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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 SIX MONTHS ENDED 30 JUNE 2022 AND BUSINESS UPDATE OF THE GROUP FOR THE SECOND QUARTER OF 2022

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 called “**Group**”) wishes to inform the shareholders of the Company and potential investors of a loss alert for the six months ended 30 June 2022 (“**Period**”). Based on its unaudited management accounts, the Group has recorded an unaudited loss attributable to owners of the Company of some HK\$34.9 million for the first quarter of 2022 (“**First Quarter**”) and an unaudited loss attributable to owners of the Company of some HK\$69.8 million for the second quarter of 2022 (“**Second Quarter**”), as compared to an unaudited loss attributable to owners of the Company of some HK\$29.4 million for the first quarter of 2021 and an unaudited loss attributable to owners of the Company of some HK\$17.5 million for the second quarter of 2021. The Group has thus recorded an unaudited loss attributable to owners of the Company of some HK\$104.7 million for the Period as compared to an unaudited loss attributable to owners of the Company of some HK\$46.9 million for the same period of 2021.

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

* For identification purpose only

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 accounts, the Group has recorded the following results attributable to the owners of the Company for the Period:

	2022 <i>HK\$'million</i> (Unaudited)	2021 <i>HK\$'million</i> (Unaudited)	Change %
LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY			
First quarter	(34.9)	(29.4)	+18.7%
Second quarter	(69.8)	(17.5)	+298.9%
The Period	(104.7)	(46.9)	+123.2%

In the Period, the Group has sustained a substantial drop of some 42.2% in its turnover due to the serious outbreak of Omicron variant of COVID-19 pandemic since early 2022 and closure of its restaurants, where its unaudited loss attributable to owners of the Company was some HK\$104.7 million for the Period which has been mainly attributable to (i) a loss of some HK\$87.9 million from its food and catering business, and (ii) a loss of some HK\$10.1 million from food souvenir business.

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 income of some HK\$5.3 million for the Period.

During the Period, the Group has a net fair value loss of some HK\$8.8 million (2021: nil) in respect of its commercial building (“**Key Investment Property**”) located at the prime tourist location near Centro Comercial E Turistico “S. Paulo”, No. 2 Largo da Companhia de Jesus, Macau (澳門耶穌會紀念廣場2號牌坊廣場購物旅遊中心).

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

	For the six months ended 30 June		
	2022 <i>HK\$'million</i> (Unaudited)	2021 <i>HK\$'million</i> (Unaudited)	Change %
Loss on written off of/impairment loss on property, plant and equipment of restaurants	(8.5)	(9.5)	-10.5%
Net fair value loss of the Key Investment			
Property	(8.8)	-	-
Impairment loss on goodwill	(25.8)	-	-
Impairment loss on other intangible assets	(5.0)	-	-
Gain on lease modification	4.8	1.0	+380.0%
Rent concessions	6.9	10.4	-33.7%

OPERATIONAL FINANCIALS

The Board is to give an update on the Group's performance for the Second Quarter. Details of the Group's unaudited turnover breakdown for the Second Quarter are as follows:

	For the three months ended 30 June		
	2022 <i>HK\$'million</i> (Unaudited)	2021 <i>HK\$'million</i> (Unaudited)	Change %
TURNOVER			
Restaurants:			
Japanese restaurants	15.1	32.3	-53.3%
Chinese restaurants	5.8	19.2	-69.8%
Western and other restaurants (<i>note 1</i>)	6.4	14.5	-55.9%
Food court counters	10.0	18.2	-45.1%
Franchise restaurants (<i>note 2</i>)	13.2	16.9	-21.9%
	<u>50.5</u>	<u>101.1</u>	-50.0%
Industrial catering	4.8	4.0	+20.0%
Food wholesale	2.7	4.6	-41.3%
	<u>58.0</u>	<u>109.7</u>	-47.1%
Food and catering business	58.0	109.7	-47.1%
Food souvenir business	1.7	8.0	-78.8%
Property investment business	5.0	5.1	-2.0%
	<u>64.7</u>	<u>122.8</u>	-47.3%
Total	64.7	122.8	-47.3%

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

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

Details of the Group's unaudited turnover breakdown by geographical locations for the Second Quarter are as follows:

	For the three months ended 30 June		
	2022	2021	Change
	<i>HK\$'million</i>	<i>HK\$'million</i>	%
	(Unaudited)	(Unaudited)	
TURNOVER			
Macau	38.3	79.9	-52.1%
Mainland China	7.4	13.3	-44.4%
Hong Kong	19.0	28.2	-32.6%
Taiwan	-	1.4	-100.0%
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Total	64.7	122.8	-47.3%
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A summary of the Group's unaudited operational financials for the Second Quarter is as follows:

	For the three months ended 30 June		
	2022	2021	Change
	<i>HK\$'million</i>	<i>HK\$'million</i>	%
	(Unaudited)	(Unaudited)	
Turnover	64.7	122.8	-47.3%
Cost of sales	(20.1)	(36.9)	-45.5%
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Gross margin	44.6	85.9	-48.1%
Direct operating expenses	(57.4)	(79.0)	-27.3%
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Gross operating (loss)/profit	(12.8)	6.9	N/A
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Gross operating (loss)/profit margin (%)	(19.7)%	5.6%	N/A

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 Second Quarter are as follows:

	For the three months ended 30 June		
	2022 <i>HK\$'million</i> (Unaudited)	2021 <i>HK\$'million</i> (Unaudited)	Change %
SAME STORE TURNOVER			
Restaurants:			
Japanese restaurants	15.1	31.7	-52.4%
Chinese restaurants	5.0	7.8	-35.9%
Western and other restaurants	6.4	9.0	-28.9%
Food court counters	9.9	16.1	-38.5%
Franchise restaurants	13.0	13.6	-4.4%
	49.4	78.2	-36.8%
Industrial catering	4.8	1.8	+166.7%
Restaurants and industrial catering business	54.2	80.0	-32.3%
Food souvenir business	1.7	7.8	-78.2%
Total	55.9	87.8	-36.3%

Note 3: Same store performance is compared on the basis of those restaurants/shops/outlets which were in place in the same periods of 2022 and 2021 only.

Details of the Group's unaudited results attributable to owners of the Company for the Second Quarter are as follows:

	For the three months ended 30 June		
	2022 <i>HK\$'million</i> (Unaudited)	2021 <i>HK\$'million</i> (Unaudited)	Change %
(LOSS)/PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Food and catering business	(54.0)	(13.2)	+309.1%
Food souvenir business	(8.1)	(2.5)	+224.0%
Property investment business	(6.7)	0.3	N/A
Other revenue, corporate payroll and unallocated expenses	(1.0)	(2.1)	-52.4%
Total	(69.8)	(17.5)	+298.9%

Details of the Group's unaudited results attributable to owners of the Company breakdown by geographical locations for the Second Quarter are as follows:

	For the three months ended 30 June		
	2022	2021	Change
	<i>HK\$'million</i>	<i>HK\$'million</i>	%
	(Unaudited)	(Unaudited)	
(LOSS)/PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Macau	(57.9)	(14.8)	+291.2%
Mainland China	(12.1)	0.5	N/A
Hong Kong	1.1	(3.9)	N/A
Taiwan	(0.9)	0.7	N/A
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Total	(69.8)	(17.5)	+298.9%

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

	For the three months ended 30 June		
	2022	2021	Change
	<i>HK\$'million</i>	<i>HK\$'million</i>	%
	(Unaudited)	(Unaudited)	
Other revenue, gains and losses:			
– Loss on written off of/impairment loss on property, plant and equipment of restaurants	(2.8)	(5.9)	-52.5%
– Net fair value loss of the Key Investment Property	(8.8)	–	–
– Impairment loss on goodwill	(25.8)	–	–
– Impairment loss on other intangible assets	(5.0)	–	–
– Gain on lease modification	4.8	0.4	+1,100.0%
– Rent concessions	5.3	4.1	+29.3%
– Others (<i>note 4</i>)	(5.1)	7.9	N/A
Administrative expenses	(19.0)	(25.7)	-26.1%
Finance costs	(3.7)	(5.0)	-26.0%

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

The unaudited gross operating (loss)/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 and second quarters of 2022 and 2021 were as follows:

	2022 (Unaudited)	2021 (Unaudited)	Change
Gross operating (loss)/profit margin of food and catering business:			
First quarter	(25.8)%	(8.9)%	-16.9%
Second quarter	(22.7)%	3.0%	N/A
The Period	(24.3)%	(2.5)%	-21.8%
Gross operating loss margin of food souvenir business:			
First quarter	(52.8)%	(37.3)%	-15.5%
Second quarter	(258.8)%	(18.7)%	-240.1%
The Period	(118.8)%	(27.2)%	-91.6%

The Group's business in the Second Quarter still continued to be adversely affected under the COVID-19 pandemic, although there was some improvement in the performance of our restaurants in the Second Quarter in Hong Kong when there was some gradual relaxation of dining restrictions and social distancing measures since May 2022. However, Macau has in mid-June 2022 experienced the most serious outbreak of COVID-19 pandemic, the Macau government announced a series of preventative measures including closure of a range of government, public and social facilities and restrictions on dining-in at restaurants. Pursuant to the Macau Chief Executive Dispatch No. 115/2022 on 9 July 2022, the Macau Government announced all non-essential businesses to close from 11 July 2022 to 22 July 2022. The Macau Government announced a consolidation period beginning on 23 July 2022 and ending on 30 July 2022 whereby certain business activities were permitted to resume limited operations with a maximum of 50% capacity. Pursuant to the Macau Chief Executive Dispatch No. 139/2022 on 2 August 2022, the Macau Government lifted restrictions on restaurant dining, and other recreational and social facilities including gyms, beauty parlors and bars were lifted. Several rounds of COVID-19 pandemic compulsory mass testing for all Macau residents took place during this period. The Group has in the Second Quarter 2022 recorded a gross margin ratio of some 68.9% with a negative EBITDA at some HK\$49.3 million as against a gross margin ratio of some 69.9% with an EBITDA at some HK\$12.9 million for the same quarter of 2021.

The performance details of different restaurants in different food types in the Second Quarter are set out above. As compared to the performance of the Group in the same quarter of 2021, the turnover decrease of the Group in the Second Quarter has been due to the outbreak of the Omicron variant of the COVID-19 pandemic which has critically and adversely affected the Group's performance. The Group's food and catering business in Macau in the Second Quarter has performed in line with the decreased level of visitor flow to Macau, where the level of visitor's inflow to Macau has decreased by 27.5% to 1.588 million visitors in the Second Quarter, as compared to 2.189 million visitors in the same quarter of 2021.

Details of the Group's unaudited turnover breakdown for the Period are as follows:

	For the six months ended 30 June		
	2022 <i>HK\$'million</i> (Unaudited)	2021 <i>HK\$'million</i> (Unaudited)	Change %
TURNOVER			
Restaurants:			
Japanese restaurants	38.2	62.6	-39.0%
Chinese restaurants	15.2	38.6	-60.6%
Western and other restaurants (<i>note 1</i>)	10.7	26.2	-59.2%
Food court counters	18.0	30.2	-40.4%
Franchise restaurants (<i>note 2</i>)	22.8	34.3	-33.5%
	104.9	191.9	-45.3%
Industrial catering	8.7	8.8	-1.1%
Food wholesale	6.4	8.5	-24.7%
Food and catering business	120.0	209.2	-42.6%
Food souvenir business	5.3	14.7	-63.9%
Property investment business	10.0	10.0	-
Total	135.3	233.9	-42.2%

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

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

Details of the Group's unaudited turnover breakdown by geographical locations for the Period are as follows:

	For the six months ended 30 June		
	2022 <i>HK\$'million</i> (Unaudited)	2021 <i>HK\$'million</i> (Unaudited)	Change %
TURNOVER			
Macau	90.4	153.6	-41.1%
Mainland China	15.4	27.8	-44.6%
Hong Kong	29.2	48.3	-39.5%
Taiwan	0.3	4.2	-92.9%
Total	135.3	233.9	-42.2%

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

	For the six months ended 30 June		
	2022 <i>HK\$'million</i> (Unaudited)	2021 <i>HK\$'million</i> (Unaudited)	Change %
Turnover	135.3	233.9	-42.2%
Cost of sales	(42.7)	(70.9)	-39.8%
Gross margin	92.6	163.0	-43.2%
Direct operating expenses	(118.6)	(162.8)	-27.1%
Gross operating (loss)/profit	(26.0)	0.2	N/A
Gross operating (loss)/profit margin (%)	(19.2)%	0.1%	N/A

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 Period are as follows:

	For the six months ended 30 June		
	2022 <i>HK\$'million</i> (Unaudited)	2021 <i>HK\$'million</i> (Unaudited)	Change %
SAME STORE TURNOVER			
Restaurants:			
Japanese restaurants	37.9	61.9	-38.8%
Chinese restaurants	11.0	14.9	-26.2%
Western and other restaurants	9.4	16.5	-43.0%
Food court counters	16.8	26.9	-37.5%
Franchise restaurants	21.6	26.5	-18.5%
Industrial catering	96.7	146.7	-34.1%
	8.7	3.5	+148.6%
Restaurants and industrial catering business	105.4	150.2	-29.8%
Food souvenir business	5.3	14.5	-63.4%
Total	110.7	164.7	-32.8%

Note 3: Same store performance is compared on the basis of those restaurants/shops/outlets which were in place in the same periods of 2022 and 2021 only.

Details of the unaudited results attributable to owners of the Company for the Period are as follows:

	For the six months ended 30 June		
	2022	2021	Change
	<i>HK\$'million</i> (Unaudited)	<i>HK\$'million</i> (Unaudited)	%
(LOSS)/PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Food and catering business	(87.9)	(40.1)	+119.2%
Food souvenir business	(10.1)	(5.0)	+102.0%
Property investment business	(4.1)	2.9	N/A
Other revenue, corporate payroll and unallocated expenses	(2.6)	(4.7)	-44.7%
Total	(104.7)	(46.9)	+123.2%

Details of the breakdown of the unaudited results attributable to owners of the Company by geographical locations for the Period are as follows:

	For the six months ended 30 June		
	2022	2021	Change
	<i>HK\$'million</i> (Unaudited)	<i>HK\$'million</i> (Unaudited)	%
(LOSS)/PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Macau	(75.9)	(37.2)	+104.0%
Mainland China	(17.0)	(1.4)	+1114.3%
Hong Kong	(10.4)	(9.5)	+9.5%
Taiwan	(1.4)	1.2	N/A
Total	(104.7)	(46.9)	+123.2%

The Group has also recorded the following unaudited revenue/expenses for the Period as follows:

	For the six months ended 30 June		
	2022	2021	Change
	<i>HK\$'million</i> (Unaudited)	<i>HK\$'million</i> (Unaudited)	%
Other revenue, gains and losses:			
– Loss on written off of/impairment loss on property, plant and equipment of restaurants	(8.5)	(9.5)	–10.5%
– Net fair value loss of the Key Investment Property	(8.8)	–	–
– Impairment loss on goodwill	(25.8)	–	–
– Impairment loss on other intangible assets	(5.0)	–	–
– Gain on lease modification	4.8	1.0	+380.0%
– Rent concessions	6.9	10.4	–33.7%
– Others (<i>note 4</i>)	0.6	12.3	–95.1%
Administrative expenses	(39.9)	(52.5)	–24.0%
Finance costs	(7.4)	(10.3)	–28.2%

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

BUSINESS UPDATE

The Group has recorded an unaudited loss attributable to the owners of some HK\$104.7 million in the Period which was mainly attributable to (i) the loss attributable to owners of the Group's food souvenir business of some HK\$87.9 million; and (ii) the loss attributable to owners of the Group's food and catering business of some HK\$10.1 million.

The Group has also recorded for the Period a gross margin ratio of some 68.4% with a negative EBITDA at some HK\$60.9 million as against a gross margin ratio of some 69.7% with an EBITDA at some HK\$17.7 million for the same period of 2021.

As at 30 June 2022, the Key Investment Property has been valued by an independent professional valuer at some HK\$552.0 million (31 December 2021: HK\$562.0 million). The Group has a net fair value loss of some HK\$8.8 million in respect of the Key Investment Property for the Period.

The loss attributable to owners of the Company excluding any net fair value gain/loss of the investment properties (“**Net Ordinary Operating Loss**”) for the Period was HK\$95.9 million, as against a Net Ordinary Operating Loss of some HK\$46.9 million for the same period of 2021. Such loss has been largely due to the reasons as stated above.

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 overall other comprehensive income of some HK\$5.3 million of the Group, as compared to an overall other comprehensive income of some HK\$4.6 million for the same period of 2021.

In the Period, the Group's food and catering business in Macau has performed much in line with the decreased level of visitor flow to Macau, where the level of visitor's inflow to Macau has decreased by 11.8% to 3.465 million visitors, as compared to 3.927 million visitors in the same period of 2021.

With the outbreak of the Omicron variant of the COVID-19 pandemic, travel and entry restrictions, quarantine and social distancing measures have critically and adversely affected the retail and restaurants businesses in the Period and will continue to adversely affect our Group's performance in the foreseeable future. During the Period, the Group closed down 5 restaurants and 7 food court counters, all due to their poor performance. Management continues to closely monitor the operating environment and may further close down any unprofitable restaurants in the future.

The outlook of the operating environment of the Group much depends on the development and control of the COVID-19 pandemic including the Omicron variant and other future variants, relaxation of travel restrictions, quarantine and social distancing measures. Being still under the market uncertainty so created by the COVID-19 pandemic, there may be adverse developments in the pandemic situation and lingering economic effects and health concerns caused by COVID-19 pandemic that will affect our business for a longer period, management expects that the operating environment of the Group in the second half of 2022 will still be very challenging, and will continue to be financially cautious and prudent to alleviate and mitigate any negative impact in this uncertain economic environment. Further details of the performance of the Group will be provided in its coming 2022 interim report which is expected to be issued in due course.

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, 19 August 2022

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) Ms. Leong In Ian, the executive Director and (iv) Mr. Cheung Hon Kit, Mr. Yu Kam Yuen, Lincoln and Mr. Chan Pak Cheong Afonso, the independent non-executive Directors.