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

(Incorporated in Bermuda with limited liability)

(Stock Code: 703)

LOSS ALERT FOR THE THREE MONTHS ENDED 31 MARCH 2019, BUSINESS UPDATE OF THE GROUP FOR THE FIRST QUARTER OF 2019, NEGOTIATION WITH INDEPENDENT THIRD PARTY FOR THE SALE OF CONTROLLING OR ALL EQUITY INTERESTS IN A MACAU WHOLLY OWNED SUBSIDIARY WHICH OWNS THE DEVELOPMENT PROJECT OF THE GROUP IN HENGQIN ISLAND AND UPDATE OF THE DEVELOPMENT PROJECT OF THE GROUP IN HENGQIN ISLAND

This announcement is made pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and Part XIVA of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong).

The board ("Board") of directors of Future Bright Holdings Limited ("Company" and together with its subsidiaries "Group") wishes to inform the shareholders of the Company and potential investors of a loss alert for the three months ended 31 March 2019 ("Period" or "First Quarter"). Based on its unaudited management information currently available, the Group has recorded an unaudited loss attributable to owners of the Company of some HK$17.6 million for the Period, as compared to an unaudited profit attributable to owners of the Company of some HK$6.2 million for the same period of last year.

The Board is also to give an update on (i) the business performance of the Group for the First Quarter herein, based on its unaudited management information currently available; and (ii) the status of the negotiation with an independent third party for the sale of controlling or all equity interests in the Group's wholly owned subsidiary which owns the development project in Hengqin Island and an update of such development project.

* *For identification purpose only*

The Board wishes to remind investors that the information and operational data for the First Quarter contained in this announcement are based on the unaudited management accounts of the Group which have not been confirmed or audited by the Company's auditors, and as such the data may be subject to adjustment and is for investors' reference only.

Shareholders and potential investors of the Company should note that the abovementioned negotiation on the disposal of the Group's development project in Hengqin Island may or may not materialize and there is no assurance that any agreement from the abovementioned negotiation will be entered into.

Shareholders and potential investors of the Company should exercise caution when dealing in the shares of the Company.

This announcement is made by the Company pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and Part XIVA of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong).

LOSS ALERT FOR THE PERIOD

The Board wishes to inform the shareholders of the Company and potential investors of a loss alert for the Period. Based on its unaudited management information currently available, the Group has recorded the following results attributable to owners of the Company for the Period:

	2019	2018	Change
	HK$'million	*HK$'million*	*%*
	(Unaudited)	(Unaudited)	
PROFIT/(LOSS) ATTRIBUTABLE TO OWNERS OF THE COMPANY			
The Period	**(17.6)**	6.2	N/A

In the Period, despite of the lack of rental income from the Group's investment property in Macau, the Group has attained some 4.2% growth in its turnover, where its unaudited loss attributable to owners of the Company was some HK$17.6 million for the Period which has been mainly attributable to (i) a loss of some HK$6.2 million from its food and catering business, (ii) a loss of some HK$4.5 million from its food souvenir business, and (iii) the lack of rental income from the Group's investment property in Macau with a loss of some HK$3.2 million.

For the Period 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 unaudited other comprehensive loss of some HK$8.7 million for the Period.

During the Period, the Group has not recorded any fair value gain or loss (2018: nil) in respect of its development project in Hengqin Island ("Hengqin Land") or its commercial building excluding self-use portion ("Key Investment Property") located at the prime tourist location near Centro Commercial E Turistico "S. Paulo", Largo da Companha de Jesus N°2, Em Macau (澳門耶穌會紀念廣場2號牌坊廣場購物旅遊中心) in Macau.

Below are the unaudited losses and gains that have material impact on the Group's performance for the Period:

	For the three months ended 31 March		
	2019	2018	Change
	HK$'million	*HK$'million*	%
	(Unaudited)	(Unaudited)	
Net loss attributable to owners of the Group's food souvenir business	**(4.5)**	(4.1)	+9.7%
Gain on disposal of property	**–**	19.0	–100.0%
Loss on written off of/impairment loss on property, plant and equipment of restaurants	**(1.1)**	(16.5)	–93.3%

OPERATIONAL FINANCIALS

The Board is to give an update on the Group's performance for the First Quarter. Based on its unaudited management accounts for the First Quarter, details of the Group's unaudited turnover breakdown for the First Quarter are as follows:

	For the three months ended 31 March		
	2019	2018	Change
	HK$'million	*HK$'million*	%
	(Unaudited)	(Unaudited)	
TURNOVER			
Restaurants:			
Japanese restaurants	**75.5**	83.1	–9.1%
Chinese restaurants	**46.1**	51.3	–10.1%
Western and other restaurants *(note 1)*	**22.1**	31.1	–28.9%
Food court counters	**44.7**	17.4	+156.8%
Franchise restaurants *(note 2)*	**62.6**	63.4	–1.2%
	251.0	246.3	+1.9%
Industrial catering	**12.5**	11.6	+7.7%
Food wholesale	**11.9**	9.3	+27.9%
Food and catering business	**275.4**	267.2	+3.0%
Food souvenir business	**20.2**	16.4	+23.1%
Property investment business	**–**	–	–
Total	**295.6**	283.6	+4.2%

Note 1: The turnover of "Western and other restaurants" included turnover from the Group's Western restaurants, and 2 sandwich bars.

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

Based on its unaudited management accounts for the First Quarter, details of the Group's unaudited turnover breakdown by geographical locations for the First Quarter are as follows:

	For the three months ended 31 March		
	2019	2018	Change
	HK$'million	*HK$'million*	%
	(Unaudited)	(Unaudited)	
TURNOVER			
Macau	**200.3**	203.0	–1.3%
Mainland China	**27.8**	34.0	–18.2%
Hong Kong	**58.7**	46.6	+25.9%
Taiwan	**8.8**	–	–
Total	**295.6**	283.6	+4.2%

A summary of the Group's unaudited operational financials for the First Quarter is as follows:

	For the three months ended 31 March		
	2019	2018	Change
	HK$'million	*HK$'million*	%
	(Unaudited)	(Unaudited)	
Turnover	**295.6**	283.6	+4.2%
Cost of sales	**(88.7)**	(84.7)	+4.7%
Gross margin	**206.9**	198.9	+4.0%
Direct operating expenses	**(168.3)**	(153.1)	+9.9%
Gross operating profit	**38.6**	45.8	–15.7%
Gross operating profit margin (%)	**13.1%**	16.1%	–3.0%

Details of the Group's **same store performance** (note 3) of restaurants, industrial catering business and food souvenir business in term of turnover for the First Quarter are as follows:

	For the three months ended 31 March		
	2019	2018	Change
	HK$'million	*HK$'million*	%
	(Unaudited)	(Unaudited)	
SAME STORE TURNOVER			
Restaurants:			
Japanese restaurants	**75.5**	78.2	–3.4%
Chinese restaurants	**43.6**	47.7	–8.5%
Western and other restaurants	**13.9**	14.0	–0.7%
Food court counters	**18.7**	17.4	+7.4%
Franchise restaurants	**51.8**	56.7	–8.6%
	203.5	214.0	–4.9%
Industrial catering	**12.5**	11.6	+7.7%
Restaurants and industrial catering business	**216.0**	225.6	–4.2%
Food souvenir business	**14.7**	16.1	–8.6%
Total	**230.7**	241.7	–4.5%

Note 3: Same store performance is compared on the basis of those restaurants/shops/outlets which were in place in the same periods of 2019 and 2018 only.

Based on its unaudited management accounts for the First Quarter, details of the Group's unaudited profit/(loss) attributable to owners of the Company for the First Quarter are as follows:

	For the three months ended 31 March		
	2019	2018	Change
	HK$'million	*HK$'million*	%
	(Unaudited)	(Unaudited)	
PROFIT/(LOSS) ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Food and catering business	**(6.2)**	(2.5)	+148.0%
Food souvenir business	**(4.5)**	(4.1)	+9.7%
Property investment business	**(3.2)**	15.7	N/A
Other revenue, corporate payroll and unallocated expenses	**(3.7)**	(2.9)	+27.5%
Total	**(17.6)**	6.2	N/A

Based on its unaudited management accounts for the First Quarter, details of the Group's unaudited profit/(loss) attributable to owners of the Company breakdown by geographical locations for the First Quarter are as follows:

	For the three months ended 31 March		
	2019	2018	Change
	HK$'million	*HK$'million*	%
	(Unaudited)	(Unaudited)	
PROFIT/(LOSS) ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Macau	**1.6**	1.3	+23.0%
Mainland China	**(10.1)**	(12.0)	–15.8%
Hong Kong	**(6.2)**	16.9	N/A
Taiwan	**(2.9)**	–	–
Total	**(17.6)**	6.2	N/A

The Group has also recorded the following unaudited revenue/expenses in the First Quarter as follows:

	For the three months ended 31 March		
	2019	2018	Change
	HK$'million	*HK$'million*	%
	(Unaudited)	(Unaudited)	
Other revenue, gains and losses:			
– Others *(note 4)*	**6.3**	11.1	–43.2%
Administrative expenses	**(51.6)**	(46.9)	+10.0%
Finance costs	**(7.6)**	(2.4)	+216.7%

Note 4: This item comprised mainly management fee income, bank interest income and exchange gains.

The Group's turnover performance in the First Quarter was satisfactory, when comparing to that of the same quarter of 2018. In January 2019, the Group has opened a franchised Mad for Garlic restaurant and a franchised Bari-Uma restaurant in Taipei, and has closed its Japanese restaurant in Guangzhou, the closure of which has led to a further loss of some HK$1.1 million for written off and impairment on plant and equipment in that quarter. The Key Investment Property was still without a tenant and hence without rental income during the First Quarter so as to negatively affect the overall performance of the Group. The Group has recorded for the First Quarter:

(i) Increases of some 4.2% in turnover, of some 4.7% in cost of sales (food costs) but of some 9.9% in direct operating expenses and of some 216.7% in finance costs, as compared to that of same quarter of 2018;

(ii) A drop of some 15.7% in gross operating profit as compared to that of same quarter of 2018; and

(iii) A loss attributable to owners of the Company of some HK$17.6 million as compared to a profit attributable to owners of the Company of some HK$6.23 million for the same quarter of 2018 in which a disposal gain of some HK$19 million was recorded to improve our group's performance in that quarter.

The performance of different restaurants in different food types in the First Quarter is set out above. As compared to the performance of the Group in the same quarter of 2018, the turnover increase of the Group in the First Quarter has been largely due to increases in turnover of the Group's restaurants and food court counters operations in Hong Kong, and the recent opened restaurants and food court counters have been building up their sales volume to match the corresponding increases in the direct operating expenses, while the surge in finance costs has been due to the increased level of bank borrowings. In the First Quarter, the Group's food and catering business in Macau has under-performed, as compared to a strongly improved level of the visitor inflow to Macau but over-performed against a slight drop in the Macau Gross Gaming Revenue and a considerable drop in the level of Macau tourist per-capita consumption spending, where Macau Gross Gaming Revenue has dropped in the First Quarter by 0.49% year on year, the level of visitor's inflow to Macau has increased by 21.2% to 10.359 million in the First Quarter, as compared to 8.545 million in the same quarter of 2018, and the level of Macau tourist per-capita consumption spending has dropped in the First Quarter by 14.94% year on year to MOP1,634, as compared to MOP1,921 in the same quarter of 2018.

The unaudited gross operating profit (being turnover less food costs and direct operating costs) margins of **the Group's food and catering business and food souvenir business** for the first quarter of 2019 and 2018 were as follows:

	2019 (Unaudited)	2018 (Unaudited)	Change %
Gross operating profit margin of food and catering business:			
First quarter	**+14.9%**	+18.4%	–3.5%
Gross operating profit margin of food souvenir business:			
First quarter	**–10.4%**	–22.0%	+11.6%

BUSINESS UPDATE

As mentioned above, the Group has sustained a considerable loss in the First Quarter during which, as a continuous review process of the performance of the Group's restaurants, the Group has closed down its Japanese restaurant in Guangzhou, leading to a further loss of some HK$1.1 million derived from written off and impairment on plant and equipment. The Group has recorded a decrease of some 4.5% same store growth in the First Quarter, but the Group's restaurants and food courts operations in Hong Kong have reached a total turnover of some HK$58.7 million with a turnover increase of some 25.9% as compared to that of the same quarter of 2018. The Group's performance in the First Quarter has continued to be adversely affected due to the lack of rental income for its investment property in Macau, and management is actively looking for potential tenants to rent this investment property.

As compared to the same quarter of 2018, the gross margin ratio has been slightly dropped in the First Quarter, while the loss attributable to owners of the Company excluding any net fair value gain/loss of the investment properties ("Net Ordinary Operating Loss") was HK$17.6 million, as against a Net Ordinary Operating Profit of some HK$6.235 million for the same quarter of 2018.

NEGOTIATION WITH INDEPENDENT THIRD PARTY FOR THE SALE OF CONTROLLING OR ALL EQUITY INTERESTS IN A MACAU WHOLLY OWNED SUBSIDIARY WHICH OWNS THE DEVELOPMENT PROJECT OF THE GROUP IN HENGQIN ISLAND AND UPDATE OF THE DEVELOPMENT PROJECT OF THE GROUP IN HENGQIN ISLAND

As previously announced, the Group has been undertaking negotiation with a potential buyer party which is an independent third party for the sale of controlling or all equity interest of the Group's development project in Hengqin Island. Such negotiation is still ongoing and in a stalemate as there are still some issues unresolved during such negotiation.

Hengqin Island Land Authority (橫琴新區規劃國土局) has recently issued a letter to a wholly owned subsidiary of the Group (佳景美食廣場項目發展有限公司) ("FBHQ") reminding FBHQ to progress with the construction works of its development project in Hengqin Island on a timely basis to meet the next development milestone of completion of the foundation and basement works (建設標高±0.00) by 31 July 2019, as set out in the relevant land acquisition contract of 12 January 2015 with FBHQ, under which FBHQ may face a daily penalty of some RMB0.628 million for any delay to meet such next development milestone without good justifications where any delay due to force majeure or government reasons are considered as good justifications.

The construction works of FBHQ's development project in Hengqin Island have been delayed due to various reasons which include (i) a suspension of construction works for over 40 days from May to June 2018 at the request of Hengqin Island Land Authority to enhance site safety as previously announced, (ii) a longer time for preparing the invitation for tender for the upper structure of this development project, (iii) the heavy capital commitment to be involved once the building works of the upper structure of this development project starts, (iv) the protracted current negotiation for the disposal of this development project with the potential buyer who maybe inevitably concerned of any heavy capital commitment made and to be made relating to this development project, (v) the difficulty in obtaining a construction loan to finance the building of the upper structure of this development project under the current tight capital environment, and (vi) the current and anticipated weak demand for commercial shop spaces in Hengqin island in the next few years due to its current slow economic and population growth, and hence the likely resulting operational losses to be incurred after completion of this development project. It is estimated that the remaining construction works to meet the next development milestone of completion of the foundation and basement works (建設標高±0.00) will take some 6-9 months to do so. Management is now preparing an appropriate extension submission letter to Hengqin Island Land Authority seeking for its approval for a further extension of the remaining development milestones under the relevant land acquisition contract with FBHQ. Further update on the progress of this extension application for this development project will be made in due course.

Shareholders and potential investors of the Company should note that the abovementioned negotiation may or may not materialize and there is no assurance that any agreement from the abovementioned negotiation will be entered into. Shareholders and potential investors of the Company should exercise caution when dealing in the shares of the Company.

The Board wishes to remind investors that the information and operational data contained in this announcement are based on the unaudited management accounts of the Group which have not been reviewed, confirmed or audited by the Company's auditors, and as such, the data may be subject to adjustment and is for investors' reference only. Shareholders of the Company and potential investors should exercise caution when dealing in the shares of the Company.

By order of the Board of
Future Bright Holdings Limited
Chan Chak Mo
Managing Director

Hong Kong, 5 June 2019

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.