Future Bright Holdings Limited
佳景集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 703)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2017

FINANCIAL HIGHLIGHTS

	Year ended 31 December		
	2017	2016	Change
	HK$'000	*HK$'000*	%
Turnover	**957,054**	853,231	+12.2%
Gross margin	**674,513**	586,406	+15.0%
Gross operating profit	**136,756**	136,512	+0.2%
Profit before interests, tax expense, depreciation and amortisation ("EBITDA")	**83,429**	52,537	+58.8%
Profit/(Loss) attributable to owners of the Company	**11,015**	(1,539)	N/A
Net Ordinary Operating (Loss)/Profit	**(16,176)**	5,976	N/A
Basic earnings/(loss) per share	**HK1.59 cents**	HK(0.22) cents	N/A
Special final dividend per share	**HK1.0 cent**	HK1.0 cent	–

	31 December	31 December	
	2017	2016	Change
	HK$'000	*HK$'000*	%
Total assets	**1,838,812**	1,664,579	+10.5%
Net assets	**1,071,124**	1,047,403	+2.3%
Net assets per share	**HK$1.543**	HK$1.509	+2.3%
Gearing ratio	**55.2%**	38.0%	+17.2%
Total assets/total liabilities ratio	**2.40**	2.70	–11.1%

* *For identification purpose only*

ANNUAL RESULTS

The board of directors ("Directors") of Future Bright Holdings Limited ("Company") is pleased to announce the audited consolidated annual results of the Company and its subsidiaries ("Group") for the year ended 31 December 2017 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	**2017** *HK$'000*	2016 *HK$'000*
Turnover	*5*	**957,054**	853,231
Cost of sales		**(282,541)**	(266,825)
Gross margin		**674,513**	586,406
Direct operating expenses		**(537,757)**	(449,894)
Gross operating profit		**136,756**	136,512
Other revenue	*6*	**10,268**	11,753
Other gains and losses	*7*	**45,207**	3,571
Administrative expenses		**(163,172)**	(143,330)
Share of loss of joint venture		**(2,300)**	(3,710)
Finance costs	*9*	**(7,795)**	(7,298)
Profit/(loss) before income tax	*8*	**18,964**	(2,502)
Income tax (expense)/credit	*10*	**(1,901)**	4,244
Profit for the year		**17,063**	1,742
Other comprehensive income/(loss), net of tax			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		**25,044**	(14,925)
Total comprehensive income/(loss) for the year		**42,107**	(13,183)
Profit/(Loss) attributable to:			
Owners of the Company		**11,015**	(1,539)
Non-controlling interests		**6,048**	3,281
		17,063	1,742
Total comprehensive income/(loss) attributable to:			
Owners of the Company		**36,059**	(16,464)
Non-controlling interests		**6,048**	3,281
		42,107	(13,183)
Earnings/(Loss) per share			
– Basic (HK cents per share)	*12*	**1.59**	(0.22)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

	Notes	2017 HK$'000	2016 HK$'000
Non-current assets			
Property, plant and equipment		**393,103**	366,742
Investment properties		**913,900**	780,439
Goodwill	*14*	**81,781**	81,781
Other intangible assets	*15*	**9,130**	10,288
Prepayments and deposits	*17*	**46,225**	19,533
Interest in joint venture	*16*	**7,208**	9,508
Pledged bank deposits		**19,192**	17,844
Total non-current assets		**1,470,539**	1,286,135
Current assets			
Inventories		**47,779**	43,135
Amount due from joint venture		**–**	645
Trade and other receivables	*17*	**78,501**	77,399
Financial assets at fair value through profit or loss	*18*	**435**	3,948
Pledged bank deposits		**33,118**	33,771
Cash and cash equivalents		**176,011**	219,546
		335,844	378,444
Asset classified as held for sale		**32,429**	–
Total current assets		**368,273**	378,444
Total assets		**1,838,812**	1,664,579
Current liabilities			
Amount due to joint venture		**471**	–
Trade and other payables	*19*	**196,626**	180,442
Current tax liabilities		**67,025**	79,101
Interest bearing borrowings	*20*	**88,052**	47,973
Non-interest bearing borrowings		**1,388**	1,388
Total current liabilities		**353,562**	308,904
Net current assets		**14,711**	69,540
Total assets less current liabilities		**1,485,250**	1,355,675

CONSOLIDATED STATEMENT OF FINANCIAL POSITION – Continued
AS AT 31 DECEMBER 2017

	Notes	**2017** **HK$'000**	2016 *HK$'000*
Non-current liabilities			
Interest bearing borrowings	*20*	**355,142**	260,476
Deferred tax liabilities		**53,555**	42,367
Non-interest bearing borrowings		**5,429**	5,429
Total non-current liabilities		**414,126**	308,272
Total liabilities		**767,688**	617,176
NET ASSETS		**1,071,124**	1,047,403
Capital and reserves attributable to owners of the Company			
Share capital		**69,430**	69,430
Reserves		**1,024,437**	1,002,264
Equity attributable to owners of the Company		**1,093,867**	1,071,694
Non-controlling interests		**(22,743)**	(24,291)
TOTAL EQUITY		**1,071,124**	1,047,403

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017

1. GENERAL

Future Bright Holdings Limited is a public limited company incorporated in Bermuda. Its shares are listed on The Stock Exchange of Hong Kong Limited ("Stock Exchange"). The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. Its head office and principal place of business are at Room 1409, West Tower, Shun Tak Centre, 200 Connaught Road Central, Hong Kong. The Group, comprising the Company and its subsidiaries, is engaged in the sales of food and catering, food souvenir and property investment.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS")

(a) Adoption of new/revised HKFRSs – effective 1 January 2017

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Annual Improvements to HKFRSs 2014-2016 Cycle	Amendments to HKFRS 12, Disclosure of Interests in Other Entities

Amendments to HKAS 7 – Disclosure Initiative

The amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.

The adoption of the amendments has led to the additional disclosure presented in the notes to the cash flow statement, of the Company's 2017 annual report. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior year. Apart from the additional disclosure, the application of these amendments has had no impact on the Group's consolidated financial statements.

Amendments to HKAS 12 – Recognition of Deferred Tax Assets for Unrealised Losses

The amendments relate to the recognition of deferred tax assets and clarify some of the necessary considerations, including how to account for deferred tax assets related to debt instruments measured of fair value.

The adoption of the amendments has no impact on these financial statements as the clarified treatment is consistent with the manner in which the Group has previously recognised deferred tax assets.

Annual Improvements to HKFRSs 2014-2016 Cycle – Amendments to HKFRS 12, Disclosure of Interests in Other Entities

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 12, Disclosure of Interests in Other Entities, to clarify that the disclosure requirements of HKFRS 12, other than the requirements to disclose summarised financial information, also apply to an entity's interests in other entities classified as held for sale or discontinued operations in accordance with HKFRS 5, Non-Current Assets Held for Sale and Discontinued Operations.

The adoption of the amendments to HKFRS 12 has no impact on these financial statements.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS") – Continued

(b) New/revised HKFRSs that have been issued but are not yet effective

The following new/revised HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

Annual Improvements to HKFRSs 2014-2016 Cycle	Amendments to HKAS 28, Investments in Associates and Joint Ventures[1]
Amendments to HKFRS 2	Classification and Measurement of Share-Based Payment Transactions[1]
HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers[1]
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15)[1]
Amendments to HKAS 40	Transfers of Investment Property[1]
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[2]
HKFRS 16	Leases[2]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]

[1] Effective for annual periods beginning on or after 1 January 2018
[2] Effective for annual periods beginning on or after 1 January 2019
[3] The amendments were originally intended to be effective for periods beginning on or after 1 January 2016. The effective date has now been deferred/removed. Early application of the amendments of the amendments continue to be permitted.

Annual Improvements to HKFRSs 2014-2016 Cycle – Amendments to HKAS 28, Investments in Associates and Joint Ventures

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 28, Investments in Associates and Joint Ventures, clarifying that a Venture Capital organisation's permissible election to measure its associates or joint ventures at fair value is made separately for each associate or joint venture.

Amendments to HKFRS 2 – Classification and Measurement of Share-Based Payment Transactions

The amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; share-based payment transactions with a net settlement feature for withholding tax obligations; and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

The directors of the Company anticipate that the application of the amendments will have no material impact on the consolidated financial statements in the foreseeable future.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRS”) – Continued

(b) New/revised HKFRSs that have been issued but are not yet effective – Continued

HKFRS 9 – Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income (“FVTOCI”) if the objective of the entity’s business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at FVTOCI. All other debt and equity instruments are measured at fair value through profit and loss (“FVTPL”).

HKFRS 9 includes a new expected loss impairment model for all financial assets not measured at FVTPL replacing the incurred loss model in HKAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

The directors of the Company anticipate that the application of HKFRS 9 will have no material impact on the consolidated financial statements in the foreseeable future.

HKFRS 15 – Revenue from Contracts with customers

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and related interpretations.

HKFRS 15 requires the application of a 5 steps approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to each performance obligation
- Step 5: Recognise revenue when each performance obligation is satisfied

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

The directors of the Company anticipate that the application of HKFRS 15 will have no material impact on the consolidated financial statements in the foreseeable future.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS") – Continued

(b) New/revised HKFRSs that have been issued but are not yet effective – Continued

Amendments to HKFRS 15 – Revenue from Contracts with customers (Clarifications to HKFRS 15)

The amendments to HKFRS 15 include clarifications on identification of performance obligations; application of principal versus agent; licenses of intellectual property; and transition requirements.

The directors of the Company anticipate that the application of the amendments will have no material impact on the consolidated financial statements in the foreseeable future.

HK(IFRIC)-Int 22 – Foreign Currency Transactions and Advance Consideration

The Interpretation provides guidance on determining the date of the transaction for determining an exchange rate to use for transactions that involve advance consideration paid or received in a foreign currency and the recognition of a non-monetary asset or non-monetary liability. The Interpretations specifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part thereof) is the date on which the entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

The directors of the Company anticipate that the application of HK(IFRIC)-Int 22 will have no material impact on the consolidated financial statements in the foreseeable future.

Amendments to HKFRS 9 – Prepayment Features with Negative Compensation

The amendments clarify that prepayable financial assets with negative compensation can be measured at amortised cost or at fair value through other comprehensive income if specified conditions are met – instead of at fair value through profit or loss.

The directors of the Company anticipate that the application of the amendments will have no material impact on the consolidated financial statements in the foreseeable future.

HKFRS 16 – Leases

HKFRS 16, which upon the effective date will supersede HKAS 17 "Leases" and related interpretations, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS") – Continued

(b) New/revised HKFRSs that have been issued but are not yet effective – Continued

HKFRS 16 – Leases – Continued

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The standard will affect primarily the accounting for the Group's operating leases. As at 31 December 2017, the Group had non-cancellable operating lease commitments of HK$467,004,000 as set out in note to the financial statements of the Company's 2017 annual report. The interest expense on the lease liability and the depreciation expense on the right-of-use asset under HKFRS 16 will replace the rental charge under HKAS 17. The operating lease commitments as shown in off-balance sheet item will be replaced by "right-of-use asset" and "lease liability" in the statement of financial position of the Group. Other than the above, the Group does not anticipate that the application of this standard will have material impact on the consolidated financial statements of the Group.

The standard will be mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

HK(IFRIC)-Int 23 – Uncertainty over Income Tax Treatments

The Interpretation supports the requirements of HKAS 12, Income Taxes, by providing guidance over how to reflect the effects of uncertainty in accounting for income taxes. Under the Interpretation, the entity shall determine whether to consider each uncertain tax treatment separately or together based on which approach better predicts the resolution of the uncertainty. The entity shall also assume the tax authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If the entity determines it is probable that the tax authority will accept an uncertain tax treatment, then the entity should measure current and deferred tax in line with its tax filings. If the entity determines it is not probable, then the uncertainty in the determination of tax is reflected using either the "most likely amount" or the "expected value" approach, whichever better predicts the resolution of the uncertainty.

The directors of the Company anticipate that the application of HK(IFRIC)-Int 23 will have no material impact on the consolidated financial statements in the foreseeable future.

Amendments to HKFRS 10 and HKAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify the extent of gains or losses to be recognised when an entity sells or contributes assets to its associate or joint venture. When the transaction involves a business the gain or loss is recognised in full, conversely when the transaction involves assets that do not constitute a business the gain or loss is recognised only to the extent of the unrelated investors' interests in the joint venture or associate.

The directors of the Company anticipate that the application of HKFRS 10 and HKAS 28 will have no material impact on the consolidated financial statements in the foreseeable future.

3. BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "HKFRS") and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

(b) Basis of measurement

The financial statements have been prepared under the historical cost basis except for investment properties and certain financial assets, which are measured at fair values as explained in the accounting policies set out in note to the financial statements of the Company's 2017 annual report.

(c) Functional and presentation currency

The functional currency of the Company is Macau Patacas ("MOP"), while the financial statements are presented in Hong Kong dollars ("HK$"). Each entity in the Group maintains its books and records in its own functional currency. As the Company is listed on Main Board of the Stock Exchange of Hong Kong Limited, the Directors consider that it will be more appropriate to adopt HK$ as the Group's and the Company's presentation currency.

4. BUSINESS AND GEOGRAPHICAL SEGMENTS

The Group determines its operating segments based on the reports reviewed by the chief operating decision-maker that are used to make strategic decisions.

The Group has three reportable segments. These segments are managed separately as each business offers different products and services and requires different business strategies. The following summary describes the operations in each of the Group's reportable segments:

- Food and catering – sales of food and catering in Macau, Mainland China and Hong Kong;
- Food souvenir – sales of food souvenir, including festival food products; and
- Property investment – leasing of property.

Inter-segment transactions are priced with reference to prices charged to external parties for similar order. Central revenue and expenses are not allocated to the operating segments as they are not included in the measure of the segments' profit that is used by the chief operating decision-maker for assessment of segment performance.

4. BUSINESS AND GEOGRAPHICAL SEGMENTS – Continued

(a) Business segments

For the year ended 31 December 2017

	Food and catering *HK$'000*	Food souvenir *HK$'000*	Property investment *HK$'000*	Inter-segment elimination *HK$'000*	Consolidated *HK$'000*
Revenue					
Turnover from external customers	**894,512**	**62,542**	**–**	**–**	**957,054**
Turnover from inter-segment	**–**	**–**	**2,686**	**(2,686)**	**–**
Other revenue	**9,128**	**58**	**962**	**–**	**10,148**
Reportable segment revenue	**903,640**	**62,600**	**3,648**	**(2,686)**	**967,202**
Results					
Reportable segment results	**36,068**	**(28,501)**	**25,623**	**–**	**33,190**

As at 31 December 2017

	Food and catering *HK$'000*	Food souvenir *HK$'000*	Property investment *HK$'000*	Consolidated *HK$'000*
Assets				
Reportable segment assets*	**686,378**	**45,394**	**1,102,755**	**1,834,527**
Liabilities				
Reportable segment liabilities	**402,114**	**21,332**	**341,547**	**764,993**
Reportable segment net assets	**284,264**	**24,062**	**761,208**	**1,069,534**

* As at 31 December 2017, food and catering and food souvenir segment assets included cash and bank balances of approximately HK$111,167,000 (2016: HK$149,597,000) and HK$7,505,000 (2016: HK$6,827,000) respectively, while property investment segment assets included cash and bank balances of approximately HK$54,263,000 (2016: HK$61,647,000) and investment properties of HK$913,900,000 (2016: HK$780,439,000).

4. BUSINESS AND GEOGRAPHICAL SEGMENTS – Continued

(a) Business segments – Continued

Other information

For the year ended 31 December 2017

	Food and catering *HK$'000*	Food souvenir *HK$'000*	Property investment *HK$'000*	Un-allocated *HK$'000*	Consolidated *HK$'000*
Interest income	395	6	951	–	1,352
Interest expense	2,506	–	5,289	–	7,795
Capital expenditure	115,430	3,645	71,238	21	190,334
Depreciation of property, plant and equipment	46,424	5,954	2,727	144	55,249
Amortisation of other intangible assets	909	512	–	–	1,421
Gain on disposal of financial assets at fair value through profit or loss	–	–	–	1,442	1,442
Written off of property, plant and equipment	4,489	–	–	–	4,489
Impairment loss on property, plant and equipment	3,055	240	–	–	3,295
Fair value gain of investment properties	–	–	37,641	–	37,641
Fair value loss of financial assets at fair value through profit or loss	–	–	–	38	38
Share of loss of joint venture	2,300	–	–	–	2,300
Income tax (credit)/expense	(8,549)	–	10,450	–	1,901

4. BUSINESS AND GEOGRAPHICAL SEGMENTS – Continued

(a) Business segments – Continued

For the year ended 31 December 2016

	Food and catering *HK$'000*	Food souvenir *HK$'000*	Property investment *HK$'000*	Inter-segment elimination *HK$'000*	Consolidated *HK$'000*
Revenue					
Turnover from external customers	781,585	50,509	21,137	–	853,231
Turnover from inter-segment	–	–	2,800	(2,800)	–
Other revenue	10,896	9	724	–	11,629
Reportable segment revenue	792,481	50,518	24,661	(2,800)	864,860
Results					
Reportable segment results	34,660	(35,464)	11,615	–	10,811

As at 31 December 2016

	Food and catering *HK$'000*	Food souvenir *HK$'000*	Property investment *HK$'000*	Consolidated *HK$'000*
Assets				
Reportable segment assets*	641,868	39,210	977,088	1,658,166
Liabilities				
Reportable segment liabilities	357,113	18,601	238,412	614,126
Reportable segment net assets	284,755	20,609	738,676	1,044,040

4. BUSINESS AND GEOGRAPHICAL SEGMENTS – Continued

(a) Business segments – Continued

Other information

For the year ended 31 December 2016

	Food and catering *HK$'000*	Food souvenir *HK$'000*	Property investment *HK$'000*	Un-allocated *HK$'000*	Consolidated *HK$'000*
Interest income	475	1	724	–	1,200
Interest expense	1,755	–	5,543	–	7,298
Capital expenditure	171,620	1,073	5,237	16	177,946
Depreciation of property, plant and equipment	36,590	6,283	3,116	144	46,133
Amortisation of other intangible assets	1,241	367	–	–	1,608
Loss on disposal of property, plant and equipment	88	459	–	–	547
Written off of property, plant and equipment	98	1,743	–	–	1,841
Reverse of impairment loss on property, plant and equipment	579	–	–	–	579
Impairment loss on trade receivables	22	–	–	–	22
Fair value loss of investment properties	–	–	8,113	–	8,113
Fair value gain of financial assets at fair value through profit or loss	–	–	–	470	470
Share of loss of joint venture	3,710	–	–	–	3,710
Income tax (credit)/expense	(5,384)	–	1,140	–	(4,244)

4. BUSINESS AND GEOGRAPHICAL SEGMENTS – Continued

(b) Reconciliation of reportable segment revenues, profit and loss, assets and liabilities

	2017	2016
	HK$'000	*HK$'000*
Revenue		
Reportable segment revenue	**967,202**	864,860
Other revenue	**(10,148)**	(11,629)
Consolidated turnover	**957,054**	853,231
Profit/(Loss) before income tax		
Reportable segment profit	**33,190**	10,811
Other revenue and other gains and losses	**1,131**	938
Corporate payroll expenses	**(8,972)**	(8,685)
Unallocated expenses	**(6,385)**	(5,566)
Consolidated profit/(loss) before income tax	**18,964**	(2,502)
Assets		
Reportable segment assets	**1,834,527**	1,658,166
Financial assets at fair value through profit or loss	**435**	3,948
Unallocated corporate assets	**3,850**	2,465
Consolidated total assets	**1,838,812**	1,664,579
Liabilities		
Reportable segment liabilities	**764,993**	614,126
Unallocated corporate liabilities	**2,695**	3,050
Consolidated total liabilities	**767,688**	617,176

Unallocated expenses comprised mainly of the expenses of the Group's headquarter which were not directly attributable to the business activities of any operating segment.

Unallocated corporate assets comprised mainly of cash and cash equivalents which held as general working capital of the Group as a whole and other corporate assets of the Group's headquarter which were not directly attributable to the business activities of any operating segment. Unallocated corporate liabilities mainly comprised of the liabilities of the Group's headquarter which were not directly attributable to the business activities of any operating segment.

4. BUSINESS AND GEOGRAPHICAL SEGMENTS – Continued

(c) Geographical information

The Group's operations are located in Macau, Mainland China and Hong Kong, while Macau is the place of domicile of the Group. The following table provides an analysis of the Group's turnover from external customers and non-current assets.

	Turnover from external customers		Non-current assets	
	2017	2016	**2017**	2016
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**119,763**	46,336	**63,466**	56,813
Mainland China	**93,934**	91,556	**512,285**	337,926
Macau	**743,357**	715,339	**894,788**	891,396
	837,291	806,895	**1,407,073**	1,229,322
	957,054	853,231	**1,470,539**	1,286,135

The geographical location of customers is based on the location at which the goods and services are delivered. For goodwill and other intangible assets, the geographical location is based on the areas of operation of the relevant cash-generating units ("CGUs"). The geographical location of other non-current assets is based on the physical location of the assets.

(d) Information about major customers

There was no single customer that contributed to 10% or more of the Group's revenue for the years ended 31 December 2017 and 2016.

5. TURNOVER

Turnover represented sales of food and catering, food souvenir and gross rental income from investment properties. The amounts of each significant category of revenue recognised in turnover during the reporting period were as follows:

	2017	2016
	HK$'000	*HK$'000*
Sales of food and catering	**894,512**	781,585
Sales of food souvenir	**62,542**	50,509
Gross rental income from investment properties	**–**	21,137
	957,054	853,231

6. OTHER REVENUE

	2017	2016
	HK$'000	*HK$'000*
Interest income	**1,352**	1,200
Dividend income	**120**	124
Management fee income	**4,405**	4,473
Rental income from staff quarter and others	**2,794**	3,264
Others	**1,597**	2,692
	10,268	11,753

7. OTHER GAINS AND LOSSES

	2017	2016
	HK$'000	*HK$'000*
Exchange gain/(loss), net	**13,946**	(421)
Fair value gain/(loss) of investment properties	**37,641**	(8,113)
Net compensation from tenant	**–**	13,466
Loss on disposal of property, plant and equipment	**–**	(547)
Impairment loss on property, plant and equipment	**(3,295)**	–
Reversal of impairment loss on property, plant and equipment	**–**	579
Written off of property, plant and equipment	**(4,489)**	(1,841)
Impairment loss on trade receivables *(Note 17)*	**–**	(22)
Gain on disposal of financial assets at fair value through profit or loss	**1,442**	–
Fair value (loss)/gain of financial assets at fair value through profit or loss	**(38)**	470
	45,207	3,571

8. PROFIT/(LOSS) BEFORE INCOME TAX

Profit/(loss) before income tax was arrived at after charging:

	2017	2016
	HK$'000	*HK$'000*
Cost of inventories recognised as expenses	**280,808**	265,009
Direct operating expenses arising from investment properties during the year	**1,733**	1,816
Cost of sales	**282,541**	266,825
Employee costs	**341,847**	295,103
Depreciation of property, plant and equipment	**55,249**	46,133
Amortisation of other intangible assets *(Note 15)*	**1,421**	1,608
Auditor's remuneration	**1,950**	1,880
Operating lease charges on properties		
– Contingent rentals*	**7,015**	6,763
– Minimum lease payments	**131,235**	102,788

* Contingent rentals are calculated, based on a percentage of the relevant sales of the restaurants/shops pursuant to the relevant rental agreements.

9. FINANCE COSTS

	2017	2016
	HK$'000	*HK$'000*
Interest on interest bearing borrowings:		
– Repayable within five years	**2,982**	2,149
– Repayable over five years	**8,022**	6,127
	11,004	8,276
Less: Amount capitalised in respect of a specific loan	**(3,209)**	(978)
	7,795	7,298

10. INCOME TAX EXPENSE/(CREDIT)

The amount of income tax expense/(credit) in the consolidated statement of comprehensive income represented:

	2017	2016
	HK$'000	*HK$'000*
Current tax – Macau Complementary Income Tax		
– Current year	**8,173**	12,134
– Over-provision in respect of prior years	**(16,722)**	(15,780)
	(8,549)	(3,646)
Deferred tax		
– Charge/(credit) for the year	**10,450**	(598)
Income tax expense/(credit)	**1,901**	(4,244)

Macau Complementary Income Tax is calculated at the progressive rate on the estimated assessable profits for the year. The maximum tax rate is 12% for the year ended 31 December 2017 (2016: 12%).

Mainland China Enterprise Income Tax ("EIT") is calculated at rate of 25% (2016: 25%). No provision for EIT has been made as Mainland China subsidiaries had no assessable profits for EIT for the years ended 31 December 2017 and 2016. No provision for Hong Kong Profits Tax has been made as the Group had no assessable profits for Hong Kong Profits Tax for the years ended 31 December 2017 and 2016.

At the end of the reporting period, the Group had unused tax losses of HK$126,109,000 (2016: HK$110,193,000) in Mainland China available for offset against future profits which will expire in five years. At the end of the reporting period, the Group had unused tax loss of HK$23,304,000 (2016: HK$13,766,000) in Hong Kong are available for offset against future profits of the companies in which the losses arose. At the end of the reporting period, the Group had unused tax losses of HK$180,534,000 (2016: HK$194,344,000) in Macau available for offset against future taxable profits which will expire in three years. No deferred tax asset in respect of the tax losses has been recognised due to the unpredictability of future profits streams.

10. INCOME TAX EXPENSE/(CREDIT) – Continued

The income tax expense/(credit) for the year can be reconciled to the profit/(loss) per the consolidated statement of comprehensive income as follows:

	2017	2016
	HK$'000	*HK$'000*
Profit/(loss) before income tax	**18,964**	(2,502)
Tax calculated at the applicable Macau corporate tax rates of 12% (2016:12%)	**2,276**	(300)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**2,491**	(2,776)
Tax effect of expenses not deductible for tax purposes	**4,060**	3,809
Tax effect of revenue not taxable for tax purposes	**(2,888)**	(1,143)
Tax effect of tax losses not recognised	**12,684**	11,946
Over-provision in respect of prior years	**(16,722)**	(15,780)
Income tax expense/(credit)	**1,901**	(4,244)

11. DIVIDENDS

i) Proposed dividends to owners of the Company attributable to the year:

	2017	2016
	HK$'000	*HK$'000*
Special final, proposed – HK1.0 cent (2016: Special final, proposed – HK1.0 cent)	**6,943**	6,943

At the board meeting held on 19 March 2018, the Directors have recommended to pay a special final dividend of HK1.0 cent per ordinary share (2016: HK1.0 cent). The proposed special final dividend is not reflected as dividends payable in these financial statements.

ii) Dividends payable to owners of the Company attributable to the previous and current financial years, approved and paid during the year:

	2017	2016
	HK$'000	*HK$'000*
Special interim dividend in respect of the current financial year, approved and paid during the year of HK1.0 cent (2016: ordinary interim dividend HK1.0 cent) per ordinary share	**6,943**	6,943
Special final dividend in respect of the previous financial year, approved and paid in 2017 of HK1.0 cent (2016: HK1.0 cent) per ordinary share	**6,943**	6,943
	13,886	13,886

12. EARNINGS/(LOSS) PER SHARE

The calculation of the basic earnings/(loss) per share attributable to the owners of the Company is based on the following data:

(a) Basic earnings/(loss) per share

	2017	2016
	HK$'000	*HK$'000*
Earnings/(Loss) for the year attributable to owners of the Company	**11,015**	(1,539)
	Number of shares	Number of shares
Weighted average number of ordinary shares for the purposes of basic earnings/(loss) per share	**694,302,420**	694,302,420
Basic earnings/(loss) per share (HK cents)	**1.59**	(0.22)

(b) Diluted earnings/(loss) per share

No diluted earnings/(loss) per share has been presented because there were no dilutive potential ordinary shares in existence during the year ended 31 December 2017 and 2016. The Company's option were lapsed during the year ended 31 December 2017.

13. SIGNIFICANT RELATED PARTY TRANSACTIONS

During the year, save as disclosed elsewhere in these financial statements, the Group had the following significant transactions with related parties:

(a) During the year of 2017, the Group received management fee income and promotion fee income of approximately HK$3,683,000 (2016: HK$3,632,000) and HK$722,000 (2016: HK$841,000) respectively, on a reimbursement of expenses sharing basis, from several companies of which a director of the Company is also a director and holds an ultimate non-controlling interest of such companies.

(b) During the year of 2017, the Group paid rental of HK$3,600,000 (2016: $3,600,000) to Mr. Chan Chak Mo ("Mr. Chan") who is the managing director and controlling shareholder of the Company. Under the lease agreement dated 29 August 2014 ("Lease Agreement") between Mr. Chan (as landlord) and Bright Elite Gourmet Company Limited ("Bright Elite"), a subsidiary of the Company (as tenant), Bright Elite has leased the shop premise located at a Em Macua, Patio Da Ameaca No. 1-A, Res-do-Chao A com Sobreloja, Macau with a gross floor area of approximately 74 square meters for a term of three years commencing from 1 October 2014 to 30 September 2017 at a monthly rental of HK$400,000 for the first two years and HK$460,000 for the third year. In December 2015, Mr. Chan has agreed in writing to reduce the monthly rental of HK$400,000 from 1 January 2016 to 30 September 2016 and HK$460,000 from 1 October 2016 to 31 December 2016 payable by Bright Elite under the Lease Agreement to a monthly rental of HK$300,000 from 1 January 2016 to 31 December 2016 with the other terms of the Lease Agreement remaining valid. In January 2017, Mr. Chan has agreed in writing to reduce the monthly rental of HK$460,000 payable by Bright Elite under the Lease Agreement to a monthly rental of HK$300,000 from 1 January 2017 to 30 September 2017 with the other terms of the Lease Agreement remaining valid. Under the lease agreement dated 28 September 2017, Mr. Chan and Bright Elite have agreed to renew the Lease agreement for a term of one year commencing from 1 October 2017 to 30 September 2018 at a monthly rental of HK$300,000.

(c) During the year of 2017, the Group paid promotion expenses of approximately HK$87,000 (equivalent to MOP90,000) to Mr. Chan under the LED media advertising agreement ("LED Advertisement Agreement") dated 24 August 2017 between Mr. Chan and FB Group Enterprises Management Company Limited ("FBG"), a subsidiary of the Company where FBG had been provided with LED advertising services in Macau for a term of one year commencing from 1 September 2017 to 31 August 2018 at an annual consideration of MOP270,000.

(d) As at 31 December 2017, one (2016: one) secured bank loans of approximately HK$116,799,000 (2016: HK$65,033,000) of the Group contained a covenant that Mr. Chan and his associates had to hold not less than 37% (2016: 35%) equity interest holding of the Company. As at 31 December 2017, three (2016: two) mortgage loans of approximately HK$91,597,000 (2016: HK$105,962,000), approximately HK$46,823,000 (2016: HK$54,915,000) and approximately HK$47,961,000 of the Group contained a covenant that Mr. Chan and his associates had to hold not less than 37% (2016: 37%) equity interest holding of the Company. As at 31 December 2017, one (2016: one) unsecured bank loan of approximately HK$59,672,000 (2016: HK$51,659,000) with maximum facility of HK$80,000,000 and a bank overdraft facility of HK$38,567,000 (2016: Nil) with maximum facility of MOP40,000,000 (equivalent to HK$38,835,000) of the Group contained a covenant that Mr. Chan and his associates had to hold not less than 37% (2016: 37%) equity interest holding of the Company.

(e) The remuneration of directors and other members of key management during the year are disclosed in the Company's 2017 annual report.

14. GOODWILL

	2017	2016
	HK$'000	*HK$'000*
Cost		
At 1 January and 31 December	**81,781**	81,781

For the purpose of impairment testing, goodwill is allocated to the CGUs under the food and catering segment. The CGUs were identified as follows:

	2017	2016
	HK$'000	*HK$'000*
Kanysia Investments Limited ("Kanysia Group")	**61,775**	61,775
Era Catering Management Company Limited ("Era Catering")	**6**	6
Nippon Gourmet Trading Company Limited ("Nippon Gourmet")	**20,000**	20,000
	81,781	81,781

The recoverable amounts of the CGUs have been determined from value-in-use calculations based on cash flow projections from formally approved budgets covering a five-year period. Cash flow beyond the five-year period is extrapolated at zero growth rate, which does not exceed the long-term growth rate for the business in which the CGU operates. Key assumptions are as follows:

	2017	2016
	%	*%*
Discount rate	**12**	12
Operating margin	**14 to 49**	14 to 46
Growth rate within five-year period	**0 to 5**	0 to 5

Operating margins have been determined based on past performance, and management's expectations for market share, after taking into consideration published market forecast and research. The weighted average growth rate used is consistent with the forecasts included in industry reports. The growth rate reflects the long-term average growth rate for the product line of the CGU. Discount rates used are pre-tax and reflect specific risks related to the CGU. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate recoverable amounts to be lower than the aggregate carrying amounts of the Kanysia Group, Era Catering and Nippon Gourmet.

15. OTHER INTANGIBLE ASSETS

	Trademark *HK$'000*	Franchise *HK$'000*	Royalties *HK$'000*	Total *HK$'000*
Cost				
At 1 January 2017	**3,883**	**8,133**	**1,170**	**13,186**
Additions – externally acquired	**–**	**184**	**31**	**215**
Exchange adjustment	**–**	**120**	**–**	**120**
At 31 December 2017	**3,883**	**8,437**	**1,201**	**13,521**
Accumulated amortisation				
At 1 January 2017	**–**	**2,219**	**679**	**2,898**
Amortisation	**–**	**909**	**512**	**1,421**
Exchange adjustment	**–**	**72**	**–**	**72**
At 31 December 2017	**–**	**3,200**	**1,191**	**4,391**
Cost				
At 1 January 2016	3,883	7,893	1,170	12,946
Additions – externally acquired	–	367	–	367
Exchange adjustment	–	(127)	–	(127)
At 31 December 2016	3,883	8,133	1,170	13,186
Accumulated amortisation				
At 1 January 2016	–	1,006	312	1,318
Amortisation	–	1,241	367	1,608
Exchange adjustment	–	(28)	–	(28)
At 31 December 2016	–	2,219	679	2,898
Net book value				
At 31 December 2017	**3,883**	**5,237**	**10**	**9,130**
At 31 December 2016	3,883	5,914	491	10,288

Impairment tests for trademark

For the purpose of impairment testing, trademark is allocated to one of the CGUs under the food souvenir segment. The recoverable amount of above CGU has been determined based on value in use calculations, covering a detailed five-year budget plan, followed by an extrapolation of expected cash flows at the average growth rates of 0% to 5% and pre-tax discount rate of 12% estimated by management.

The key assumptions for the Group have been determined by the Group's management based on past performance and its expectations for the industry development. The discount rate used is pre-tax and reflect specific risks relating to the food souvenir segment.

Apart from the considerations described in determining the value in use of the CGU, the Group's management is not currently aware of any other probable changes that would necessitate changes in key estimates.

16. INTEREST IN JOINT VENTURE

	2017	2016
	HK$'000	*HK$'000*
Share of net assets	**7,208**	9,508

The Group has a 51% (2016: 51%) interest in a material joint venture restaurant, "Studio City Shiki Hotpot Restaurant", which is located at Studio City in Macau, with an original investment cost of HK$14,280,000 in 2015. The primary activity of this restaurant is food and beverage business, which is in line with the Group's strategy for its food and beverage business division.

The contractual arrangement provides the decisions about the relevant activities require unanimous consent of the parties sharing control and with the right to only the net assets of the joint arrangement resting primarily with Studio City Shiki Hotpot Restaurant. Under HKFRS 11 this joint arrangement is classified as a joint venture and has been included in the consolidated financial statements using the equity method. The Group's share of loss of joint venture for the year ended 31 December 2017 was approximately HK$2,300,000 (2016: HK$3,710,000).

Amount due from/to joint venture as at 31 December 2017 and 2016 was unsecured, interest free and repayable on demand.

Summarised financial information in relation to the joint venture is presented below:

	2017	2016
	HK$'000	*HK$'000*
As at 31 December		
Current assets	**5,025**	6,846
Non-current assets	**11,228**	15,189
Current liabilities	**(2,120)**	(3,392)
Net assets	**14,133**	18,643
Included in the above amounts are:		
Cash and cash equivalents	**2,353**	3,984
Amount due from the Group	**471**	–
Amount due to the Group	**–**	(645)
Year ended 31 December		
Revenues	**16,973**	13,773
Loss and total comprehensive loss for the year	**(4,510)**	(7,275)
Included in the above amounts are:		
Depreciation and amortisation	**3,961**	3,961

17. TRADE AND OTHER RECEIVABLES

The Group's sales to customers are mainly on a cash and credit card settlement. Trade receivables mainly represent the revenue collected by the operators on the Group's behalf where the restaurants of the Group are located. The credit terms granted to these operators are 30 days from the sales made.

	2017	2016
	HK$'000	*HK$'000*
Current portion		
Trade receivables	**29,477**	29,597
Prepayments and deposits	**45,377**	45,831
Other receivables	**3,647**	1,971
Total	**78,501**	77,399
Non-current portion		
Prepayments and deposits *(Note a)*	**46,225**	19,533

Note a: As at 31 December 2017 and 2016, these balances mainly represented deposits paid for guarantee of development of investment properties under construction and deposits paid for rental and utilities.

The ageing of trade debtors which are past due not impaired are as follows:

	2017	2016
	HK$'000	*HK$'000*
Current *(Note b)*	**17,739**	24,130
Less than 3 months past due	**11,020**	5,320
More than 3 months past due	**718**	147
Amount past due as of the end of reporting period but not impaired *(Note c)*	**11,738**	5,467
Total	**29,477**	29,597

Note b: These balances that were neither past due nor impaired, related to a number of debtors that have good track records of payment with the Group. Based on the past experience, the management has estimated that the carrying amounts could be fully recovered.

Note c: These receivables that were past due but not impaired, related to a number of independent customers that have a good track record with the Group. Based on the past experience, the management has believed that no impairment allowance would be necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

17. TRADE AND OTHER RECEIVABLES – Continued

The ageing analysis of the trade receivables based on invoice date (net of impairment losses) is as follows:

	2017	2016
	HK$'000	*HK$'000*
0 to 90 days	**28,759**	29,450
91 days to 365 days	**540**	50
Over 365 days	**178**	97
Total	**29,477**	29,597

The table below shows the movement in provision for impairment loss against trade receivables as at 31 December 2017:

	2017	2016
	HK$'000	*HK$'000*
At 1 January	**3,502**	3,480
Impairment loss *(Note 7)*	**–**	22
At 31 December	**3,502**	3,502

The Group recognised impairment loss based on the accounting policy stated in note to the financial statements of the Company's 2017 annual report.

18. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2017	2016
	HK$'000	*HK$'000*
Financial assets at fair value through profit or loss:		
– Listed in Hong Kong held for trading	**435**	3,948

The financial assets are traded on active liquid markets. The fair values are determined with reference to quoted market prices which are under level 1 (quoted prices (unadjusted) in active markets for identical assets or liabilities) of fair value hierarchy under HKFRS 7.

19. TRADE AND OTHER PAYABLES

	2017	2016
	HK$'000	*HK$'000*
Trade payables	**78,864**	61,773
Accruals and provision	**58,683**	52,924
Construction and other payables	**51,110**	61,427
Deferred rental benefit in respect of rent free periods	**7,969**	4,318
Total	**196,626**	180,442

Included in trade payables are trade creditors with the following ageing analysis, based on invoice dates, as of the end of reporting period:

	2017	2016
	HK$'000	*HK$'000*
Within 90 days	**76,550**	59,942
91 to 180 days	**1,312**	190
181 to 365 days	**595**	472
More than 365 days	**407**	1,169
Total	**78,864**	61,773

20. INTEREST BEARING BORROWINGS

	2017	2016
	HK$'000	*HK$'000*
Secured bank loans *(Note a)*	**132,514**	83,833
Secured bank overdraft *(Note b)*	**38,567**	–
Mortgage loans *(Notes c and d)*	**212,441**	172,957
Unsecured bank loan *(Note e)*	**59,672**	51,659
	443,194	308,449
Carrying amount repayable:		
On demand or within one year	**88,052**	47,973
More than one year, but not exceeding two years	**100,408**	47,963
More than two years, but not exceeding five years	**182,332**	137,762
More than five years	**72,402**	74,751
	443,194	308,449
Amount due within one year included in current liabilities	**(88,052)**	(47,973)
	355,142	260,476

20. INTEREST BEARING BORROWINGS – Continued

Note a: As at 31 December 2017, the Group had three (2016: three) secured bank loans of approximately HK$132,514,000 (2016: HK$83,833,000), including:

(i) a secured bank loan of HK$10,000,000 (2016: HK$8,800,000) with maximum facility of HK$10,000,000. It bears interest at higher of 1-month Hong Kong Inter-Bank Offered Rate ("HIBOR") and London Inter-Bank Offered Rate ("LIBOR") plus 1.8% per annum and is secured by asset classified as held for sale as at 31 December 2017 (2016: leasehold land and building);

(ii) a secured bank loan of approximately HK$116,799,000 (2016: HK$65,033,000) which is repayable within 8 years starting from 2018 with maximum facility of HK$124,272,000 (equivalent to MOP128,000,000). It bears interest at the prime rate less 2.25% per annum and is secured by the leasehold land and construction in progress as at 31 December 2017. Such secured bank loan is also carried with a covenant that Mr. Chan (the managing director and controlling owner of the Company) and his associates have to hold not less than 37% (2016: 35%) equity interest holding of the Company; and

(iii) a secured bank loan of approximately HK$5,715,000 (2016: HK$10,000,000) which is repayable within 3 years from June 2016 and bears interest at HIBOR plus 1.75% per annum and is secured by asset classified as held for sale as at 31 December 2017 (2016: leasehold land and building). The Group has fully repaid this secured bank loan in January 2018.

Note b: As at 31 December 2017, the Group had a secured bank overdraft (2016: Nil) of approximately HK$38,567,000 (2016: Nil) with maximum facility of MOP40,000,000 (equivalent to approximately HK$38,835,000) which is repayable in April 2019. It bears interest at the prime rate less 2.5% per annum and is secured by the freehold land and buildings and investment properties as at 31 December 2017. Such overdraft facility is also carried with a covenant that Mr. Chan and his associates have to hold not less than 37% (2016: 37%) equity interest holding of the Company.

20. INTEREST BEARING BORROWINGS – Continued

Note c: As at 31 December 2017, the Group had five (2016: three) mortgage loans of approximately HK$212,441,000(2016: HK$172,957,000), including:

(i) a mortgage loan of approximately HK$91,597,000 (2016: HK$105,962,000) which is repayable within 15 years from 2011 and bears interest at HIBOR plus 2.75% per annum. The mortgage loan is secured by the freehold land and buildings and investment properties as at 31 December 2017;

(ii) a mortgage loan of approximately HK$46,823,000 (2016: HK$54,915,000) which is repayable within 7 years from 2016 and bears interest at the prime rate less 2.7% per annum. The mortgage loan is secured by the freehold land and buildings and investment properties as at 31 December 2017;

(iii) a mortgage loan of HK$11,360,000 (2016: HK$12,080,000) which is repayable within 7 years from 2014, bears interest at HIBOR plus 1.75% per annum and is secured by leasehold land and building under asset held for sale as at 31 December 2017 (2016: leasehold land and building). The Group has fully repaid this mortgage loan in January 2018;

(iv) a mortgage loan of HK$14,700,000 (2016: Nil) which is repayable within 5 years from 2017, bears interest at HIBOR plus 2.0% per annum and is secured by a leasehold land and building as at 31 December 2017; and

(v) a mortgage loan of approximately HK$47,961,000 (2016: Nil) which is repayable within 7 years from 2018 with maximum facility of HK$145,631,000 (equivalent to MOP150,000,000). It bears interest at the prime rate less 2.6% per annum and is secured by the freehold land and buildings and investment properties as at 31 December 2017.

Note d: As at 31 December 2017, three (2016: two) mortgage loans (mentioned in note c (i), (ii) and (v)) totalling of approximately HK$186,381,000 (2016: HK$160,877,000) were carried with a covenant that Mr. Chan and his associates have to hold not less than 37% (2016: 37%) equity interest holding of the Company.

Note e: The Group had one (2016: one) unsecured bank loan of approximately HK$59,672,000 (2016: HK$51,659,000) which is repayable within 5 years from 2016 with maximum facility of HK$80,000,000. It bears interest at the prime rate less 1.5% per annum and is carried with a covenant that Mr. Chan and his associates have to hold not less than 37% (2016: 37%) equity interest holding of the Company.

Note f: The Company and certain of its wholly-owned subsidiaries have given corporate guarantees in respect of the above bank loans.

CHAIRMAN'S STATEMENT

The board of the Directors is pleased to present to our shareholders the annual report of the Company and its subsidiaries for the year ended 31 December 2017 ("Year").

The Group has faced up to the tough year of 2017 in which the operating environment has been challenging. In 2017, the Group has enjoyed a considerable growth of 12.2% in turnover, but also saw increases of 5.9% in its food costs, of 18.7% in its depreciation and amortization, of 19.5% in its direct operating expenses and of 13.8% in its administrative expenses. The gross margin ratio and EBITDA have improved by 1.8% and 58.8% respectively in 2017, as compared to the year of 2016. The Group's rental and staff costs have surged by 27.6% and 15.8% respectively in 2017, as compared to the year of 2016. In the Year, the Group has successfully narrowed down the losses in its food souvenir business, despite that it has recorded no rental income from its investment property so to adversely affect its overall turnover and net profit levels. And the Group has recorded a good net fair value gain of some HK$27.2 million derived from its investment properties in the Year.

The audited profit attributable to owners of the Group of HK$11.0 million for 2017 has been mainly due to a good net fair value gain from the Group's investment properties recorded in the Year, with to some extent, a stronger performance of its food and catering business. In 2017, the Group's performance has still been affected by (i) the loss attributable to the Group's food souvenir business; (ii) the soft performance in some of the Group's restaurants opened in 2016; (iii) the lack of rental income from its investment property; and (iv) losses on written off of/impairment losses on property, plant and equipment of some HK$7.8 million derived from the certain restaurants and shops as well as from the closure of a Western restaurant at the University of Macau in Hengqin Island. The Group's performance in 2017 has been much in line with the increased level of visitor inflow to Macau: the Group has achieved a good growth of 14.1% in the same store performance of its food and catering business, and a healthy growth of 14.2% in the same store performance of its food souvenir business, all in 2017, as compared to the year of 2016. In 2017, a total of 32.610 million visitors to Macau have been recorded with an increase of 5.36% amounting to an increase of 1.66 million visitors, and the Macau Gross Gaming Revenue has also improved by 18.95%, as compared to the year of 2016.

As at 31 December 2017, the Group's leased property in Macau ("Key Investment Property") comprising whole of the ground floor to third floor, basement level 2, and portion of basement level 1 & 3 of the 6-storey commercial building at Centro Commercial E Turistico "S. Paulo", Largo da Companha de Jesus N, and the Group's land at Hengqin Island ("Hengqin Land") have been valued by an independent professional valuer at some HK$505.0 million (31 December 2016: HK$513.0 million) and HK$408.9 million (equivalent to RMB340.9 million) (31 December 2016: HK$267.4 million (equivalent to RMB239.8 million)) respectively.

During the Year, the Group has recorded a net fair value loss of HK$7.0 million as at 31 December 2017 (2016: HK$9.7 million) in respect of its Key Investment Property, but a net fair value gain of HK$34.2 million as at 31 December 2017 (2016: HK$2.2 million) in respect of its Hengqin Land. With a stronger performance of the Group's food and catering business but a lack of rental income from the Key Investment Property, the Group has recorded an audited loss attributable to owners of the Company after excluding any special/non-recurring income or any net fair value gain/loss of the investment properties ("Net Ordinary Operating Loss") for the Year at some HK$16.2 million, as against an audited Net Ordinary Operating Profit of some HK$6.0 million for the year of 2016.

Also for the Year in respect of the exchange differences on translating foreign operations which relate mainly to the Group's subsidiary companies in Mainland China, the Group has recorded an overall other comprehensive income of some HK$25.0 million of the Group for the Year, as compared to an overall other comprehensive loss of some HK$14.9 million in 2016. Details of financial analysis and breakdown on the Group's performance are set out in the section of "Management Discussion and Analysis" below.

It has always been the policy of the Company to maintain a healthy dividend payout policy, hopefully at a payout ratio of not less than 30% of our Group's annual Net Ordinary Operating Profit. In view of recording a Net Ordinary Operating Loss for the year of 2017 and to extend the Company's gratitude towards the support of its shareholders, the Directors propose to declare and pay out of the Company's retained earnings, a special final dividend of HK1.0 cent per share in respect of the year of 2017 where such special final dividend is a non-recurrent special dividend.

Food and Catering Business Review

Restaurant Chain (self-owned and under franchise)

During 2017, the Group's restaurant chain business has attained a profit before non-controlling interests of some HK$0.7 million in the first half of 2017 and some HK$45.3 million in the second half of 2017. The operating environment of the Group in the Year has been tough and challenging. Detail breakdown of the performance of the Group's different restaurants in 2017 is set out in the section headed "Management Discussion and Analysis" below.

In 2017, the Group has opened 16 restaurants including: 5 franchise Bari-Uma ramen restaurants, 3 franchise Pepper Lunch restaurants, 2 two franchise restaurants under the brand names of "Mad for Garlic", 3 Azores restaurants, 2 Musashi Japanese restaurants and a Good Fortune Kitchen restaurant. In 2017, the Group has closed down 5 restaurants in Macau. The Group's new Japanese restaurant "Edo" at Sheraton Zhuhai Hotel has just started its operation in early March 2018. The Group has also in January 2018 successfully tendered for 3 food court counters at The Macau Airport. The Group's newly opened restaurants in Hong Kong have been performing satisfactory, and management will continue to cautiously expand the Group's presence in the Hong Kong restaurant market. Management is planning to open soon a Macanese restaurant at the Times Square, Hong Kong. Also management has since mid-2017 been exploring the restaurant market of Taiwan, and is planning to open 2 restaurants in Taipei in the fourth quarter of 2018. Details of the list of restaurants of this business will be set out in the Company's 2017 annual report.

Food and Catering Business Review – Continued

Industrial Catering Business

The Group's industrial catering business has always been derived from its operations of providing the canteen services for universities and school with a steady and modest turnover of some HK$43.1 million in 2017, representing a slight drop of some 4.9% as compared to those of 2016. In 2017, the Group has operated 2 canteens at University of Macau in Hengqin Island, a canteen at International School of Macau and a canteen at Macau University of Science and Technology. The decrease in turnover of this business was largely due to the decrease in turnover of the Food Paradises at the University of Macau. Managing has been successful to renew some of its operation contracts up to February 2019 to continue to provide the canteen services for the University of Macau.

The Group's central food and logistic processing centre in the Macau has already commenced its interior renovation works and is expected to become operational in the first half of 2018.

Wholesales of Japanese food and materials Business

The Group's wholesale business of Japanese food and materials has been relatively steady in 2017. And this business was profitable in 2017 with turnover of some HK$31.3 million in 2017, representing a drop of some 38.0% as compared to those of 2016. The drop in turnover in this business has been due to keener competition resulting in drops in sales in 2017. Management is actively looking for opportunities to expand the sales channels of this business both in Macau and in Zhuhai.

Food Souvenir Business

The Group's food souvenir business under the brand name of "澳門英記餅家 Macau Yeng Kee Bakery" and "澳門英記餅家 Ou Mun Ieng Kei Peng Ka" has improved in line of the improved economy in Macau in 2017, during which this business has recorded a total turnover of some HK$62.5 million with a loss attributable to owners of the Company of some HK$21.0 million, as against the turnover of some HK$50.5 million with a loss attributable to owners of some HK$26.1 million in 2016.

In 2017, management has strived to enhance operating cost efficiency and expanding its sales channels. These have included to improve its sales with more stores and kiosks, and online sales platforms, as well as exploring the markets in Mainland China and overseas countries. Management has also succeeded in 2017 to lower its rental cost in respect of its shop outlets including a monthly rental reduction by the Group's substantial shareholder – Mr. Chan Chak Mo, from HK$400,000 to HK$300,000 for 9 months with effect from 1 January 2017 in respect of the shop premises rented out to the Group for its Yeng Kee business. In 2017, management has opened 1 kiosk and 1 shop for its Yeng Kee business, and has successfully secured some overseas distributors to source Yeng Kee products for sales in Taiwan and Mainland China. More details of this business are set out in the section headed "Management Discussion and Analysis" below.

Food Souvenir Business – Continued

Management is fully aware of the challenges ahead and will continue to expand more sales channels (local and overseas) for its food souvenir products to build up its sales. Details of the list of shops and kiosks of this business will be set out in the Company's 2017 annual report.

Property Investment Business Review

With the relatively soft economic condition in Macau, the Group's Key Investment Property has in 2017 been left without a tenant. Management is now working closely with a property agent on a leasing proposal to seek tenants for its Key Investment Property.

As previously announced in November 2017, the Group has by signing the supplemental agreement obtained an extension of the remaining development milestones set out in its land acquisition contract for its Hengqin Land under Article 19 of Zhuhai Measures Regarding Idle Land (珠海市閒置土地處置辦法), with (i) the completion of the foundation and basement works (建設標高±0.00) by 31 July 2018, (ii) the completion the building works to the top floor (全部單體到頂) by 31 July 2019, and (iii) the completion of the entire building works (整體完工) by 31 July 2020.

Also as previously announced in November 2017, the Group's development project progress of the foundation works at some parts of its Hengqin Land has been slowed down with some delay for months as the foundation works carried on at such parts of the Hengqin Land has given arise to a risk alert (參數風險) to the safety of parts of the temporary foundation structural beams (基坑第二道支撐樑) of the construction works at the land adjacent to the Hengqin Land. Co-ordination meetings between the representatives of the Group, the landowner of the adjacent land and the relevant Hengqin Island local authorities had been held, during which the Group had made a request to the relevant Hengqin Island local authorities that as there has been no fault on the part of the Group on the above matter, appropriate further extensions for the remaining development millstones of the Group's development project should be granted to the Group. Accordingly, the Group has just filed a formal application to the relevant Hengqin Island local authorities to request a further extension for the remaining development millstones of the Group's development project, following the recent completion of the construction works at the land adjacent to the Group's Hengqin Land.

Management is at present reviewing and considering the Group's resources as well as its capital commitment, plan and work schedule for the development of its Hengqin Land, with a view to bring in an appropriate joint venture partner.

Outlook

Management expects that the operating environment of the Group in 2018 should still be challenging, but will continue to improve hopefully with steady growth in visitor inflow to Macau and Macau Gross Gaming revenue. The Group's current business strategy remains to cautiously open new restaurants or food souvenir shops to generate more revenue with a focus on more mass market restaurants. The Group plans to open 3 food court counters in Macau, 1 restaurant in Hong Kong, 2 restaurants in Mainland China and 2 restaurants in Taiwan, all in 2018. The Group also has a plan to in 2019 open 8 food court counters and 1 restaurant in Macau and 8 food court counters in Hong Kong. The Group is still taking a constant and continuous process of reviewing its business strategy to maintain its local market leading position. I am confident that the Group would be able to face up with the challenges ahead and come out stronger and as resilient ever.

CHAN SEE KIT, JOHNNY
Chairman

Hong Kong
19 March 2018

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Turnover

The turnover of the Group was approximately HK$957.1 million for the year ended 31 December 2017, representing a healthy increase of approximately 12.2% as compared to those of 2016 of HK$853.2 million.

Details of turnover breakdown are as follows:

	For the year ended 31 December		
	2017	2016	2015
	HK$'million	*HK$'million*	*HK$'million*
TURNOVER			
Restaurants:			
Japanese restaurants	**293.2**	266.2	300.2
Chinese restaurants	**178.6**	185.3	180.2
Western and other restaurants *(Note 1)*	**99.1**	85.6	80.6
Food court counters	**65.9**	59.1	64.4
Franchise restaurants *(Note 2)*	**183.4**	89.6	37.9
	820.2	685.8	663.3
Industrial catering	**43.1**	45.3	48.3
Food wholesale	**31.3**	50.5	36.4
Food and catering business	**894.6**	781.6	748.0
Food souvenir business	**62.5**	50.5	45.9
Property investment business	**–**	21.1	30.3
Total	**957.1**	853.2	824.2

FINANCIAL REVIEW – Continued

Turnover – Continued

Below is a table of comparison of the turnover for the years ended 31 December 2017 and 2016:

	2017	Change	2016
	HK$'million	*%*	*HK$'million*
TURNOVER			
Restaurants:			
Japanese restaurants	**293.2**	+10.1%	266.2
Chinese restaurants	**178.6**	–3.6%	185.3
Western and other restaurants *(Note 1)*	**99.1**	+15.8%	85.6
Food court counters	**65.9**	+11.5%	59.1
Franchise restaurants *(Note 2)*	**183.4**	+104.7%	89.6
	820.2	+19.6%	685.8
Industrial catering	**43.1**	–4.9%	45.3
Food wholesale	**31.3**	–38.0%	50.5
Food and catering business	**894.6**	+14.5%	781.6
Food souvenir business	**62.5**	+23.8%	50.5
Property investment business	**–**	–100.0%	21.1
Total	**957.1**	+12.2%	853.2

Note 1: The turnover relating to "Western and other restaurants" item included turnover from the Group's Western restaurants, Food Paradise at Macau International Airport, 3 sandwich bars and Royal Thai Kitchen Restaurant.

Note 2: The turnover relating to"Franchise restaurants" item included turnover from the Group's Pacific Coffee shops, and Pepper Lunch, Bari-Uma ramen, Fu-Un-Maru, Mad for Garlic and Bistro Seoul restaurants.

The increase in turnover of the Group's food and catering business was mainly attributable to the increased sales from the Group's restaurants opened in late 2016 and during 2017. The turnover growth in the Group's food souvenir business was mainly attributable to the increased sales from the Group's Yeng Kee bakery shops/kiosks opened in Macau in 2017. The decrease in turnover of the Group's property investment business was attributable to the lack of rental income from the Key Investment Property in Macau in 2017.

FINANCIAL REVIEW – Continued

Turnover – Continued

Below is a table of comparison of the turnover of the first, second, third and fourth quarters of 2017 and 2016:

	2017	Change	2016
	HK$'million	%	*HK$'million*
TURNOVER			
First quarter	**224.4**	+12.3%	199.9
Second quarter	**209.2**	+9.5%	191.0
Third quarter	**250.2**	+12.8%	221.8
Fourth quarter	**273.3**	+13.6%	240.5
Total	**957.1**	+12.2%	853.2

Details of the Group's turnover breakdown of the first, second, third and fourth quarters of 2017 are as follows:

	2017			
	Fourth Quarter	**Third quarter**	**Second quarter**	**First quarter**
	HK$'million	***HK$'million***	***HK$'million***	***HK$'million***
TURNOVER				
Restaurants:				
Japanese restaurants	**78.5**	**74.2**	**67.0**	**73.5**
Chinese restaurants	**46.5**	**42.5**	**41.5**	**48.1**
Western and other restaurants	**28.0**	**25.4**	**23.2**	**22.5**
Food court counters	**15.9**	**18.2**	**14.1**	**17.7**
Franchise restaurants	**65.8**	**48.3**	**36.6**	**32.7**
	234.7	**208.6**	**182.4**	**194.5**
Industrial catering	**13.6**	**9.8**	**8.4**	**11.3**
Food wholesale	**9.3**	**7.6**	**7.3**	**7.1**
Food and catering business	**257.6**	**226.0**	**198.1**	**212.9**
Food souvenir business	**15.7**	**24.2**	**11.1**	**11.5**
Property investment business	**–**	**–**	**–**	**–**
Total	**273.3**	**250.2**	**209.2**	**224.4**

FINANCIAL REVIEW – Continued

Turnover – Continued

Details of the Group's turnover breakdown of the first, second, third and fourth quarters of 2016 are as follows:

	2016			
	Fourth Quarter	Third quarter	Second quarter	First quarter
	HK\$'million	*HK\$'million*	*HK\$'million*	*HK\$'million*
TURNOVER				
Restaurants:				
Japanese restaurants	71.0	64.5	62.1	68.6
Chinese restaurants	49.3	46.5	42.8	46.7
Western and other restaurants	25.3	22.6	18.4	19.3
Food court counters	18.5	16.6	10.9	13.1
Franchise restaurants	34.1	27.2	16.4	11.9
	198.2	177.4	150.6	159.6
Industrial catering	14.9	9.2	9.2	12.0
Food wholesale	16.0	12.3	13.0	9.2
Food and catering business	229.1	198.9	172.8	180.8
Food souvenir business	11.4	15.9	10.9	12.3
Property investment business	–	7.0	7.3	6.8
Total	240.5	221.8	191.0	199.9

MANAGEMENT DISCUSSION AND ANALYSIS – Continued

FINANCIAL REVIEW – Continued

Turnover – Continued

Same Store Performance

Below is a table of comparison of the Group's same store performance (Note 3) of its restaurants, industrial catering business and food souvenir business in term of their aggregate turnover for the first, second, third, fourth quarters of 2017 and 2016:

	2017	Change	2016
	HK$'million	*%*	*HK$'million*
SAME STORE TURNOVER			
First quarter	**177.8**	–1.4%	180.4
Second quarter	**173.1**	+3.0%	168.1
Third quarter	**224.8**	+14.1%	197.0
Fourth quarter	**223.9**	+4.6%	214.0
Whole year	**841.3**	+14.1%	737.2

Details of the Group's same store performance (Note 3) of its restaurants, industrial catering business and food souvenir business in term of turnover for the first, second, third and fourth quarters of 2017 and 2016 are as follows:

		First quarter	
	2017	Change	2016
	HK$'million	*%*	*HK$'million*
SAME STORE TURNOVER			
Restaurants:			
Japanese restaurants	**67.1**	+2.1%	65.7
Chinese restaurants	**48.1**	+3.0%	46.7
Western and other restaurants	**17.6**	–8.8%	19.3
Food court counters	**11.5**	–12.2%	13.1
Franchise restaurants	**12.1**	+1.7%	11.9
	156.4	–0.2%	156.7
Industrial catering	**11.3**	–5.8%	12.0
Restaurants and industrial catering business	**167.7**	–0.6%	168.7
Food souvenir business	**10.1**	–13.7%	11.7
	177.8	–1.4%	180.4

MANAGEMENT DISCUSSION AND ANALYSIS – Continued

FINANCIAL REVIEW – Continued

Turnover – Continued

Same Store Performance – Continued

	Second quarter		
	2017	Change	2016
	HK$'million	*%*	*HK$'million*
SAME STORE TURNOVER			
Restaurants:			
Japanese restaurants	**62.2**	+3.7%	60.0
Chinese restaurants	**41.5**	–3.0%	42.8
Western and other restaurants	**18.5**	+0.5%	18.4
Food court counters	**9.0**	–17.4%	10.9
Franchise restaurants	**23.9**	+45.7%	16.4
	155.1	+4.4%	148.5
Industrial catering	**8.4**	–8.7%	9.2
Restaurants and industrial catering business	**163.5**	+3.7%	157.7
Food souvenir business	**9.6**	–7.7%	10.4
	173.1	+3.0%	168.1

Note 3: Same store performance is compared on the basis of those restaurants/shops/outlets which were in place in the periods of 2017 and 2016 only.

FINANCIAL REVIEW – Continued

Turnover – Continued

Same Store Performance – Continued

	Third quarter		
	2017	Change	2016
	HK$'million	*%*	*HK$'million*
SAME STORE TURNOVER			
Restaurants:			
Japanese restaurants	**74.2**	+18.7%	62.5
Chinese restaurants	**42.5**	–8.6%	46.5
Western and other restaurants	**24.9**	+22.1%	20.4
Food court counters	**18.2**	+9.6%	16.6
Franchise restaurants	**33.3**	+24.3%	26.8
	193.1	+11.7%	172.8
Industrial catering	**9.8**	+6.5%	9.2
Restaurants and industrial catering business	**202.9**	+11.5%	182.0
Food souvenir business	**21.9**	+46.0%	15.0
	224.8	+14.1%	197.0

FINANCIAL REVIEW – Continued

Turnover – Continued

Same Store Performance – Continued

	Fourth quarter		
	2017	Change	2016
	HK$'million	*%*	*HK$'million*
SAME STORE TURNOVER			
Restaurants:			
Japanese restaurants	**78.0**	+13.5%	68.7
Chinese restaurants	**43.7**	+1.9%	42.9
Western and other restaurants	**25.1**	+4.1%	24.1
Food court counters	**15.9**	–14.1%	18.5
Franchise restaurants	**34.6**	+1.5%	34.1
	197.3	+4.8%	188.3
Industrial catering	**13.6**	–8.7%	14.9
Restaurants and industrial catering business	**210.9**	+3.8%	203.2
Food souvenir business	**13.0**	+20.4%	10.8
	223.9	+4.6%	214.0

FINANCIAL REVIEW – Continued

Turnover – Continued

Same Store Performance – Continued

	Whole year		
	2017	Change	2016
	HK$'million	*%*	*HK$'million*
SAME STORE TURNOVER			
Restaurants:			
Japanese restaurants	**290.8**	+13.2%	256.9
Chinese restaurants	**162.4**	+1.7%	159.7
Western and other restaurants	**93.3**	+15.9%	80.5
Food court counters	**65.9**	+11.5%	59.1
Franchise restaurants	**131.1**	+49.3%	87.8
	743.5	+15.5%	644.0
Industrial catering	**43.1**	–4.9%	45.3
Restaurants and industrial catering business	**786.6**	+14.1%	689.3
Food souvenir business	**54.7**	+14.2%	47.9
	841.3	+14.1%	737.2

FINANCIAL REVIEW – Continued

Turnover – Continued

Below is a table of comparison of the turnover by geographical locations for the years ended 31 December 2017 and 2016:

	Year ended 31 December		
	2017	Change	2016
	HK$'million	*%*	*HK$'million*
TURNOVER			
Macau	**743.4**	+3.9%	715.3
Mainland China	**93.9**	+2.5%	91.6
Hong Kong	**119.8**	+158.7%	46.3
Total	**957.1**	+12.2%	853.2

Below is a table of comparison of the turnover of the Group by geographical locations of the first, second, third and fourth quarters of 2017:

	Year ended 31 December 2017			
	Fourth quarter	**Third quarter**	**Second quarter**	**First quarter**
	HK$'million	***HK$'million***	***HK$'million***	***HK$'million***
TURNOVER				
Macau	**196.9**	**197.3**	**165.7**	**183.5**
Mainland China	**29.0**	**21.6**	**21.0**	**22.3**
Hong Kong	**47.4**	**31.3**	**22.5**	**18.6**
Total	**273.3**	**250.2**	**209.2**	**224.4**

Below is a table of comparison of the turnover of the Group by geographical locations of the first, second, third and fourth quarters of 2016:

	Year ended 31 December 2016			
	Fourth quarter	Third quarter	Second quarter	First quarter
	HK$'million	*HK$'million*	*HK$'million*	*HK$'million*
TURNOVER				
Macau	196.1	182.6	162.1	174.5
Mainland China	23.7	23.5	21.7	22.7
Hong Kong	20.7	15.7	7.2	2.7
Total	240.5	221.8	191.0	199.9

FINANCIAL REVIEW – Continued

Gross margin (the Group's turnover less food costs)

The gross margin (being the Group's turnover less food costs) of the Group for the year ended 31 December 2017 was about HK$674.6 million, representing a healthy increase of approximately 15.0% as compared to those of HK$586.4 million of 2016. The increase in gross margin was mainly attributable to the increase in turnover of the Group's business.

The gross margin ratio (being gross margin over turnover) of the Group for the year ended 31 December 2017 was about 70.5%, representing an increase of 1.8% as compared to those of last year of 68.7%. The slight increase in gross margin ratio was mainly attributable to an increase of some 5.9% in food costs of the Group. The Group has over the last three years maintained steady healthy gross margin and gross margin ratio as follows:

	For the year ended 31 December		
	2017	2016	2015
	HK$'million	*HK$'million*	*HK$'million*
GROSS MARGIN			
First quarter	**157.4**	140.4	151.2
Second quarter	**146.6**	128.1	135.0
Third quarter	**178.1**	156.0	143.6
Fourth quarter	**192.5**	161.9	147.6
Total	**674.6**	586.4	577.4
Gross margin ratio*	**70.5%**	68.7%	70.1%

* Gross margin over turnover

Below is a table of comparison of the gross margin (being the Group's turnover less food costs) of the first, second, third and fourth quarters of 2017 and 2016:

	2017	Change	2016
	HK$'million	%	*HK$'million*
GROSS MARGIN			
First quarter	**157.4**	+12.1%	140.4
Second quarter	**146.6**	+14.4%	128.1
Third quarter	**178.1**	+14.2%	156.0
Fourth quarter	**192.5**	+18.9%	161.9
Total	**674.6**	+15.0%	586.4

FINANCIAL REVIEW – Continued

Gross operating profit (the Group's turnover less food costs and direct operating costs)

The gross operating profit (being the Group's turnover less food costs and direct operating costs) of the Group for the year ended 31 December 2017 was about HK$136.8 million, representing a mild increase of approximately 0.2% as compared to those of last year of HK$136.5 million. The increases in gross operating profit and gross operating profit ratio were mainly attributable to the increase in direct operating profit of the Group's food and catering business. The Group's gross operating profit and gross operating profit ratio for the last three years are as follows:

	For the year ended 31 December		
	2017	2016	2015
	HK$'million	*HK$'million*	*HK$'million*
GROSS OPERATING PROFIT			
First quarter	**32.0**	36.4	39.0
Second quarter	**20.0**	22.9	28.2
Third quarter	**40.8**	40.4	31.3
Fourth quarter	**44.0**	36.8	38.9
Total	**136.8**	136.5	137.4
Gross operating profit ratio#	**14.3%**	16.0%	16.7%

Gross operating profit over turnover

Below is a table of comparison of the gross operating profit (being the Group's turnover less food costs and direct operating costs) of the first, second, third and fourth quarters of 2017 and 2016:

	2017	Change	2016
	HK$'million	%	*HK$'million*
GROSS OPERATING PROFIT			
First quarter	**32.0**	–12.1%	36.4
Second quarter	**20.0**	–12.7%	22.9
Third quarter	**40.8**	+1.0%	40.4
Fourth quarter	**44.0**	+19.6%	36.8
Total	**136.8**	+0.2%	136.5

FINANCIAL REVIEW – Continued

EBITDA

The EBITDA of the Group for the year ended 31 December 2017 was approximately HK$83.4 million representing an increase of approximately 58.9% as compared to those of HK$52.5 million in 2016. The increase in the EBITDA was mainly attributable to (i) the net fair value gain of investment properties, (ii) the increase in EBITDA attributable to the Group's food and catering business, and (iii) the reduced loss attributable to the Group's food souvenir business. The Group's EBITDA and EBITDA against turnover ratio over the last three years are as follows:

	For the year ended 31 December		
	2017	2016	2015
	HK$'million	*HK$'million*	*HK$'million*
EBITDA	**83.4**	52.5	15.1
EBITDA against turnover ratio	**8.7%**	6.2%	1.8%

Net profit/(loss)

The profit attributable to owners of the Company for the year ended 31 December 2017 was approximately HK$11.0 million as compared to the loss attributable to owners of the Company for last year of HK$1.5 million. The profit attributable to owners of the Company was mainly attributable to (i) the net fair value gain of investment properties, (ii) the stronger performance of the Group's food and catering business, and (iii) the reduced loss attributable to the Group's food souvenir business.

The profit/(loss) attributable to owners of the Company and profit/(loss) attributable to owners of the Company against turnover ratio over the last three years are as follows:

	For the year ended 31 December		
	2017	2016	2015
	HK$'million	*HK$'million*	*HK$'million*
Profit/(Loss) attributable to owners of the Company	**11.0**	(1.5)	(45.9)
Profit/(Loss) attributable to owners of the Company against turnover ratio	**1.2%**	(0.2)%	(5.6)%

FINANCIAL REVIEW – Continued

Net profit/(loss) – Continued

The Group's Net Ordinary Operating Loss (being the profit attributable to owners excluding any special non-recurring income or any net fair value gains/losses from investment properties) for the year ended 31 December 2017 was approximately HK$16.2 million as compared to the Net Ordinary Operating Profit for those of last year of HK$6.0 million. Such Net Ordinary Operating Loss in 2017 was mainly due to the lack of rental income from the Group's Key Investment Property. Set out below are the Net Ordinary Operating Profit/(Loss) with Net Ordinary Operating Profit/(Loss) ratio (Net Ordinary Operating Profit/(Loss) against turnover) for the last three years ended 31 December 2017:

	For the year ended 31 December		
	2017	2016	2015
	HK$'million	*HK$'million*	*HK$'million*
Net Ordinary Operating (Loss)/Profit	**(16.2)**	6.0	(57.9)
Net Ordinary Operating (Loss)/Profit against turnover ratio	**(1.7)%**	0.7%	(7.0)%

The Group's food and catering business has remained the main revenue contributor to the Group in 2017 while the Group's food souvenir business has improved gradually. The Group's adjusted operational financials of all its business (**excluding the Group's food souvenir business and any net fair value gains/losses from investment properties of the Group**) for the years ended 31 December 2017 and 2016 would be as follows:

	For the year ended 31 December		
	2017	Change	2016
	HK$'million	*%*	*HK$'million*
Turnover	**894.6**	+11.4%	802.7
Cost of sales	**(262.9)**	+5.2%	(250.0)
Gross margin	**631.7**	+14.3%	552.7
Direct operating expenses	**(477.5)**	+21.3%	(393.7)
Adjusted gross operating profit	**154.2**	–3.0%	159.0
Adjusted gross operating profit margin *(%)*	**17.2%**	–2.6%	19.8%
Adjusted profit attributable to owners of the Company	**4.8**	–85.0%	32.1

FINANCIAL REVIEW – Continued

Earnings/(Loss) per share

The earnings per share of the Company for the year ended 31 December 2017 was some HK1.59 cents as compared to loss per share of HK0.22 cents for 2016. The Group earnings/(loss) per share over the last three years are as follows:

	For the year ended 31 December		
	2017	2016	2015
	HK cents	*HK cents*	*HK cents*
Earnings/(Loss) per share – basic	**1.59**	(0.22)	(6.61)

The loss per share of the Company based on the Net Ordinary Operating Loss for the year ended 31 December 2017 was some HK2.33 cents as compared to the earnings per share of HK0.86 cents for 2016. Below is the earnings/(loss) per share based on the Net Ordinary Operating Profit/(Loss) over the last three years:

	For the year ended 31 December		
	2017	2016	2015
	HK cents	*HK cents*	*HK cents*
Net Ordinary Operating (Loss)/Profit per share – basic	**(2.33)**	0.86	(8.35)

Cash flows

The cash inflow from operating activities of the Group for the year ended 31 December 2017 was approximately HK$15.0 million, representing a decrease of 74.3% as compared to those of 2016 of HK$58.4 million. The Group's cash inflow from operating activities over the last three years are as follows:

	For the year ended 31 December		
	2017	2016	2015
	HK$'million	*HK$'million*	*HK$'million*
Cash inflow from operating activities	**15.0**	58.4	15.7

FINANCIAL REVIEW – Continued

Net assets

The net assets of the Group as at 31 December 2017 were approximately HK$1,071.1 million, representing an increase of approximately 2.3% as compared to the year of 2016 of HK$1,047.4 million. The increase in net assets was mainly attributable to (i) the Group's profit attributable to owners of the Company and (ii) the Group's other comprehensive income of some HK$25.0 million for the year ended 31 December 2017 derived from exchange differences on translating foreign operations which relate mainly to the Group's subsidiaries in Mainland China. The net assets and net assets per share of the Group as at 31 December 2017, 2016 and 2015 are as follows:

	As at 31 December		
	2017	2016	2015
	HK$'million	*HK$'million*	*HK$'million*
Net assets	**1,071.1**	1,047.4	1,083.6
	HK$	*HK$*	*HK$*
Net assets per share – basic	**1.543**	1.509	1.561

OPERATIONS REVIEW

During the year ended 31 December 2017, the Group's principal activities were in the sales of food and catering, food souvenir and property investment.

Food and Catering Business

The Group's operational financials of the Group's food and catering business for the years ended 31 December 2017 and 2016 are as follows:

	2017	Change	2016
	HK$'million	%	*HK$'million*
Turnover	**894.6**	+14.5%	781.6
Cost of sales	**(261.2)**	+5.2%	(248.2)
Gross margin	**633.4**	+18.7%	533.4
Direct operating expenses	**(477.6)**	+21.3%	(393.6)
Gross operating profit	**155.8**	+11.4%	139.8
Gross operating profit margin *(%)*	**17.4%**	–0.5%	17.9%
Profit attributable to owners of the Company	**31.1**	+13.5%	27.4

During the year ended 31 December 2017, the Group's food and catering business contributed some HK$894.6 million turnover representing about 93.5% of turnover of the Group. The increase in turnover for the Group's food and catering business was mainly attributable to the increases in sales from the Group's restaurants opened in late 2016 and during the year of 2017. More details on this business are set out in the section headed "Chairman's Statement" in this announcement.

Restaurant Chain

During the year of 2017, the Group opened 16 new restaurants (including 6 self-owned restaurants and 10 franchise restaurants) but closed down 4 self-owned restaurants and 1 franchise restaurant. As at 31 December 2017, the Group had 66 restaurants (including 38 self-owned restaurants and 28 franchise restaurants) and 4 food court counters.

MANAGEMENT DISCUSSION AND ANALYSIS – Continued

OPERATIONS REVIEW – Continued

Food and Catering Business – Continued

Restaurant Chain – Continued

Number of restaurant's analysis for the last three years and as at the date of this announcement (excluded the joint venture's restaurant) are listed as follows:

	As at the date of this announcement	**As at 31 December**		
		2017	2016	2015
Number of restaurants				
Japanese restaurants *(Note a)*	**12**	**11**	10	10
Chinese restaurants *(Note b)*	**9**	**9**	9	9
Western and other restaurants *(Note c)*	**14**	**14**	13	8
Food court counters *(Note d)*	**4**	**4**	4	2
Franchise restaurants *(Note e)*	**28**	**28**	19	11
	67	**66**	55	40
Industrial catering *(Note f)*	**4**	**4**	4	4
	71	**70**	59	44
Total areas of self-owned and franchise restaurants (sq.ft.) *(Note g)*	**287,585 sq.ft.**	**282,031 sq.ft.**	258,955 sq.ft.	221,414 sq.ft.
Turnover against total areas of restaurants (per sq.ft. per annum)	**Not applicable**	**HK$3,172**	HK$3,018	HK$3,378

Note a: As at 31 December 2017, Japanese restaurants included 6 Edo Japanese Restaurants, 2 Senkizen Japanese Restaurants and 3 Musashi Japanese Restaurants.

Note b: As at 31 December 2017, Chinese restaurants included 1 Turtle Essence, 1 "456" Modern Shanghai Cuisine Restaurant, 2 Shiki Hot Pot Restaurants, 1 Seasons Bright Restaurant, 2 Good Fortune Cantonese Kitchens, 1 Fortune Inn Restaurant and 1 noodle congee shop.

Note c: As at 31 December 2017, Western and other restaurants included 1 Madeira Portuguese Restaurant, 5 Azores Restaurants, 1 Vergnano Italian Restaurant, 1 multi cuisine restaurant, 3 sandwich bars, 1 Le Sourire Restaurant, 1 Vibes Restaurant and 1 Milk Republic cafe.

Note d: As at 31 December 2017, food court counters included 2 Toei Delights Japanese food courters and 2 Hundred Taste Kitchen Taiwanese food counters.

Note e: As at 31 December 2017, franchise restaurants included 9 Pacific Coffee shops, and 7 Pepper Lunch, 7 Bari-Uma ramen, 1 Fu-Un-Maru, 3 Mad for Garlic Restaurants and 1 Bistro Seoul Restaurant.

Note f: As at 31 December 2017, industrial catering included 4 student/staff canteens.

Note g: The total gross floor area as at 31 December 2017 and 2016 had been calculated with exclusion of 6,158 sq.ft. gross floor area of a joint venture's restaurant.

OPERATIONS REVIEW – Continued

Food and Catering Business – Continued

Restaurant Chain – Continued

Number of restaurants and food court counter's analysis by geographical locations for the last three years (excluded the joint venture's restaurant) are listed as follows:

	As at 31 December		
	2017	2016	2015
Number of restaurants			
Macau	**40**	43	36
Mainland China	**15**	8	5
Hong Kong	**11**	4	1
Total	**66**	55	42

	As at 31 December		
	2017	2016	2015
Number of food court counters			
Macau	**4**	4	2
Mainland China	**–**	–	–
Hong Kong	**–**	–	–
Total	**4**	4	2

Details of Group's restaurants will be set out in the section headed "List of Restaurants/Food Court Counters/Stores" of the Company's 2017 annual report.

Industrial Catering

In 2017, the Group's industrial catering business was derived from its operations of providing the canteen services for universities and school with a modest turnover of some HK$43.1 million, representing a decrease of 4.9%, as compared to those of 2016 of HK$45.3 million. The decrease in turnover of industrial catering business was largely attributable to the decrease in turnover of the Food Paradises at the University of Macau. More details on this business are set out in the section headed "Chairman's Statement" of this announcement.

Food Wholesale

The Group's wholesale business of Japanese food and materials was profitable in 2017 with some turnover of HK$31.3 million in 2017, representing a decrease of some 38.0% as compared to those of 2016 of HK$50.5 million. More details on this business are set out in the section headed "Chairman's Statement" of this announcement.

OPERATIONS REVIEW – Continued

Food Souvenir Business

The Group's operational financials of the food souvenir business for the years ended 31 December 2017 and 2016 are as follows:

	2017	Change	2016
	HK$'million	%	*HK$'million*
Turnover	**62.5**	+23.8%	50.5
Cost of sales	**(19.6)**	+16.7%	(16.8)
Gross margin	**42.9**	+27.3%	33.7
Direct operating expenses	**(60.2)**	+6.9%	(56.3)
Gross operating loss	**(17.3)**	–23.5%	(22.6)
Gross operating profit margin *(%)*	**(27.7)%**	+17.1%	(44.8)%
Loss attributable to owners of the Company	**(21.0)**	–19.5%	(26.1)

During the year ended 31 December 2017, the food souvenir business has recorded some HK$62.5 million turnover representing about 6.5% of the total turnover of the Group. The increase in turnover of the food souvenir business was mainly due to the increased sales from the Yeng Kee retail outlets in Macau during 2017. The decrease in net loss of this business was mainly due to its increase in turnover and the decrease in its direct operating loss. Further details of the Group's food souvenir business are set out in the section headed "Chairman's Statement" of this announcement.

During the year of 2017, the Group opened 1 shop and 1 kiosk for Yeng Kee bakery in Macau but closed down 1 Yeng Kee bakery shop in Macau. Number of Yeng Kee Bakery shops/kiosks' analysis for the last three years by geographical is listed as follows:

	As at 31 December		
	2017	2016	2015
Number of Yeng Kee bakery shops/kiosks			
Macau	**12**	11	10
Mainland China	**–**	–	2
Total	**12**	11	12

Details of Group's food souvenir shops/kiosks will be set out in the section headed "List of Food Souvenir Shops/Kiosks" of the Company's 2017 annual report.

OPERATIONS REVIEW – Continued

Property Investment Business

During the year ended 31 December 2017, the Group's Key Investment Property has been left without a tenant resulting in no rental income to the Group, as compared to those of 2016 with a rental income of HK$21.1 million. The Group's net profit attributable to Group's property investment business was some HK$15.2 million in 2017, representing an increase of 44.8%, as compared to the year of 2016 of HK$10.5 million. Such increase was mainly attributable to the net fair value gain from investment properties under construction in Hengqin Island.

The Group's Key Investment Property were valued at HK$505.0 million as at 31 December 2017 (2016: HK$513.0 million). The Group's investment properties under construction in Hengqin Island, Mainland China were valued at HK$408.9 million (equivalent to RMB340.9 million) (2016: HK$267.4 million (equivalent to RMB239.8 million)). During the year ended 31 December 2017, a net fair value gain of HK$27.2 million was recognised in the consolidated statement of comprehensive income, as compared to those of 2016 of a net fair value loss of HK$7.5 million. More details on this business are set out in the section headed "Chairman's Statement" of this announcement.

Details on the Group's properties will be set out in the section headed "Group's Properties" of the Company's 2017 annual report.

Logistic Support and Human Resources

The Group's central food and logistic processing centre in the Macau has commenced its interior renovation works and is expected to become operational in the first half of 2018. The Group has also continued to actively enhance its logistic support including food sourcing and food process facilities.

The management and staff teams have been expanded in 2017 with now over 2,100 (2016: 1,800) people in Macau, Mainland China and Hong Kong. Management and staff teams will continue to be expanded in 2018 with more restaurants to be opened. Remuneration packages including medical plan have been and will be regularly reviewed with reference to market terms, individual qualifications, experience, duties and responsibilities. During the year of 2017, various training activities including operational safety and management skills have been conducted to enhance operation efficiency.

DIVIDENDS

In view of incurring a Net Ordinary Operating Loss by the Group for 2017, a special final dividend of HK1.0 cent per share (2016: special final dividend of HK1.0 cent) have been recommended. The total dividends for the year ended 31 December 2017 will amount to HK2.0 cents per share (2016: HK2.0 cents) including the special interim dividend of HK1.0 cent per share (2016: HK1.0 cent). Subject to the approval of shareholders at the 2018 AGM, the special final dividend will be payable on 12 June 2018 to shareholders whose name appears on the register of members of the Company on 29 May 2018.

The Group's operating cash flow has dropped considerably in 2017 with a healthy level of cash holdings being maintained. It is still the policy of the Company to uphold a dividend payout ratio of not less than 30% of the annual Net Ordinary Operating Profit. The dividend payout ratio based on the total dividends (all dividends including interim, final and if any, special dividends) over the (loss)/profit attributable to owners of the Company for the last three years are as follows:

	For the year ended 31 December		
	2017	2016	2015
	%	%	%
Total dividend payout ratio (based on the profit/(loss) attributable to owners of the Company)	**126.0**	N/A	N/A

The dividend payout ratio, based on the total dividends (all dividends including interim, final and if any, special dividends) over the Net Ordinary Operating Profit/(Loss), for the last three years are as follows:

	For the year ended 31 December		
	2017	2016	2015
	%	%	%
Total dividend payout ratio (based on the Net Ordinary Operating (Loss)/Profit)	**N/A**	232.4	N/A

MATERIAL LITIGATION

As at 31 December 2017, the Group had not been involved in any material litigation or arbitration (2016: Nil).

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its operations with internally generated resources and banking facilities provided by its bankers.

As at 31 December 2017, the Group had net current assets of HK$14.7 million (2016: HK$69.5 million). As at 31 December 2017, the Group had bank deposits, bank overdraft, cash and bank balances totalling of HK$189.7 million (2016: HK$271.1 million), while the Group's pledged bank deposits amounted to HK$52.3 million (2016: HK$51.6 million) in which HK$33.1 million (2016: HK$33.8 million) has been pledged to a bank in respect of the guarantee given in lieu of paying rental deposit, and HK$19.2 million (2016: HK$17.8 million) has been pledged for the guarantee of development of investment properties under construction.

As at 31 December 2017, the Group had interest-bearing bank loans of some HK$443.2 million (2016: HK$308.5 million). The Group's borrowings are made in Hong Kong dollars and Macau Patacas. Details of the borrowings are set out in note 20 of "Interest Bearing Borrowings" of this announcement.

The Group's gearing ratio represented by the Group's net debts (total liabilities less cash and cash equivalents) to the Group's total equity as at the year-end date over the last three years was as follows:

	As at 31 December		
	2017	2016	2015
	%	%	%
Gearing ratio	**55.2**	38.0	26.7

The increase in Group's gearing ratio as at 31 December 2017 was mainly due to the increase of net debts.

The ratio of the total assets against total liabilities of the Group as at 31 December 2017 was 2.40 (2016: 2.70).

CONTINUING DISCLOSURE REQUIREMENT UNDER RULE 13.21 OF THE LISTING RULES

In accordance with the requirements under Rule 13.21 of the Listing Rules on the Stock Exchange, the following loans and banking facilities ("Relevant Loan Agreements"), which have existed during the year ended 31 December 2017 and have been granted by the Bank of China Limited, Macau Branch ("Lender") to certain wholly owned subsidiaries of the Group, have the following specific performance covenant of the controlling shareholder(s) of the Company:

(i) Under each of the Relevant Loan Agreements, a specific performance covenant is imposed on Mr. Chan Chak Mo ("Mr. Chan"), being the controlling shareholder of the Company, and his associates to hold not less than 37% equity interest holding of the Company during the term of each of the Relevant Loan Agreements.

(ii) Failure to comply with the aforesaid covenant in each of the Relevant Loan Agreements by Mr. Chan and his associates will constitute an event of default under each of the Relevant Loan Agreements and the Lender shall have the right to declare the relevant loan to be cancelled and/or all or part of outstanding amounts thereunder, together with accrued interest and all other sums payable to be immediately due and payable.

The Relevant Loan Agreements are as follows:

(i) A bank loan agreement with the Lender has become effective on 23 November 2010, which is for a mortgage loan, in an initial aggregate amount of approximately HK$236.81 million (equivalent to approximately MOP243.91 million). This mortgage loan is repayable within 15 years from February 2011 on the terms and conditions therein contained. As at 31 December 2017, the outstanding loan amount was approximately HK$91.6 million.

(ii) A bank loan agreement with the Lender has become effective on 29 December 2015, which is for an unsecured bank loan with a maximum facility of HK$80.0 million. This bank loan is repayable within 5 years from January 2016 on the terms and conditions therein contained. As at 31 December 2017, the outstanding loan amount was approximately HK$59.7 million.

(iii) A bank loan agreement with the Lender has become effective on 26 January 2016 and been amended in June 2017, which is for a secured bank loan, with a maximum facility of approximately HK$124.3 million (equivalent to MOP128.0 million). This bank loan is repayable within 8 years from January 2018 on the terms and conditions therein contained. As at 31 December 2017, the outstanding loan amount was approximately HK$116.8 million.

CONTINUING DISCLOSURE REQUIREMENT UNDER RULE 13.21 OF THE LISTING RULES – Continued

(iv) A bank loan agreement with the Lender has become effective on 21 April 2016, which is for a mortgage loan in an aggregate amount of approximately HK$60.2 million (equivalent to MOP62.0 million). This mortgage loan is repayable within 7 years from May 2016 on the terms and conditions therein contained. As at 31 December 2017, the outstanding loan amount was approximately HK$46.8 million.

(v) A bank loan agreement with the Lender has become effective on 18 December 2017, which is for a mortgage loan in an aggregate amount of approximately HK$145.63 million (equivalent to MOP150.0 million). This mortgage loan is repayable within 7 years from 2018, on the terms and conditions therein contained. As at 31 December 2017, the outstanding loan amount was approximately HK$48.0 million.

(vi) A bank facility letter with the Lender has become effective on 21 April 2016, which is for a bank overdraft facility with a maximum facility of approximately HK$38.83 million (equivalent to MOP40.0 million). This bank overdraft has been updated and will be repayable in April 2019 on the terms and conditions therein contained. As at 31 December 2017, the outstanding bank overdraft was some HK$38.6 million.

As at 31 December 2017, the total outstanding bank loans with the abovementioned specific covenant were some HK$401.5 million (31 December 2016: HK$277.6 million). If there is a breach of the abovementioned specific performance covenant on Mr. Chan and his associates, the Lender will have the right to (i) declare all these loans due to the Lender thereunder and any other loan documents containing a similar specific performance covenant on Mr. Chan and his associates (together with any sum and accrued interest payable) to become immediately due and payable; and (ii) cancel all other remaining bank facilities thereunder with the Lender. As at 31 December 2017, Mr. Chan and his associates hold 41.31% of the existing issued share capital of the Company. The Company shall continue to comply with its disclosure requirement and reporting obligations under the Listing Rules for so long as circumstances giving rise to such obligation continue to exist.

CAPITAL EXPENDITURES

For the year ended 31 December 2017, the Group's capital expenditures on the acquisitions of investment properties and property, plant and equipment were approximately HK$71.2 million (2016: HK$4.9 million) and HK$118.9 million (2016: HK$172.7 million) respectively.

For the year ended 31 December 2017, the Group's capital expenditures on the acquisitions of trademark, franchise and royalties were nil (2016: Nil), HK$0.2 million (2016: HK$0.4 million) and nil (2016: Nil) respectively.

CHARGES ON GROUP ASSETS

As at 31 December 2017, the Group has pledged the investment properties and freehold land and building in Macau to a bank in Macau to secure three mortgage loans and a bank overdraft facility. The Group has also pledged the construction in progress in Macau to a bank in Macau to secure a bank loan. The Group has as at that date pledged the leasehold land and building in Macau to a bank in Macau to secure one mortgage loan. The Group has also as at that date pledged the asset held for sale in Hong Kong to a bank in Hong Kong to secure one mortgage loan and two bank loans. Other than that, the Group did not have any charges on assets.

As at 31 December 2016, the Group has pledged the investment properties and freehold land and building in Macau to a bank in Macau to secure two mortgage loans and a bank overdraft facility. The Group has also pledged the construction in progress in Macau to a bank in Macau to secure a bank loan. The Group has also as at that date pledged the leasehold land and building in Hong Kong to a bank in Hong Kong to secure one mortgage loan and two bank loans. Other than that, the Group did not have any charges on assets.

Details of the charges on assets are set out in note 20 of "Interest Bearing Borrowings" to the financial statements of this announcement.

CONTINGENT LIABILITIES

As at 31 December 2017, the Group did not have any contingent liabilities (2016: Nil).

CURRENCY EXPOSURE

As at 31 December 2017, the Group did not have any outstanding hedging instrument. The Group would continue to monitor closely its foreign currency exposure and requirements and to arrange for hedging facilities when necessary.

CHANGES IN THE GROUP'S COMPOSITION

The Group had no material changes in the Group's composition during the year 2017.

EMPLOYEES

The Group employed, as at 31 December 2017, a total of 2,108 (2016: 1,885) full time staff, in which 1,368 (2016: 1,413) full-time staff in Macau, 537 (2016: 382) full-time staff in Mainland China and 203 (2016: 90) full-time staff in Hong Kong. The remuneration policy of the employees of the Group is set up by the remuneration committee on the basis of their merit, qualifications and competence, while the detail remuneration packages for the employees are determined by the management based on their performance.

An employee share option scheme of the Company was adopted on 8 June 2012 and effective for a period of 10 years since the date of adoption. Details of the retirement benefits schemes of the Group will be set out in notes to the financial statements of the Company's 2017 annual report.

CLOSURE OF REGISTER OF MEMBERS

The register of shareholders of the Company will be closed during the following periods:

(i) From Monday, 14 May 2018 to Thursday, 17 May 2018 (both days inclusive), during which time no transfer of shares will be registered, for the purpose of ascertaining shareholders' entitlement to attend and vote at the 2018 AGM. The record date for the 2018 AGM shall be 17 May 2018. In order to qualify to be shareholders of the Company to attend, act and vote at the 2018 AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Friday, 11 May 2018; and

(ii) From Monday, 28 May 2018 to Tuesday, 29 May 2018 (both days inclusive), during which time no transfer of shares will be registered, for the purpose of ascertaining shareholders' entitlement to the proposed special final dividend. The record date for the entitlement to the special final dividend shall be 29 May 2018. In order to qualify for the proposed special final dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Friday, 25 May 2018.

CONTINUING CONNECTED TRANSACTIONS

Mr. Chan Chak Mo is the controlling shareholder and an executive Director of the Company, and thus a connected person of the Company. Pursuant to the lease agreement dated 29 August 2014 ("Lease Agreement") between Mr. Chan (as landlord) and Bright Elite Gourmet Company Limited ("Bright Elite"), a subsidiary of the Company (as tenant), Bright Elite has leased a shop premise located at a Em Macua, Patio Da Ameaca No. 1-A, Res-do-Chao A com Sobreloja, Macau ("Subject Premises") with a gross floor area of approximately 74 sq.m. for a term of three years commencing from 1 October 2014 to 30 September 2017 at a monthly rental of HK$400,000 for the first two years and HK$460,000 for the third year. In December 2015, Mr Chan has agreed in writing to reduce the monthly rental of HK$400,000 from 1 January 2016 to 30 September 2016 and HK$460,000 from 1 October 2016 to 31 December 2016 payable by Bright Elite under the Lease Agreement to a monthly rental of HK$300,000 from 1 January 2016 to 31 December 2016 with the other terms of the Lease Agreement remaining valid. In January 2017, Mr Chan has agreed in writing to reduce the monthly rental of HK$460,000 payable by Bright Elite under the Lease Agreement to a monthly rental of HK$300,000 from 1 January 2017 to 30 September 2017 with the other terms of the Lease Agreement remaining valid.

Pursuant to the lease agreement dated 28 September 2017 ("Renew Lease Agreement") between Mr. Chan (as landlord) and Bright Elite (as tenant), Bright Elite has continued to lease the Subject Premises for a term of one year commencing from 1 October 2017 to 30 September 2018 at a monthly rental of HK$300,000.

Particulars of these connected transactions, which are also related party transaction, are disclosed in the consolidated financial statements in accordance with HKAS 24 Related Party Disclosures. The rental of HK$3,600,000 (2016: HK$3,600,000) paid for the above shop premise is disclosed and included under note 13(b) to the financial statements of this announcement.

Pursuant to the LED advertisement agreement dated 24 August 2017 ("LED Advertisement Agreement") between Mr. Chan (as media service provider) and FB Group Enterprises Management Company Limited ("FBG") (as advertiser), FBG has placed an LED advertisement for a term of one year commencing from 1 September 2017 to 31 August 2018 at an annual fee of MOP270,000 (equivalent to approximately HK$262,000). This connected transaction is exempted from the announcement requirement under the Listing Rules.

Particulars of this connected transaction, which is also a related party transaction, are disclosed in the consolidated financial statements in accordance with HKAS 24 Related Party Disclosures. The advertisement fee of MOP90,000 (equivalent to approximately HK$87,000) (2016: Nil) paid for the above LED is disclosed and included under note 13(c) to the financial statements of this announcement.

CONTINUING CONNECTED TRANSACTIONS – Continued

The independent non-executive Directors confirm that the above transactions have been entered into by the Company in the ordinary course of its business, on normal commercial terms from independent third parties, and in accordance with the terms of the agreement governing such transactions that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The Company's auditor has issued his unqualified letter containing his findings and conclusions in respect of the continuing connected transactions in accordance with Main Board Listing Rule 14A.38. A copy of the Company's auditor's letter has been provided by the Company to the Stock Exchange.

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

During the year of 2017, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31 December 2017.

AUDIT COMMITTEE

The audit committee of the Company consists of three independent non-executive Directors, Mr. Cheung Hon Kit, Mr. Yu Kam Yuen, Lincoln and Mr. Chan Pak Cheong Afonso. The audit committee has reviewed with the management the accounting policies as well as critical accounting estimates and assumptions with management. The audit committee has also discussed with the external auditor on their audit plan and key audit areas. The audited consolidated financial statements and the annual results announcement of the Group for the year ended 31 December 2017 have been reviewed by the audit committee before submission to the board of directors for adoption.

RISK COMMITTEE

The risk committee of the Company consists of two independent non-executive directors, Mr. Chan Pak Cheong Afonso (Chairman), Mr. Yu Kam Yuen, Lincoln and an executive director, Mr. Chan See Kit, Johnny. The risk committee's role is to make recommendation to the Board on the risk management framework and internal control policies and to ensure that they are fairly rewarded for their individual contribution to the Group's overall performance, having regard to the interests of shareholders. The principal duties of the risk committee include reviewing and monitoring the Company's risks. The risk committee also reviews the effectiveness of the enterprise risk management function, including staffing level and qualification as well as risk reports and breaches of risk tolerances and policies from time to time.

CORPORATE GOVERNANCE

The Company has complied with the Corporate Governance Code and Corporate Governance Report, Appendix 14 to the Listing Rules for the year ended 31 December 2017 as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard set out in Appendix 10 to the Model Code. Having made specific enquiry with them, all Directors have confirmed that they have complied with the standard set out in the Model Code and the code of conduct regarding securities transactions by directors adopted by the Company.

The Company has received, from each of the independent non-executive Directors, an annual confirmation of his independence pursuant to Rules 3.13 of the Model Code. The Company has considered all of the independent non-executive Directors are independent.

EVENTS AFTER THE REPORTING DATE

In January 2018, the Group has disposed of a property at a consideration of HK$52,000,000 which has been classified as non-current asset held for sale to be mentioned in note to the financial statements of the Company's 2017 annual report.

Save as disclosed above, there is no significant subsequent events after the year end date of 31 December 2017.

ANNUAL GENERAL MEETING AND ANNUAL REPORT

The 2018 AGM of the Company will be held on Thursday, 17 May 2018, for the purpose of, among other things, approving the payment of a special final dividend of HK1.0 cent per share. The notice of 2018 AGM together with the Company's 2017 annual report and all other relevant documents (the "Documents") will be despatched to the Shareholders on or about 9 April 2018. The Documents and this announcement shall also be published on the website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and on the website of the Company at www.fb.com.hk.

BOARD OF DIRECTORS

As at the date hereof, the members of the board of directors of the Company comprise (i) Mr. Chan Chak Mo, the Managing Director, (ii) Mr. Chan See Kit, Johnny, the Chairman and executive Director, (iii) Mr. Lai King Hung, the deputy chairman and executive Director, (iv) Ms. Leong In Ian, the executive Director and (v) Mr. Cheung Hon Kit, Mr. Yu Kam Yuen, Lincoln and Mr. Chan Pak Cheong Afonso, the independent non-executive Directors.

On behalf of the Board
Chan Chak Mo
Managing Director

Hong Kong, 19 March 2018