000</u>	<u>10,000</u>
Issued and fully paid:		
At 31 March 2017, 1 April 2017 and 30 September 2017 (Unaudited)	<u>200,000,000</u>	<u>2,000</u>

19 Related party transactions

(a) Transactions with related parties

In addition to the transactions and balances disclosed elsewhere in this announcement, the Group had the following transactions with related parties in the ordinary course of business:

	Six months ended 30 September 2017 <i>HK\$'000</i> (Unaudited)	2016 <i>HK\$'000</i> (Unaudited)
Rental expenses paid and payable to		
– Eternal Prosper Pacific Limited (i)	795	627
– Mr. Wong Che Kin (i)	72	72
– Ms. Wong Chui Ha Iris (i)	<u>153</u>	<u>153</u>

- (i) Rental expenses are paid in accordance with the terms mutually agreed by relevant parties.
- (ii) Eternal Prosper Pacific Limited is wholly-owned and controlled by Mr. Wong Che Kin and Ms. Wong Chui Ha Iris.

(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:

	Six months ended	
	30 September	
	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Salaries and other short term employee benefits	2,595	1,884
Retirement benefit scheme contribution	91	80
	<u>2,686</u>	<u>1,964</u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is a food and beverage group operating restaurant chains in Hong Kong under “Viet’s Choice (越棧)” and “Five Spice (5越)” brands.

For the Period, the Group opened two Viet’s Choice restaurants and closed three Viet’s Choice restaurants as the Group and the landlords could not reach agreements on commercially sound terms for renewal.

As at 30 September 2017, the Group operated 20 Viet’s Choice restaurants and one Five Spice restaurant in Hong Kong, of which three were located in the Hong Kong Island, seven were located in Kowloon and the remaining were located in the New Territories.

FINANCIAL REVIEW

Revenue

The Group’s revenue decreased by 1.1%, or HK\$1.1 million, from HK\$102.6 million for the Last Corresponding Period to HK\$101.5 million for the Period. The decrease in revenue was primarily due to (i) intense competition among food and beverage industry, and (ii) the decrease in the aggregate number of operating days of the restaurants which was the net effect of the opening and closing of the restaurants during the six months ended 30 September 2016 and 2017 respectively.

Cost of Food and Beverages

The Group’s cost of food and beverages increased by 2.1%, or HK\$0.5 million, from HK\$23.7 million for the Last Corresponding Period to HK\$24.2 million for the Period. The increase was primarily due to increases in procurement costs of certain major food ingredients during the Period. As a result, the cost of food and beverages as a percentage of revenue increased from 23.1% for the Last Corresponding Period to 23.8% for the Period.

Staff Costs

The Group's staff costs increased by 8.8%, or HK\$2.5 million, from HK\$28.4 million for the Last Corresponding Period to HK\$30.9 million for the Period. Such increase was primarily due to increases in number of management and administrative staff to support the business expansion plan and the wage rate of the Group's employees during the Period.

Property Rentals and Related Expenses

The Group's property rentals and related expenses increased by 3.9%, or HK\$1.0 million, from HK\$25.9 million for the Last Corresponding Period to HK\$26.9 million for the Period. 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. As a result, the property rentals and related expenses as a percentage of revenue increased from 25.2% for the Last Corresponding Period to 26.5% for the Period.

Profit Attributable to Shareholders of the Company

The Company turned from a loss attributable to shareholders of the Company of HK\$3.6 million for the Last Corresponding Period to a profit of HK\$3.6 million for the Period. Such increase was mainly due to the combined net effect of (i) no listing expenses incurred for the Period as compared to the listing expenses of HK\$14.7 million incurred for the Last Corresponding Period, (ii) the inclusion of legal and professional expenses to maintain the listing status of the Company, and (iii) other factors discussed above.

LIQUIDITY AND FINANCIAL RESOURCES

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

As at 30 September 2017, the Group's cash and cash equivalents were HK\$104.6 million, representing a decrease of 3.5%, or HK\$3.8 million, as compared with HK\$108.4 million as at 31 March 2017. Most bank deposits and cash were denominated in Hong Kong dollar.

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

As at 30 September 2017, the Group's total current assets and current liabilities were HK\$118.9 million (as at 31 March 2017: HK\$123.4 million) and HK\$19.0 million (as at 31 March 2017: HK\$22.3 million) respectively, while the current ratio was about 6.3 times (as at 31 March 2017: about 5.5 times).

As at 30 September 2017, the Group did not have any bank borrowings.

As at 30 September 2017, the Group did not have any finance lease payables.

As at 30 September 2017, the gearing ratio of the Group was not applicable as it had no outstanding debt. 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 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 30 September 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	(7.5)	9.0
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	(0.4)	0.7
Working capital and general corporate purpose	7.7%	5.5	(5.5)	–
Total	100.0%	70.9	(17.4)	53.5

SIGNIFICANT INVESTMENTS

As at 30 September 2017, the Group did not hold any significant investment.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

During the Period, the Group had no material acquisition or disposal of subsidiaries, associates or joint ventures.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2017, the Group had 308 employees (as at 31 March 2017: 330 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 (the "Share Option Scheme") on 8 November 2016 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.

No share option was granted during the Period. As at 30 September 2017, the Company had no outstanding share option under the Share Option Scheme.

CHARGES ON ASSETS

As at 30 September 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 of the Company dated 17 November 2016 (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 30 September 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 plan 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.

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 Shares during the Period.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained a sufficient public float of at least 25% of the issued Shares throughout the Period.

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the Period (for the Last Corresponding Period: Nil).

CORPORATE GOVERNANCE CODE

The Company has adopted and, save for the deviation from code provision A.2.1 of 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”) as disclosed in this announcement, has complied with all applicable code provisions as set out in the CG Code during the Period.

Deviation from 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 Che Kin (“Mr. Wong”) currently holds both positions. Throughout the Group’s business history of over 14 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 the 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.

DIRECTORS’ INTERESTS IN COMPETING BUSINESS

During the Period, no Director had interest in any business apart from the Group’s business which directly or indirectly competed, or was likely to compete with the business of the Group.

AUDIT COMMITTEE

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 interim financial information of the Group for the Period and this announcement.

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

Hong Kong, 29 November 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.