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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 YEAR ENDED 31 DECEMBER 2022 AND BUSINESS UPDATE OF THE GROUP FOR THE FOURTH 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 year ended 31 December 2022 (“**Year**”). Based on its unaudited management accounts, the Group has recorded an unaudited loss attributable to owners of the Company of some HK\$10.6 million for the fourth quarter of 2022 (“**Fourth Quarter**”) as compared to an unaudited loss attributable to owners of the Company of some HK\$9.2 million for the fourth quarter of 2021. The Group has also recorded an unaudited loss attributable to owners of the Company of some HK\$125.6 million for the Year as compared to an unaudited loss attributable to owners of the Company of some HK\$72.9 million for the year 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 YEAR

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

	2022	2021	Change
	<i>HK\$'million</i>	<i>HK\$'million</i>	%
	(Unaudited)	(Unaudited)	
LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY			
First quarter	(34.9)	(29.4)	+18.7%
Second quarter	(69.8)	(17.5)	+298.9%
Third quarter	(10.3)	(16.8)	-38.7%
Fourth quarter	(10.6)	(9.2)	+15.2%
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The Year	(125.6)	(72.9)	+72.3%
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In the Year, the Group has sustained a substantial drop of some 40.0% in its turnover due to (i) the serious outbreak of Omicron variant of COVID-19 pandemic since early 2022 which continued to linger on during the Year, and (ii) closure of restaurants due to unsatisfactory performance, where its unaudited loss attributable to owners of the Company was some HK\$125.6 million for the Year which has been mainly attributable to (i) a loss of some HK\$115.3 million from its food and catering business, and (ii) a loss of some HK\$8.0 million from food souvenir business.

OPERATIONAL FINANCIALS

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

	For the three months ended 31 December		
	2022 <i>HK\$'million</i> (Unaudited)	2021 <i>HK\$'million</i> (Unaudited)	Change %
TURNOVER			
Restaurants:			
Japanese restaurants	14.2	26.3	-46.0%
Chinese restaurants	6.6	14.4	-54.2%
Western restaurants	1.2	11.8	-89.8%
Food court counters	13.4	15.2	-11.8%
Franchise restaurants (<i>note 1</i>)	13.8	18.4	-25.0%
	49.2	86.1	-42.9%
Industrial catering (<i>note 2</i>)	5.1	1.5	+240.0%
Food wholesale	3.5	4.5	-22.2%
Food and catering business	57.8	92.1	-37.2%
Food souvenir business	12.5	15.9	-21.4%
Property investment business	5.0	5.0	-
Total	75.3	113.0	-33.4%

Note 1: The turnover of "Franchise restaurants" included turnover from the Group's Pacific Coffee shops, Pepper Lunch, Bari-Uma ramen, Fu-Un-Maru and Mad for Garlic restaurants.

Note 2: The turnover of "industrial catering" included turnover from canteen at International School of Macau and lunch box catering service.

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

	For the three months ended 31 December		
	2022	2021	Change
	<i>HK\$'million</i>	<i>HK\$'million</i>	%
	(Unaudited)	(Unaudited)	
TURNOVER			
Macau	51.4	67.3	-23.6%
Mainland China	4.6	13.3	-65.4%
Hong Kong	19.3	30.0	-35.7%
Taiwan	-	2.4	-100.0%
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Total	75.3	113.0	-33.4%
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A summary of the Group's unaudited operational financials for the Fourth Quarter is as follows:

	For the three months ended 31 December		
	2022	2021	Change
	<i>HK\$'million</i>	<i>HK\$'million</i>	%
	(Unaudited)	(Unaudited)	
Turnover	75.3	113.0	-33.4%
Cost of sales	(21.8)	(32.6)	-33.1%
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Gross margin	53.5	80.4	-33.5%
Direct operating expenses	(42.8)	(74.9)	-42.9%
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Gross operating profit	10.7	5.5	+94.5%
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Gross operating profit margin (%)	14.2%	4.9%	+9.3%

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 Fourth Quarter are as follows:

	For the three months ended 31 December		
	2022 <i>HK\$'million</i> (Unaudited)	2021 <i>HK\$'million</i> (Unaudited)	Change %
SAME STORE TURNOVER			
Restaurants:			
Japanese restaurants	14.2	17.8	-20.2%
Chinese restaurants	5.3	6.4	-17.2%
Western restaurants	1.2	1.9	-36.8%
Food court counters	13.4	13.8	-2.9%
Franchise restaurants	13.8	15.1	-8.6%
	<u>47.9</u>	<u>55.0</u>	-12.9%
Industrial catering	1.7	1.5	+13.3%
	<u>49.6</u>	<u>56.5</u>	-12.2%
Restaurants and industrial catering business	49.6	56.5	-12.2%
Food souvenir business	12.5	15.7	-20.4%
	<u>62.1</u>	<u>72.2</u>	-14.0%
Total	62.1	72.2	-14.0%

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 Fourth Quarter are as follows:

	For the three months ended 31 December		
	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	(13.6)	(1.8)	+655.6%
Food souvenir business	(0.2)	(1.7)	-88.2%
Property investment business	6.0	(2.8)	N/A
Other revenue, corporate payroll and unallocated expenses	(2.8)	(2.9)	-3.4%
	<u>(10.6)</u>	<u>(9.2)</u>	+15.2%
Total	(10.6)	(9.2)	+15.2%

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

	For the three months ended 31 December		
	2022	2021	Change
	<i>HK\$'million</i> (Unaudited)	<i>HK\$'million</i> (Unaudited)	%
(LOSS)/PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Macau	(0.2)	(13.2)	-98.5%
Mainland China	(9.2)	1.7	N/A
Hong Kong	(1.2)	1.5	N/A
Taiwan	-	0.8	-100.0%
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Total	(10.6)	(9.2)	+15.2%

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

	For the three months ended 31 December		
	2022	2021	Change
	<i>HK\$'million</i> (Unaudited)	<i>HK\$'million</i> (Unaudited)	%
Other revenue, gains and losses:			
– Net fair value gain/(loss) on the Key Investment Property	3.5	(5.3)	N/A
– Loss on written off of/impairment loss on property, plant and equipment	(3.6)	(8.3)	-56.6%
– Impairment loss on right-of-use assets	-	(5.4)	-100.0%
– Gain on lease modification	0.2	-	-
– Others (<i>note 4</i>)	(3.2)	5.8	N/A
Administrative expenses	(18.1)	(24.9)	-27.3%
Finance costs	(5.0)	(4.1)	+22.0%

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, second, third and fourth 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
Third quarter	(15.3)%	3.8%	N/A
Fourth quarter	6.1%	(2.3)%	N/A
The Year	(14.6)%	(0.9)%	-13.7%
Gross operating (loss)/profit margin of food souvenir business:			
First quarter	(52.8)%	(37.3)%	-15.5%
Second quarter	(258.8)%	(18.7)%	-240.1%
Third quarter	15.9%	(4.9)%	N/A
Fourth quarter	17.6%	18.2%	-0.6%
The Year	0.4%	(4.1)%	N/A

The Group's business in the Fourth Quarter still continued to be affected by the COVID-19 pandemic. With the COVID-19 pandemic under control and relaxation of social distancing measures and travel restrictions in Hong Kong and Macau, the performance of our restaurants in Hong Kong and Macau in the Fourth Quarter have improved as compared to the first three quarters.

The performance details of different restaurants in different food types in the Fourth 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 Fourth Quarter was largely due to the closure of restaurants under the continuing negative impact of the COVID-19 pandemic and also due to a drop of visitor flow to Macau. The Group's food and catering business in Macau in the Fourth Quarter has performed in line with the decreased level of visitor flow to Macau, where the level of visitor flow to Macau has decreased by 31.5% to 1,336,234 visitors in the Fourth Quarter, as compared to 1,950,415 visitors in the same quarter of 2021.

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

	For the year ended 31 December		
	2022 HK\$'million (Unaudited)	2021 HK\$'million (Unaudited)	Change %
TURNOVER			
Restaurants:			
Japanese restaurants	59.7	118.4	-49.6%
Chinese restaurants	25.2	69.3	-63.6%
Western restaurants	16.3	52.4	-68.9%
Food court counters	39.7	64.0	-38.0%
Franchise restaurants (<i>note 1</i>)	49.5	70.5	-29.8%
	<u>190.4</u>	<u>374.6</u>	-49.2%
Industrial catering (<i>note 2</i>)	17.3	11.2	+54.5%
Food wholesale	12.7	16.4	-22.6%
	<u>220.4</u>	<u>402.2</u>	-45.2%
Food and catering business	220.4	402.2	-45.2%
Food souvenir business	44.8	53.2	-15.8%
Property investment business	19.9	20.0	-0.5%
	<u>285.1</u>	<u>475.4</u>	-40.0%
Total	285.1	475.4	-40.0%

Note 1: The turnover of "Franchise restaurants" included turnover from the Group's Pacific Coffee shops, Pepper Lunch, Bari-Uma ramen, Fu-Un-Marun and Mad for Garlic restaurants.

Note 2: The turnover of "industrial catering" included turnover from canteen at International School of Macau and lunch box catering service.

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

	For the year ended 31 December		
	2022 HK\$'million (Unaudited)	2021 HK\$'million (Unaudited)	Change %
TURNOVER			
Macau	190.1	301.9	-37.0%
Mainland China	25.7	54.9	-53.2%
Hong Kong	69.0	111.0	-37.8%
Taiwan	0.3	7.6	-96.1%
	<u>285.1</u>	<u>475.4</u>	-40.0%
Total	285.1	475.4	-40.0%

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

	For the year ended 31 December		
	2022 <i>HK\$'million</i> (Unaudited)	2021 <i>HK\$'million</i> (Unaudited)	Change %
Turnover	285.1	475.4	-40.0%
Cost of sales	(89.7)	(146.7)	-38.9%
Gross margin	195.4	328.7	-40.6%
Direct operating expenses	(208.2)	(315.6)	-34.0%
Gross operating (loss)/profit	(12.8)	13.1	N/A
Gross operating (loss)/profit margin (%)	(4.5)%	2.8%	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 Year are as follows:

	For the year ended 31 December		
	2022 <i>HK\$'million</i> (Unaudited)	2021 <i>HK\$'million</i> (Unaudited)	Change %
SAME STORE TURNOVER			
Restaurants:			
Japanese restaurants	47.9	82.2	-41.7%
Chinese restaurants	19.9	28.4	-29.9%
Western restaurants	5.7	8.6	-33.7%
Food court counters	37.4	56.9	-34.3%
Franchise restaurants	48.3	57.0	-15.3%
	159.2	233.1	-31.7%
Industrial catering	6.5	5.9	+10.2%
Restaurants and industrial catering business	165.7	239.0	-30.7%
Food souvenir business	44.1	51.3	-14.0%
Total	209.8	290.3	-27.7%

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 Year are as follows:

	For the year ended 31 December		
	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	(115.3)	(57.5)	+100.5%
Food souvenir business	(8.0)	(8.9)	-10.1%
Property investment business	4.1	2.6	+57.7%
Other revenue, corporate payroll and unallocated expenses	(6.4)	(9.1)	-29.7%
Total	(125.6)	(72.9)	+72.3%

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

	For the year ended 31 December		
	2022	2021	Change
	<i>HK\$'million</i> (Unaudited)	<i>HK\$'million</i> (Unaudited)	%
(LOSS)/PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Macau	(77.0)	(65.2)	+18.1%
Mainland China	(34.4)	(1.5)	+2,193.3%
Hong Kong	(12.6)	(7.6)	+65.8%
Taiwan	(1.6)	1.4	N/A
Total	(125.6)	(72.9)	+72.3%

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

	For the year ended 31 December		
	2022 <i>HK\$'million</i> (Unaudited)	2021 <i>HK\$'million</i> (Unaudited)	Change %
Other revenue, gains and losses:			
– Loss on written off of/impairment loss on property, plant and equipment	(13.9)	(19.7)	–29.4%
– Net fair value loss on the Key Investment Property	(5.3)	(5.3)	–
– Impairment loss on goodwill	(25.8)	–	–
– Impairment loss on other intangible assets	(5.0)	–	–
– Impairment loss on right-of-use assets	–	(5.4)	–100.0%
– Gain on lease modification	12.6	1.4	+800.0%
– Rent concessions	6.9	14.0	–50.7%
– Others (<i>note 4</i>)	0.9	20.6	–95.6%
Administrative expenses	(74.8)	(100.9)	–25.9%
Finance costs	(16.3)	(18.6)	–12.4%

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

BUSINESS UPDATE

The Group has also recorded for the Year a gross margin ratio of some 68.5% with a LBITDA at some HK\$46.5 million as against a gross margin ratio of some 69.1% with an EBITDA at some HK\$35.0 million for the year of 2021.

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 Year was some HK\$120.3 million, as against a Net Ordinary Operating Loss of some HK\$67.7 million for the year of 2021. Such loss has been largely due to the reasons as stated above.

In the Year, the Group’s food and catering business in Macau has performed much in line with the decreased level of visitor flow to Macau, where a total of 5,700,339 visitors to Macau have been recorded with a decrease of 26.0%, as compared to 7,705,943 visitors in the year of 2021.

With the outbreak of the Omicron variant of the COVID-19 pandemic which started in early 2022, travel and quarantine restrictions and related social distancing measures imposed by governments led to a substantial drop of inflow of visitors, have negatively impacted the retail and restaurants businesses and the Group’s performance in the Year. During the Year, the Group closed down 9 restaurants, 9 food court counters and 1 food souvenir shop, all due to their poor performance.

With the lifting of social distancing measures and travel restrictions in early January 2023, it is expected that there will be improvement of the level of visitors and retail and restaurants business in Hong Kong and Macau, which may lead to an improvement in the Group's business. Following the easing of travel restrictions to Macau, the visitor flow has significantly increased in January 2023. Although it may still be early to get a true measure of the pace of recovery, management has seen improvement in visitation and business volume of our Group's restaurants. Management will continue to pay close attention to the business development and the operations of the Group and will take various measures to explore and improve the brand value and market position of the Group in the fast changing market environment.

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, 10 March 2023

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.