

New Wisdom Holding Company Limited
新智控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8213)

INTERIM REPORT
FOR THE PERIOD ENDED
30 SEPTEMBER 2017

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This report, for which the directors (the “Directors”) of New Wisdom Holding Company Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

**FINANCIAL HIGHLIGHTS FOR THE SIX MONTHS ENDED
30 SEPTEMBER 2017**

Consolidated revenue of the Company and its subsidiaries (collectively the “Group”) was HK\$152.1 million for the period under review, representing a decrease of 6.9% compared with HK\$163.4 million recorded in the corresponding period last year.

Loss attributable to owners of the Company decreased to HK\$16.4 million from HK\$24.0 million.

INTERIM RESULTS

The board of directors (the “Board”) of the Company hereby announces the unaudited condensed consolidated interim results of the Group for the six months ended 30 September 2017, together with the comparative unaudited consolidated figures for the corresponding period last year:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS (UNAUDITED)

For the six months ended 30 September 2017

	Note	For the six months ended 30 September		For the three months ended 30 September	
		2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000
Revenue	2	152,096	163,402	75,495	85,827
Cost of sales		<u>(50,040)</u>	<u>(53,590)</u>	<u>(24,442)</u>	<u>(28,593)</u>
Gross profit		102,056	109,812	51,053	57,234
Other income		1,191	1,037	474	637
Operating expenses		<u>(118,249)</u>	<u>(132,360)</u>	<u>(57,729)</u>	<u>(66,672)</u>
Operating loss		(15,002)	(21,511)	(6,202)	(8,801)
Finance costs	3(a)	<u>(2,204)</u>	<u>(2,250)</u>	<u>(1,116)</u>	<u>(1,167)</u>
Loss before income tax	3	(17,206)	(23,761)	(7,318)	(9,968)
Income tax	4	<u>588</u>	<u>(601)</u>	<u>328</u>	<u>(633)</u>
Loss for the period		<u>(16,618)</u>	<u>(24,362)</u>	<u>(6,990)</u>	<u>(10,601)</u>
Loss for the period attributable to:					
Owners of the Company		(16,363)	(24,045)	(6,914)	(10,471)
Non-controlling interests		<u>(255)</u>	<u>(317)</u>	<u>(76)</u>	<u>(130)</u>
		<u>(16,618)</u>	<u>(24,362)</u>	<u>(6,990)</u>	<u>(10,601)</u>
			(Restated)		(Restated)
Loss per share (HK cents)	5				
– Basic		<u>(0.43)</u>	<u>(0.72)</u>	<u>(0.18)</u>	<u>(0.31)</u>
– Diluted		<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the six months ended 30 September 2017

	For the six months ended 30 September		For the three months ended 30 September	
	2017	2016	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss for the period	(16,618)	(24,362)	(6,990)	(10,601)
Other comprehensive income/(loss):-				
Items that may be subsequently reclassified to profit or loss:-				
Exchange gain/(loss) arising from translation of financial statements of foreign operations	25	(540)	126	(858)
Total comprehensive loss for the period	(16,593)	(24,902)	(6,864)	(11,459)
Total comprehensive loss for the period attributable to:-				
Owners of the Company	(16,342)	(24,577)	(6,791)	(11,328)
Non-controlling interests	(251)	(325)	(73)	(131)
	(16,593)	(24,902)	(6,864)	(11,459)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2017

	At 30 September 2017 (Unaudited) <i>HK\$'000</i>	At 31 March 2017 (Audited) <i>HK\$'000</i>
<i>Note</i>		
NON-CURRENT ASSETS		
Plant and equipment	23,454	31,640
Goodwill on consolidation	55,095	55,095
Other intangible assets	13,785	14,475
Deferred tax assets	9,245	6,321
	<u>101,579</u>	<u>107,531</u>
CURRENT ASSETS		
Inventories	4,563	4,771
Debtors, deposits and prepayments	34,717	33,107
Income tax recoverable	835	978
Cash and cash equivalents	109,237	22,228
	<u>149,352</u>	<u>61,084</u>
DEDUCT:		
CURRENT LIABILITIES		
Loans from a former director	110,778	107,101
Loans from a director	–	2,644
Obligations under finance lease	58	179
Bank loans, secured	9,067	13,991
Creditors, accruals and deposits received	49,888	49,059
Income tax payable	465	439
	<u>170,256</u>	<u>173,413</u>
NET CURRENT LIABILITIES	<u>(20,904)</u>	<u>(112,329)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 30 September 2017

	At 30 September 2017 (Unaudited) <i>HK\$'000</i>	At 31 March 2017 (Audited) <i>HK\$'000</i>
	<i>Note</i>	
TOTAL ASSETS LESS CURRENT LIABILITIES	80,675	(4,798)
NON-CURRENT LIABILITIES		
Convertible bonds	39,564	39,325
Deferred tax liabilities	2,848	575
Other payables	7 4,711	4,046
	<u>47,123</u>	<u>43,946</u>
NET LIABILITIES	33,552	(48,744)
REPRESENTING:		
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		
Share capital	41,662	27,775
Reserves	(6,493)	(75,153)
	<u>35,169</u>	<u>(47,378)</u>
Non-controlling interests	(1,617)	(1,366)
TOTAL EQUITY	33,552	(48,744)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 30 September 2017

	Attributable to owners of the Company										
	Share capital HK\$ '000	Accumulated losses HK\$ '000	Share premium HK\$ '000	Special reserve HK\$ '000	Exchange reserve HK\$ '000	Employee share-based compensation reserve HK\$ '000	Convertible bonds equity reserve HK\$ '000	Other reserve HK\$ '000	Total HK\$ '000	Non-controlling interests HK\$ '000	Total HK\$ '000
At 1.4.2016 (audited)	27,775	(207,068)	173,887	3,801	(210)	1,055	1,390	(258)	372	(813)	(441)
Comprehensive loss											
Loss for the period	-	(24,045)	-	-	-	-	-	-	(24,045)	(317)	(24,362)
Other comprehensive income:-											
Exchange loss arising from translation of financial statements of foreign operations	-	-	-	-	(532)	-	-	-	(532)	(8)	(540)
Total comprehensive loss for the period	-	(24,045)	-	-	(532)	-	-	-	(24,577)	(325)	(24,902)
At 30.9.2016 (unaudited)	<u>27,775</u>	<u>(231,113)</u>	<u>173,887</u>	<u>3,801</u>	<u>(742)</u>	<u>1,055</u>	<u>1,390</u>	<u>(258)</u>	<u>(24,205)</u>	<u>(1,138)</u>	<u>(25,343)</u>
At 1.4.2017 (audited)	27,775	(253,346)	173,887	3,801	(742)	-	1,390	(143)	(47,378)	(1,366)	(48,744)
Rights issue	13,887	-	85,002	-	-	-	-	-	98,889	-	98,889
Comprehensive loss											
Loss for the period	-	(16,363)	-	-	-	-	-	-	(16,363)	(255)	(16,618)
Other comprehensive income:-											
Exchange gain arising from translation of financial statements of foreign operations	-	-	-	-	21	-	-	-	21	4	25
Total comprehensive loss for the period	-	(16,363)	-	-	21	-	-	-	(16,342)	(251)	(16,593)
At 30.9.2017 (unaudited)	<u>41,662</u>	<u>(269,709)</u>	<u>258,889</u>	<u>3,801</u>	<u>(721)</u>	<u>-</u>	<u>1,390</u>	<u>(143)</u>	<u>35,169</u>	<u>(1,617)</u>	<u>33,552</u>

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(UNAUDITED)**

	For the six months ended 30 September	
	2017 HK\$'000	2016 HK\$'000
NET CASH USED IN OPERATING ACTIVITIES	(7,227)	(12,463)
NET CASH USED IN INVESTING ACTIVITIES	(720)	(18,514)
NET CASH FROM FINANCING ACTIVITIES	<u>94,762</u>	<u>15,843</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	86,815	(15,134)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	22,228	39,971
EFFECT OF FOREIGN EXCHANGE RATE CHANGE	<u>194</u>	<u>(38)</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>109,237</u>	<u>24,799</u>

ANALYSIS OF CASH AND CASH EQUIVALENTS

	At 30 September 2017 HK\$'000	At 30 September 2016 HK\$'000
Cash and bank balances	<u>109,237</u>	<u>24,799</u>

Notes:

1. BASIS OF PREPARATION

- (a) These unaudited condensed consolidated interim results have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of the Stock Exchange.

These unaudited condensed consolidated interim results should be read in conjunction with the consolidated financial statements for the year ended 31 March 2017, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

These unaudited condensed consolidated interim results have been prepared in accordance with the same accounting policies adopted in the 2017 annual financial statements, except for all the new and revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for its annual period beginning on 1 April 2017. The adoption of these new and revised HKFRSs did not result in significant changes to the Group’s accounting policies, presentation of the Group’s condensed consolidated interim results and amounts reported for the current period and prior periods.

These condensed consolidated financial statements have been prepared under the historical cost convention.

(b) Adoption of the going concern basis

When preparing the unaudited condensed consolidated interim results, the Group’s ability to continue as a going concern has been assessed. These unaudited condensed consolidated interim results have been prepared by the Directors on a going concern basis notwithstanding that the Group incurred a loss of HK\$16,618,000 for the six months period ended 30 September 2017 and as of that date, the Group had net current liabilities of HK\$20,904,000 as the Directors considered that:–

- (1) Mr. Tang Sing Ming Sherman (“Mr. Tang”), who is the sole beneficial owner of the convertible bonds issued by the Company in the aggregate outstanding principal amount of HK\$40,000,000 and provided loans to the Group of approximately HK\$110,778,000 as at 30 September 2017, will provide continuing financial support to the Group;
- (2) Mr. Chan Kin Chun Victor (“Mr. Chan”), the controlling shareholder of the Company, will provide continuing financial support to the Group; and
- (3) Upon completion of the rights issue took place on 14 June 2017, the Company raised approximately HK\$100 million, before expenses, by way of allotting and issuing 1,388,725,000 Rights Shares at the subscription price of HK\$0.072 per Rights Shares, on the basis of one (1) Rights Shares for every two (2) existing Shares held on 19 May 2017.

After taking into consideration of above factors, the Directors are satisfied that the Group will have sufficient financial resources to meet its financial obligations as they fall due in the foreseeable future and consider that it is appropriate for the unaudited condensed consolidated interim results to be prepared on a going concern basis since there are no material uncertainties related to events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern.

2. REVENUE

Revenue represents invoiced value recognized in respect of provision of food and beverage services, net of discounts and business tax or value-added tax, during the period. An analysis of the revenue recorded for the period is set out below:

	For the six months ended 30 September	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Provision of food and beverage services and others	152,096	163,402

3. LOSS BEFORE INCOME TAX

	For the six months ended 30 September	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Loss before income tax is arrived at after charging:		
(a) Finance costs: –		
Interests on bank loans and overdrafts repayable within five years	145	349
Interest expense on convertible bonds	401	400
Imputed interest expense on convertible bonds	239	–
Finance charge on obligations under finance lease	1	5
Other bank charges	1,418	1,496
	2,204	2,250
(b) Other items: –		
Amortization of other intangible assets	858	937
Depreciation	8,738	10,803

4. INCOME TAX

Taxation in the profit or loss represents: –

	For the six months ended 30 September	
	2017	2016
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current tax	66	(91)
Deferred tax	(654)	692
	<u> </u>	<u> </u>
	(588)	601
	<u> </u>	<u> </u>

- (i) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands (“BVI”), the Group is not subject to any income tax in the Cayman Islands and BVI.
- (ii) The Company’s subsidiaries incorporated/established in Hong Kong, the People’s Republic of China (“PRC”) and Taiwan are subject to Hong Kong Profits Tax, PRC Enterprise Income Tax and Taiwan Profit-Seeking-Enterprise Income Tax at the rates of 16.5%, 25% and 17% respectively (2016: Hong Kong – 16.5%, PRC – 25% and Taiwan – 17%).

5. LOSS PER SHARE

The calculation of basic loss per share for all periods presented is based on loss attributable to owners of the Company and the weighted average number of ordinary shares of 3,840,107,364 (2016: 3,359,818,548 ordinary shares as restated) in issue during all periods.

The weighted average number of ordinary shares adopted in calculation of basic loss per share for the six months ended 30 September 2017 have been adjusted after taking into account of the rights issue which was completed on 14 June 2017 and prior period comparative had been restated for such effect.

Diluted loss per share has not been disclosed as no dilutive potential equity shares in existence as at 30 September 2016 and 2017.

6. DEBTORS, DEPOSITS AND PREPAYMENTS

Debtors, deposits and prepayments comprise:

	At 30 September 2017 (Unaudited) HK\$'000	At 31 March 2017 (Audited) HK\$'000
Trade debtors	5,316	4,920
Rental and utility deposits	23,808	24,597
Prepayments	4,417	2,884
Other debtors	1,176	706
	<u> </u>	<u> </u>
	34,717	33,107
	<u> </u>	<u> </u>

(a) **Aging analysis**

The trading terms with the Group's customers are mainly on cash and credit card settlements, except for well established corporate customers who entitled to a credit term of 30-60 days. For credit card settlements, the banks normally settle the balances within 2-3 days. The following was an aging analysis of trade debtors, which included outstanding balances for credit card settlements, (net of allowance for doubtful debts) at the end of reporting period:

	At 30 September 2017 (Unaudited) HK\$'000	At 31 March 2017 (Audited) HK\$'000
0 – 30 days	4,118	4,676
31 – 60 days	38	228
61 – 90 days	932	8
91 – 180 days	35	8
181 – 365 days	193	–
	<u>5,316</u>	<u>4,920</u>

(b) **Trade debtors that are not impaired**

The aging analysis of trade debtors that were not considered to be impaired was as follows:

	At 30 September 2017 (Unaudited) HK\$'000	At 31 March 2017 (Audited) HK\$'000
Neither past due nor impaired	<u>4,118</u>	<u>4,686</u>
Past due but not impaired:		
1 – 30 days	38	228
31 – 60 days	932	5
61 – 90 days	2	1
91 – 180 days	33	–
181 – 365 days	193	–
	<u>1,198</u>	<u>234</u>
	<u>5,316</u>	<u>4,920</u>

Trade debtors that were neither past due nor impaired relate to customers for whom there was no recent history of default.

Trade debtors that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is 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.

7. CREDITORS, ACCRUALS AND DEPOSITS RECEIVED

Creditors, accruals and deposits received comprise:

	At 30 September 2017 (Unaudited) <i>HK\$'000</i>	At 31 March 2017 (Audited) <i>HK\$'000</i>
Trade creditors	22,985	18,454
Accruals and provisions	20,369	23,171
Other creditors	11,245	11,480
	<u>54,599</u>	<u>53,105</u>
Less: Classified in non-current liabilities	(4,711)	(4,046)
	<u>49,888</u>	<u>49,059</u>

The following is an aging analysis of trade creditors:

	At 30 September 2017 (Unaudited) <i>HK\$'000</i>	At 31 March 2017 (Audited) <i>HK\$'000</i>
0 – 30 days	11,487	9,741
31 – 60 days	4,962	5,463
61 – 90 days	1,671	2,074
91 – 180 days	1,946	656
Over 180 days	2,919	520
	<u>22,985</u>	<u>18,454</u>

8. RELATED PARTY AND CONNECTED TRANSACTIONS

The Group had the following related party and connected transactions under the GEM Listing Rules during the period:

Except for loans from a director, the Group had the following material transactions with its related parties in which a Director has controlling interest under the GEM Listing Rules during the period:

		For the six months ended 30 September	
		2017	2016
		(Unaudited)	(Unaudited)
	<i>Note</i>	HK\$'000	HK\$'000
(i)	Interest expense on convertible bonds to Mr. Tang [#]	<i>(a)</i>	400
(ii)	Rental expenses to Joint Allied Limited ("Joint Allied") ^{##}	<i>(b)</i>	775
(iii)	Rental expenses to Assets Partner Limited ("Assets Partner") ^{##}	<i>(b)</i>	936
		—	936

[#] Mr. Tang resigned as the Chairman and executive Director of the Company with effect from 8 November 2016. However, Mr. Tang was a Director of the Company and its subsidiaries in the past 12 months and he is deemed as a connected person of the Group throughout the period under the GEM Listing Rules.

^{##} Joint Allied Limited and Assets Partner Limited are owned by a family trust in which Mr. Tang is one of the beneficiaries.

Notes:

- (a) The interest rate was determined at 2% per annum.
- (b) The transaction was entered based on normal commercial terms.

The Directors (including independent non-executive Directors) of the Company have reviewed the above related party and connected transactions and are of the opinion that these transactions were effected: (i) on normal commercial terms (or better to the Group); (ii) in the ordinary and usual course of the business of the Group; and (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interest of shareholders of the Company as a whole.

Key management compensation

	For the six months ended 30 September	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Fees for key management personnel	510	180
Salaries, allowances and other benefits in kind	1,425	3,678
Retirement scheme contributions	27	66
	<u>1,962</u>	<u>3,924</u>

9. SEGMENT INFORMATION

HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (the Directors) in order to allocate resources to the segment and to assess its performance.

(a) The Group operates in one business unit, and has one reportable and operating segment: food and beverage. Accordingly, the Group does not have any identifiable segment or any discrete information for segment reporting purpose.

(b) Geographical information

	PRC		Hong Kong/overseas		Consolidated	
	For the six months ended 30 September		For the six months ended 30 September		For the six months ended 30 September	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Revenue from external customers	34,898	42,799	117,198	120,603	152,096	163,402
Other revenue	331	422	860	615	1,191	1,037
Total revenue	<u>35,229</u>	<u>43,221</u>	<u>118,058</u>	<u>121,218</u>	<u>153,287</u>	<u>164,439</u>

	PRC		Hong Kong/overseas		Consolidated	
	At 30 September 2017 (Unaudited) HK\$'000	At 31 March 2017 (Audited) HK\$'000	At 30 September 2017 (Unaudited) HK\$'000	At 31 March 2017 (Audited) HK\$'000	At 30 September 2017 (Unaudited) HK\$'000	At 31 March 2017 (Audited) HK\$'000
	Non-current assets	<u>6,928</u>	<u>5,337</u>	<u>85,406</u>	<u>95,873</u>	<u>92,334</u>

The geographical location of customers is based on the location at which the services were provided or the goods delivered. The geographical location of the non-current assets (excluding deferred tax assets) is based on (i) the physical location of the assets, in the case of plant and equipment, (ii) the location of operation to which they are allocated, in the case of intangible assets and goodwill, and (iii) the location of operation to which they are incurred, in the case of debtors, deposits and prepayments.

(c) Major customers

The Group's customer base is diversified and no revenues from transactions with a single external customer amount to 10% or more of the Group's revenue for the six months ended 30 September 2017 and 2016.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend in respect of the six months ended 30 September 2017 (2016: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

The Group's unaudited revenue for the interim period ended 30 September 2017 amounted to HK\$152.1 million (2016: HK\$163.4 million), representing a decrease of 6.9% compared with the same period of the last financial year. Net loss attributable to owners of the Company decreased by HK\$7.6 million to HK\$16.4 million as compared with the same period of the last financial year.

Industry Overview

Heading into the second half of 2017, geopolitical risks continued to be amplified and impacted the international financial market. Faced with North Korea's nuclear threat, Catalan independence referendum, and Middles East political tensions, together with the rise of terrorist attacks, and Federal Reserve's shrinking of its balance sheet since October 2017 and its plan to raise interest rates by end of this year, the global economy has been clouded by uncertainties.

For domestic economy, China benefitted from the recovery of real estate market, among other things, and witnessed a 6.8% growth in gross domestic products ("GDP") in the third quarter of 2017, which met market expectation. Food and beverage sector and other services trades continued to improve, with the sector presenting growth potential. However, the sector has become increasingly diversified and fragmented as competition has intensified.

At the local level, Hong Kong's GDP expanded by 3.8% in the second quarter of 2017 following a 4.3% rise in the previous quarter. That showed a sustained better-than-expected growth momentum, prompting the government to revise upwards its whole-year GDP growth forecast from 3% to 4%. Nevertheless, the food and beverage sector of the city continues to endure pressures of rising labour costs and high turnover rate, as well as limited room for price hike. The market has not been benefitting from the recovery of overall economy. According to government statistics, average value index of restaurant receipts and number of restaurants in the second quarter of 2017 were lower than the previous two quarters.

The majority of the Group's revenue is derived from the provision of food and beverage services in Hong Kong. However, there has been a reliance on Chinese mainland visitors from the sector due to Hong Kong's close linkage with Mainland China. With a changing consumption pattern from mainland visitors, and a slowdown in consumption growth, we have been affected. Hong Kong's food and beverage sector strives to cope with these economic headwinds, in order to improve the situation of continued margin squeeze.

Business Review

During the period under review, striving for survival and not being knockdown from the fierce competition of food and beverage market is the primary goal of the Group's food and beverage businesses. Sluggish economy keeps intense competition, and the enduring operating environment of high rental, labour and utilities costs further squeezes profit margin. In the meantime, we have to keep abreast of developing trends and changing consumption patterns, in particular, the challenges from the rapid rise of e-commerce and online-to-offline deliveries. Amid this unfavorable business environment in recent years, we continue to strive for survival and growth, through strengthening our attractiveness to new and old customers and hence retaining loyal customers, by frequent menu revamping and consistent provision of quality food and services.

The Group's food and beverage businesses are a collection of Japanese food-related concepts in the Greater China region, including the restaurants, café and cake shops under the Japanese brand of Italian Tomato, the Japanese Tonkatsu restaurants under the brand of Ginza Bairin, the Japanese curry specialty stores under the brand of Shirokuma Curry and the Japanese Izakaya restaurants under the brand of Enmaru.

Italian Tomato, our major brand of restaurants, café and cake shops, is still a big contributor to the Group's revenue. Through years of effort on product innovation, menu re-engineering and customer relationships, Italian Tomato has already become a well-recognized brand in Hong Kong. Leveraged on our success in Hong Kong, we expended Italian Tomato's network to PRC and Taiwan. The total shop number has no material change since 31 March 2017 and has 42 shops as at 30 September 2017. The recent sales of Italian Tomato moon cake in Hong Kong is satisfactory, therefore additional efforts and resources will be added to festival sales to overcome the tough operating environment in Hong Kong. However, the PRC market is comparatively difficult to Italian Tomato, 1 shop is closed during the period under review and the management is trying to re-position our brand in the PRC market through new marketing strategies. On the other side of Taiwan Strait, 1 cake shop is opened in Taiwan during the period under review, the management expects Italian Tomato could have a moderate growth in this competitive market.

Ginza Bairin, the Japanese Tonkatsu restaurants, has 2 shops in Hong Kong and 1 shop in the PRC as at 30 September 2017. The shop number in the PRC reduced from 3 as at 31 March 2017 to 1 as at 30 September 2017, shops were closed because of its unsatisfactory performance; the remaining profitable one is now under renovation, better contribution to the Group is expected after renovation. Efforts for developing Ginza Bairin's franchise network have begun to yield results, the first franchise shop in the PRC opened during the period under review and achieved a satisfactory result.

Shirokuma Curry is developing within our expectation and has 2 shops in Hong Kong and 7 shops in the PRC as at 30 September 2017. Meanwhile, its licensing business has also made good progress and increased to 5 franchise shops as at 30 September 2017. As Shirokuma's network becomes larger, the management will concentrate on its quality control. Although the history of Shirokuma Curry license operation is still short, its long term growth is optimistic.

Enmaru, the Japanese Izakaya restaurants, still encounters with stiff competition but manages to keep 4 shops as at 30 September 2017. Shortage of Japanese staff is a problem to the growth of Enmaru, the management is actively searching for Japanese staff because Japan element is important to this dining concept. Although Enmaru's current contribution to the Group is not satisfactory, the management expects Enmaru's growth will be back on its track soon.

Future Prospects

Although there has been a slowdown of the increase in lease rates of commercial space, the ever upward adjustment of statutory minimum wage shows its impact on the operating cost at the same time. The Group anticipates that the operating environment of food and beverage industry will remain difficult in the short term. Hoping the opening of Hong Kong-Zhuhai-Macau Bridge could bring more visitors from Guangdong Province and Pearl River Delta to Hong Kong, thereby boosting the local food and beverage market. The Group will look into different measures to enhance its efficiency and improve its operating results.

Looking ahead, as the economy is stabilising, the market generally anticipates a trend of interest rate hike from major economies of the world, particularly the United States. Although there has been a slowdown of the increase in lease rates of commercial space and those at prime locations even witnessed slash in rental rate, such adjustments is caused by the change in consumption model and industry shift. The Group is prudent about the impact of future interest rate hike on economic growth and rental rate, and expects that the operating environment will remain challenging in the short run.

Fortunately, with the opening of Hong Kong-Zhuhai-Macau Bridge and high-speed railway, more visitors from Guangdong Province and Pearl River Delta Region will be brought to Hong Kong, thereby boosting the demand for local food and beverage sector. The Group will look into different measures to enhance its efficiency and improve its operating results.

While the management intends to continue the existing principal businesses of the Group, the management is reviewing the existing businesses and the financial positions of the Group for the purpose of formulating business plans and strategies for the future business development of the Group. In this regard, the management may explore business opportunities and consider whether any asset disposals, asset acquisitions, business rationalisation, business divestment, fund raising, restructuring of the business and/or business diversification will be appropriate in order to diversify the Group's existing business, broaden the Group's income stream and enhance the long-term growth potential of the Company.

FINANCIAL REVIEW

For the six months ended 30 September 2017, the Group recorded revenue of HK\$152.1 million (2016: HK\$163.4 million), decreased by 6.9% compared with the corresponding period last year.

Loss attributable to owners of the Company was HK\$16.4 million (2016: HK\$24.0 million).

The gross profit margin of the Group was 67% (2016: 67%).

Total operating expenses were decreased by 10.7% to HK\$118.2 million (2016: HK\$132.4 million) as a result of tighten control on expenditure.

Financial Resources and Liquidity

As at 30 September 2017, the Group's current assets amounted to HK\$149.4 million (at 31 March 2017: HK\$61.1 million) of which HK\$109.2 million (at 31 March 2017: HK\$22.2 million) was cash and bank deposits, HK\$34.7 million (at 31 March 2017: HK\$33.1 million) was debtors, deposits and prepayments. The Group's current liabilities amounted to HK\$170.3 million (at 31 March 2017: HK\$173.4 million), including creditors, accruals and deposits received in the amount of HK\$49.9 million (at 31 March 2017: HK\$49.1 million).

Current ratio and quick assets ratio were 0.88 and 0.85 respectively (at 31 March 2017: 0.35 and 0.32 respectively). As at 30 September 2017, the gearing ratio expressed as a ratio of total debts to total equity was 4.75. As the Company incurred net liabilities as at 31 March 2017, there was no gearing ratio to be calculated.

Foreign Exchange

During both periods for six months ended 30 September 2017 and 2016, the Group conducted commercial transactions in the PRC and Taiwan denominated in Renminbi and New Taiwan Dollar respectively. Fluctuation in exchange rates of Renminbi and New Taiwan Dollar against Hong Kong Dollar could affect the Group's results of operations. During both periods for the six months ended 30 September 2017 and 2016, no hedging transaction or other exchange rate arrangements were made.

Charges on the Group's Assets

Except for the assets pledged as security for obligations under finance lease at 30 September 2017 and 31 March 2017, no assets of the Group had been pledged or charged as at 30 September 2017 and 31 March 2017.

Capital Commitments

As at 30 September 2017 and 31 March 2017, the Group did not have any material capital commitments.

Contingent Liabilities

As at 30 September 2017 and 31 March 2017, the Group did not have any contingent liabilities.

Save as disclosed above, during the six months ended 30 September 2017 and 2016, there was no on-going financial exposure to borrowers or other on-going matters of relevance as defined in Rules 17.22 to 17.24 of the GEM Listing Rules.

Employees and Remuneration Policies

As at 30 September 2017, the Group had 548 employees in Hong Kong, the PRC and Taiwan (at 31 March 2017: 638 employees in Hong Kong, the PRC and Taiwan). The remuneration of employees of the Group is determined by reference to market terms and in accordance with the performance, qualification and experience of each individual employee. Discretionary bonuses, based on each individual's performance, are paid to employees as recognition and in reward for their contributions. Other fringe benefits such as medical subsidies, medical insurance, education/training subsidies, pension fund plans are offered to most employees. Share options are granted at the discretion of the Board and under the terms and conditions of the Share Option Schemes adopted on 26 February 2003 and 20 July 2012 (collectively referred to as the "Share Option Schemes").

RIGHTS ISSUE

On 27 April 2017, the Company announced that it proposed to raise approximately HK\$100 million, before expenses, by way of allotting and issuing 1,388,725,000 rights shares (the "Rights Shares") by way of rights issue (the "Rights Issue") at the subscription price of HK\$0.072 per Rights Shares, on the basis of one (1) Rights Shares for every two (2) existing Shares held on 19 May 2017.

Completion of the Rights Issue took place on 14 June 2017, where an aggregate of 1,388,725,000 Rights Shares, representing approximately 33.33% of the issued share capital of the Company (as enlarged by the allotment and issue of the Rights Shares), have been issued. The aggregate nominal amount of the Rights Shares is HK\$13,887,250.

For more details of the Rights Issue, please refer to the prospectus of the Company dated 22 May 2017 (the “Rights Issue Prospectus”) and the announcement of the Company dated 13 June 2017 in relation to the results of the Rights Issue.

USE OF PROCEEDS FROM THE RIGHTS ISSUE

Among the net proceeds of the Rights Issue approximately HK\$99 million, as at 30 September 2017, approximately HK\$6.4 million has been used as the Company’s corporate expenses, comprising (i) approximately HK\$0.5 million as Directors’ remuneration and staff cost; (ii) approximately HK\$0.3 million as rental expenses; (iii) approximately HK\$0.5 million as compliance and professional fee; (iv) approximately HK\$0.1 million for general office expenses; and (v) approximately HK\$5.0 million as the settlement of the Company’s payable in relation to the corporate expenses. The remaining balance of approximately HK\$93 million is kept in the Company’s bank account and the Directors intend to utilize such proceeds as stated in the Rights Issue Prospectus.

ADJUSTMENTS IN RELATIONS TO THE CONVERTIBLE BONDS

Pursuant to the terms and conditions of the convertible bonds issued by the Company, the conversion price of the outstanding convertible bonds has been adjusted from the initial conversion price of HK\$0.08 per ordinary share to HK\$0.07 per ordinary share as a result of the Rights Issue. A total of 571,428,571 ordinary shares will be issued to Mr. Tang Sing Ming Sherman upon full conversion of the convertible bonds, assuming that the adjusted conversion price of HK\$0.07 per ordinary share will remain as at the time of conversion. This adjustment took effect on 22 May 2017. All other terms of the convertible bonds remain unchanged.

CHANGE OF AUDITOR

PKF tendered its resignation as the auditor of the Company on 10 August 2017 due to its reorganisation and subsequent change in entity status from a partnership to a limited company. At a board meeting of the Company held on 10 August 2017, PKF Hong Kong Limited was appointed as the new auditor of the Company. For details, please refer to the Company’s announcement dated 10 August 2017.

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

During the six months ended 30 September 2017, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As at 30 September 2017, so far as the Directors were aware, the interests and short positions of the directors and the chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required, pursuant to Rule 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

(a) Interest or short positions in the shares

Name	Capacity/ nature of interest	Number of shares interested	Approximately percentage of interest in the issued share capital %
Mr. Chan (<i>Note 1</i>)	Interest of controlled corporations and beneficial owner	2,106,417,439(L) 2,106,417,439(S)	50.56

Notes:

- 2,106,417,439 ordinary shares is held by Win Union Investment Limited ("Win Union"), which is wholly-owned by the Mr. Chan, an executive Director of the Company.
- The 2,106,417,439 ordinary shares are pledged to STI LSN 1 Limited, which is wholly-owned by Mr. Tung Sun Tat Clement. By virtue of the SFO, Mr. Chan is deemed to have a short position in those Shares.
- "L" denotes a long position whilst the letter "S" denotes a short position.
- Based on 4,166,175,000 ordinary shares of the Company in issue as at 30 September 2017.

(b) Interests in associated corporations of the Company

Name	Name of associated corporation	Nature of interest	Interest in shares <i>(note)</i>	Approximate percentage of shareholding %
Mr. Chan	Win Union	Beneficial owner	1(L)	100.00

Note: The letter “L” denotes a long position in the shares.

Save as disclosed above, as at 30 September 2017, so far as the Directors were aware, none of the directors and the chief executives of the Company had any interest or short position in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required, pursuant to Rule 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 September 2017, according to the register kept by the Company pursuant to section 336 of SFO, so far as the Directors were aware, the following persons (other than the Directors whose interests are disclosed above) had, or was deemed or taken to have, an interest or a short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 5% or more of the issued voting shares of any other member of the Group or had any options in respect of such capital:

Name of shareholder	Capacity/nature of interest	Number of shares	Number of underlying shares	Total number of shares and underlying shares	Approximate percentage of interest in issued share capital %
Win Union (<i>Notes 1 and 2</i>)	Beneficial owner	2,106,417,439 (L)	–	2,106,417,439(L)	50.56
		2,106,417,439 (S)		2,106,417,439(S)	
STI LSN 1 Limited (<i>Note 2</i>)	Beneficial owner (Person having a security interest in shares)	2,106,417,439 (L)	–	2,106,417,439(L)	50.56
Tung Sun Tat Clement (<i>Note 2</i>)	Interest of controlled corporation	2,106,417,439 (L)	–	2,106,417,439(L)	50.56
Mr. Tang (<i>Note 3</i>)	Beneficial owner	–	571,428,571(L)	571,428,571(L)	13.72
Ms. Ho Ming Yee (<i>Note 3</i>)	Interest of spouse	–	571,428,571(L)	571,428,571(L)	13.72

Notes:

1. 2,106,417,439 ordinary shares are held by Win Union, which is wholly-owned by Mr. Chan, an executive Director.
2. The 2,106,417,439 ordinary shares are pledged to STI LSN 1 Limited, which is wholly-owned by Mr. Tung Sun Tat Clement. By virtue of the SFO, Win Union is deemed to have a short position in those shares.
3. Mr. Tang holds the convertible bond in respect of the outstanding principal amount of HK\$40,000,000, under which a total of 571,428,571 ordinary shares would be issued upon full exercise of the conversion rights attaching thereto. Upon full conversion of the convertible bond, Mr. Tang would hold 571,428,571 ordinary shares, representing approximately 13.72% of the issued share capital of the Company as at 30 September 2017. Pursuant to the SFO, Ms. Ho Ming Yee, the spouse of Mr. Tang, is deemed to be interested in all the shares in which Mr. Tang is interested.
4. “L” denotes a long position whilst the letter “S” denotes a short position.
5. Based on 4,166,175,000 ordinary shares of the Company in issue as at 30 September 2017.

Save as disclosed above, as at 30 September 2017, so far as the Directors were aware, the Directors were not aware of any person (other than the Directors whose interests are disclosed above) who had an interest or a short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 10% or more of the issued voting shares of any other member of the Group or had any options in respect of such capital.

SHARE OPTIONS

Share Option Schemes

The purpose of the Share Option Schemes is to provide the participants with an opportunity to acquire equity interests in the Company, thus providing them with an incentive to continue contributing to the success of the Company.

Subject to the terms of the Share Option Schemes, the committee (the “Committee”) which was authorized and charged by the Board with the administration of the Share Option Schemes may, at any time, offer to grant to any employee, agent, consultant or representative of the Company or any of its subsidiaries, including any executive or non-executive Director of the Company or any subsidiary of the Company who, the Committee may determine in its absolute discretion, has made valuable contribution to the business of the Group based on his or her performance and/or years of service, or is regarded as valuable human resources of the Group based on his or her work experience, knowledge in the industry and other relevant factors, options (the “Share Options”) to subscribe for such number of shares as the Committee may determine at the exercise price.

The maximum number of shares to be issued in respect of which options may be granted (together with shares in respect of which options are then outstanding under the Share Option Schemes or any other schemes of the Company) under the Share Option Schemes shall not exceed such number of shares as shall represent 30% of the issued share capital of the Company from time to time.

The maximum entitlement for any one participant (including exercised, cancelled and outstanding options) granted or to be granted in any twelve months period shall not exceed 1% of the total number of shares in issue, provided that options may be issued in excess of such limit if the new grant exceeding 1% of the total number of shares in issue shall have been approved by shareholders of the Company in a general meeting at which the proposed grantee and his associates shall have abstained from voting.

Options may be exercised in whole or in part in the manner provided in the Share Option Schemes by a grantee (or, as the case may be, by his or her legal personal representative) giving notice in writing to the Company after it has vested at any time during the period (the “Option Period”), which shall be not more than ten years from the date an option is offered (the “Offer Date”). No performance target is required to be reached by the participant before any option can be exercised.

A sum of HK\$1 is payable by the participant on acceptance of the option offer.

The exercise price for the shares (the “Exercise Price”) in relation to options to be granted under the Share Option Schemes shall be determined by the Committee and notified to a participant and shall be at least the higher of:

- (i) the closing price of the shares as stated in the daily quotation sheets of the Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on the Offer Date; and
- (ii) the average closing price of the shares as stated in the Stock Exchange’s daily quotation sheets for the five business days immediately preceding the Offer Date,

provided that the Exercise Price shall not be lower than the nominal value of the shares.

As at 30 September 2017, no share options were outstanding.

COMPETING INTERESTS

As at 30 September 2017, none of the directors, the controlling shareholders or their respective associates (as defined in the GEM Listing Rules) had any interests in any business which competed with or might compete with the business of the Group or had any other conflicts of interests with the Group.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference in compliance with Rules 5.28 to 5.29 of the GEM Listing Rules. The primary duties of the audit committee are to review the Company’s draft annual, interim and quarterly financial reports and accounts and to provide advice and comments thereon to the Board. The audit committee is also responsible for reviewing and supervising the financial reporting process and internal control procedures of the Group. The audit committee comprises three independent non-executive Directors, namely Mr. Yip Tai Him, Mr. Chan Yee Ping Michael and Mr. Deng Guozhen.

Up to the date of approval of the Group’s unaudited results for the six months ended 30 September 2017, the audit committee had held two meetings and had reviewed the draft interim report and accounts for the six months ended 30 September 2017 prior to recommending such report and accounts to the Board for approval.

DIRECTORS’ SECURITIES TRANSACTIONS

Throughout the six months ended 30 September 2017, the Company adopted a code of conduct regarding directors’ securities transactions on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiries of all Directors, the Company confirms that all of the Company’s directors complied with such required standard of dealings and its code of conduct regarding directors’ securities transactions.

UPDATE ON INFORMATION OF DIRECTOR AND CHIEF EXECUTIVE

Mr. Chan Yee Ping Michael, an independent non-executive Director, was appointed as an independent non-executive director of Tic Tac International Holdings Company Limited on 20 September 2017, shares of which are listed on the Main Board of the Stock Exchange (stock code: 01470).

Ms. Lam Kit Yan, the company secretary and chief financial officer of the Company, was appointed as an independent non-executive director of Lapco Holdings Limited, shares of which are listed on the GEM Board of the Stock Exchange (stock code: 08472) on 18 July 2017.

Save for the information disclosed above, there is no other information required to be disclosed pursuant to Rule 17.50A(1) of the GEM Listing Rules since the disclosure made in the annual report of the Company dated 27 June 2017.

CORPORATE GOVERNANCE

The Company is firmly committed to maintaining and ensuring a high level of corporate governance standards and will review and improve the corporate governance practices and standards constantly. The Company has complied with the code provisions set out in the Corporate Governance Code contained in Appendix 15 of the GEM Listing Rules throughout the six months ended 30 September 2017.

On behalf of the Board
Chan Kin Chun Victor
Chairman

Hong Kong, 9 November 2017

As at the date of this report, the Company's executive Directors are Mr. Chan Kin Chun Victor and Mr. Zheng Hua; and the independent non-executive Directors are Mr. Yip Tai Him, Mr. Chan Yee Ping, Michael and Mr. Deng Guozhen.

This report will remain on the GEM website on the "Latest Company Announcements" page for at least 7 days from the date of its posting.