APPLICATION PROOF OF

TAI HING GROUP HOLDINGS LIMITED
(太興集團控股有限公司)

(Incorporated in the Cayman Islands with limited liability)

(the "Company")

WARNING

The publication of this Application Proof is required by The Stock Exchange of Hong Kong Limited (the "Exchange") and the Securities and Futures Commission (the "Commission") solely for the purpose of providing information to the public in Hong Kong.

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(h) no application for the securities mentioned in this document should be made by any person nor would such application be accepted;

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No offer or invitation will be made to the public in Hong Kong until after a prospectus of the Company has been registered with the Registrar of Companies in Hong Kong in accordance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). If an offer or an invitation is made to the public in Hong Kong in due course, prospective investors are reminded to make their investment decision solely based on the Company's prospectus registered with the Registrar of Companies in Hong Kong, copies of which will be distributed to the public during the offer period.

IMPORTANT

IMPORTANT: If you are in any doubt about any of the contents of this document, you should obtain independent professional advice.

TAI HING GROUP HOLDINGS LIMITED
(太興集團控股有限公司)

(Incorporated in the Cayman Islands with limited liability)

[REDACTED]

Number of [REDACTED]	**:**	**[REDACTED]**
Number of [REDACTED]	**:**	**[REDACTED]**
Number of [REDACTED]	**:**	**[REDACTED]**
Maximum [REDACTED]	**:**	**HK$[REDACTED] per [REDACTED]**
Nominal Value	**:**	**HK$0.01 per Share**
[REDACTED]	**:**	**[REDACTED]**

Sole Sponsor

[REDACTED]

[REDACTED]

A copy of this document, having attached thereto the documents specified in the paragraph headed "Documents Delivered to the Registrar of Companies in Hong Kong and Available for Inspection" in Appendix VI to this document, has been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility for the contents of this document or any other document referred to above.

The **[REDACTED]** is expected to be fixed by agreement between the **[REDACTED]** (for itself and on behalf of the **[REDACTED]**) and our Company on the **[REDACTED]**. The **[REDACTED]** is expected to be on or around **[REDACTED]** (Hong Kong time) and, in any event, not later than **[REDACTED]** (Hong Kong time). The **[REDACTED]** will be not more than HK$**[REDACTED]** and is currently expected to be not less than HK$**[REDACTED]**. If, for any reason, the **[REDACTED]** is not agreed by **[REDACTED]** (Hong Kong time) among the **[REDACTED]** (for itself and on behalf of the **[REDACTED]**) and our Company, the **[REDACTED]** will not proceed and will lapse.

Applicant for **[REDACTED]** are required to pay, on application, the maximum **[REDACTED]** of HK$**[REDACTED]** in each **[REDACTED]** together with a brokerage fee of 1.0%, a SFC transaction levy of 0.0027% and a Stock Exchange trading fee of 0.005%, subject to refund if the **[REDACTED]** as finally determined is less than HK$**[REDACTED]**.

The [REDACTED] (for itself and on behalf of the [REDACTED]) may, with our consent, reduce the number of [REDACTED] being offered under the [REDACTED] and/or the indicative [REDACTED] range below that stated in this document at any time on or prior to the morning of the last day for lodging applications under the [REDACTED]. In such a case, an announcement will be published in [Eng newspaper] (in English) and [Chi newspaper] (in Chinese) not later than the morning of the day which is the last day for lodging applications under the [REDACTED].

The obligations of the **[REDACTED]** under the **[REDACTED]** are subject to termination by the **[REDACTED]** (for itself and on behalf of the **[REDACTED]**) if certain grounds arise prior to 8:00 a.m. on the Listing Date. See "**[REDACTED]**".

Prior to making an **[REDACTED]** decision, potential **[REDACTED]** should consider carefully all of the information set out in this document, including the risk factors set out in the section headed "Risk Factors" in this document.

The **[REDACTED]** have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may not be offered, sold, pledged or transferred within the United States or to, or for the account or benefit of U.S. persons (as defined in **[REDACTED]**) except in transactions exempt from, or not subject to, the registration requirements of the U.S. Securities Act. The **[REDACTED]** are being offered and sold only outside the United States in offshore transactions in accordance with **[REDACTED]**.

EXPECTED TIMETABLE(1)

[REDACTED]

EXPECTED TIMETABLE(1)

[**REDACTED**]

EXPECTED TIMETABLE[1]

[**REDACTED**]

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IMPORTANT NOTICE TO [REDACTED]

This document is issued by our Company solely in connection with the [**REDACTED**] *and the* [**REDACTED**] *and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the* [**REDACTED**] *offered by this document pursuant to the* [**REDACTED**]. *This document may not be used for the purpose of, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit a* [**REDACTED**] *of the* [**REDACTED**] *in any jurisdiction other than Hong Kong and no action has been taken to permit the distribution of this document in any jurisdiction other than Hong Kong. The distribution of this document and the* [**REDACTED**] *of the* [**REDACTED**] *in other jurisdictions are subject to restrictions, and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom.*

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SUMMARY

This summary aims to give you an overview of the information contained in this document. Since this is a summary, it does not contain all the information that may be important to you. You should read the entire document before you decide to **[REDACTED]** *in the* **[REDACTED]**. *There are risks associated with any* **[REDACTED]**. *Some of the risks in* **[REDACTED]** *in the* **[REDACTED]** *are set out in the "Risk Factors" section. You should read that section carefully before you decide to* **[REDACTED]** *in the* **[REDACTED]**.

OVERVIEW

We are a multi-brand casual dining restaurant group originated in Hong Kong. In addition to our flagship "Tai Hing" brand, we have successfully grown our brand portfolio (through in-house development, acquisitions and licensing), which now also comprises "TeaWood", "Trusty Congee King", "Men Wah Bing Teng", "Phở Lệ", "Tokyo Tsukiji", "Fisher & Farmer" and "Rice Rule" as set out below. As at the Latest Practicable Date, we had 185 restaurants (comprising 178 restaurants operated by us and 7 restaurants operated by our franchisees) in our restaurant network, with 122 restaurants in Hong Kong, 62 restaurants in Mainland China and 1 restaurant in Macau.

We offer a wide range of cuisines in Hong Kong, Mainland China and Macau. When we introduce new cuisines from different countries and regions to our offering, we select representative dishes from that culinary culture with an aim of creating a distinctive dining experience to our customers under each brand.

According to the Frost & Sullivan Report, we ranked: (i) first in terms of revenue in the self-operated casual dining restaurant market in Hong Kong; (ii) first in terms of the number of restaurants in the Taiwanese casual dining market in Hong Kong; and (iii) second in terms of revenue in the self-operated casual dining restaurant market in Mainland China, each in 2017.

Our management has always strived to offer customers with affordable and diversified choices of quality food, in a tasteful and comfortable dining environment. We have gradually expanded our brand portfolio to capture a wider spectrum of customers since 2008. We believe that our multi-brand strategy allows us to attract customers with different dining preferences, take advantage of opportunities to increase our market share and drive our sustainable growth.

Consistency in dining experience across all of our restaurants is vital to our presentation of a single unified corporate image to consumers. We operate a food factory in Fo Tan, Hong Kong and one in Dongguan, Mainland China. We adopt standardised operation processes for different brands and use our patented automated production processes in our restaurants as well as Food Factories. We safeguard food safety, and thereby our brand value, through stringent quality control. This is a key element in ensuring consistent quality, allowing us to replicate our tradition and success to new restaurant brands easily, and contribute to our growth over the years. In FY2016, FY2017 and 9M2018, we opened 28, 32 and 23 new restaurants under different brands, most of which have achieved breakeven typically within two to three months. We believe that our replicable operation model and strong capabilities in expanding our brand portfolio by adapting to the ever-changing market condition and customer preference will continue to be one of the critical factors for our future success.

For FY2016, FY2017 and 9M2018, our revenue was HK$2,513.0 million, HK$2,771.3 million and HK$2,348.9 million, and our profit for the year/period was HK$196.9 million, HK$209.6 million and HK$289.3 million, respectively.

The following table sets out the breakdown of our revenue for FY2016, FY2017, 9M2017 and 9M2018:

	FY2016		FY2017		9M2017		9M2018	
	Total revenue	% of total revenue	Total revenue	% of total revenue	Total revenue	% of total revenue	Total revenue	% of total revenue
	(HK$'000)	(%)	(HK$'000)	(%)	(HK$'000) (unaudited)	(%)	(HK$'000)	(%)
Restaurant operations								
Tai Hing	1,868,481	74.4	1,900,924	68.6	1,409,736	69.0	1,539,795	65.6
TeaWood	392,094	15.6	536,509	19.4	401,161	19.6	419,938	17.9
Trusty Congee King	114,877	4.6	149,928	5.4	104,147	5.1	150,997	6.4
Men Wah Bing Teng	–	–	26,312	0.9	14,214	0.7	75,263	3.2
Phở Lệ	–	–	21,464	0.8	12,704	0.6	65,429	2.8
Tokyo Tsukiji	29,436	1.2	28,817	1.0	21,872	1.1	18,771	0.8
Fisher & Farmer	18,463	0.7	18,166	0.7	13,193	0.6	9,735	0.4
Rice Rule	–	–	–	–	–	–	741	–
Other brands (Note)	31,335	1.2	29,836	1.1	22,563	1.1	16,313	0.7
Sub-total	2,454,686	97.7	2,711,956	97.9	1,999,590	97.8	2,296,982	97.8
Sales of food products	58,284	2.3	59,321	2.1	44,846	2.2	51,960	2.2
Total	2,512,970	100.0	2,771,277	100.0	2,044,436	100.0	2,348,942	100.0

Note: Others represent revenue from certain of our discontinued brands during the Track Record Period and up to the Latest Practicable Date.

The following table sets out the breakdown of our revenue for FY2016, FY2017, 9M2017 and 9M2018:

	FY2016		FY2017		9M2017		9M2018	
	HK$'000	%	HK$'000	%	HK$'000	%	HK$'000	%
					(unaudited)			
Hong Kong and Macau	1,833,842	73.0	2,102,396	75.9	1,542,178	75.4	1,809,951	77.1
Mainland China	679,128	27.0	668,881	24.1	502,258	24.6	538,991	22.9
Total	2,512,970	100.0	2,771,277	100.0	2,044,436	100.0	2,348,942	100.0

OUR BUSINESS MODEL

During the Track Record Period, we generated substantially all of our revenue from restaurant operations with a very small portion of revenue generated from our sales of food products.

Our restaurants are operated under two main business models — self-operated (under our owned brands and licensed brand) or franchised. During the Track Record Period, over 97% of our revenue was derived through our self-operated restaurants and we generated royalty income from the franchised restaurants under the Tai Hing Franchise Agreements.

OUR SUPPLIERS AND CUSTOMERS

Our suppliers mainly consist of food ingredients and beverage suppliers. We have established business relationships with all our five largest suppliers (all of whom are Independent Third Parties) for each of FY2016, FY2017 and 9M2018 for more than seven years. Purchases from our five largest suppliers in aggregate accounted for 25.9%, 27.1% and 24.5% of our total purchases for FY2016, FY2017 and 9M2018, respectively, and our purchases from our largest supplier accounted for 11.4%, 10.9% and 9.4% of our total purchases for FY2016, FY2017 and 9M2018, respectively.

The revenue generated by our restaurant business accounted for over 97% of our total revenue during the Track Record Period. Due to the nature of our business, all customers of our restaurants are retail customers from the general public while customers of our food products such as our signature Hong Kong style milk tea and festive products are retail customers and corporate customers.

Please see "Business — Our Suppliers" and "Business — Our Customers" for further information on our suppliers and customers.

OUR COMPETITIVE STRENGTHS

We believe we possess the following competitive strengths:

- We are a leading market player in the Hong Kong catering service industry with strong brand recognition.
- Strong capability and track record in developing brands and growing our brand portfolio to capture a broad spectrum of customers.
- Highly standardised operation, automated production and food preparation processes and efficient management system as a systematic platform to sustain future growth.
- Well-positioned to capture the growth in the Mainland China catering service market to support future growth.
- Leadership under experienced and passionate restaurateurs and professional management team.

Please see "Business — Competitive Strengths" for details of our competitive strengths.

OUR BUSINESS STRATEGIES

We intend to implement the following business strategies to expand our market share, profitability and brand presence:

- Continuous development of our brand portfolio and expansion of our restaurant network;
- Uplifting of our existing restaurants in Hong Kong and Mainland China;
- Enhancement and expansion of our Hong Kong Food Factory and expansion of our Mainland China Food Factory; and
- Enhancement and enrichment of our brand image, awareness and recognition for our future business growth.

Please see "Business — Business Strategies" for details of the above strategies.

USE OF [REDACTED]

Assuming an [**REDACTED**] of HK$[**REDACTED**], we estimate that we will receive [**REDACTED**] of approximately HK$[**REDACTED**] from the [**REDACTED**] after deducting the [**REDACTED**] and other estimated expenses payable by us in connection with the

[**REDACTED**] (assuming the [**REDACTED**] has not been exercised). We intend to use the net [**REDACTED**] from the [**REDACTED**] for the following purposes:

(i) approximately [**REDACTED**]%, or HK$[**REDACTED**], for the opening of new restaurants;

(ii) approximately [**REDACTED**]%, or HK$[**REDACTED**], for the renovation of our existing restaurants in Hong Kong and Mainland China;

(iii) approximately [**REDACTED**]%, or HK$[**REDACTED**], for the enhancement and expansion of our Hong Kong Food Factory and expansion of our Mainland China Food Factory; and

(iv) approximately [**REDACTED**]%, or HK$[**REDACTED**], as general working capital of our Group.

For details, please see the section headed "Future Plans and Use of [**REDACTED**]" in this document.

SUMMARY OPERATING DATA

The following tables set forth certain key performance indicators of our restaurants by brands for the periods indicated:

	FY2016	FY2017	9M2018
Approximate average spending per guest(Note 1) **(HKD)**			
Tai Hing	67.3	66.4	70.0
TeaWood	96.3	94.8	96.5
Trusty Congee King	68.7	60.3	61.5
Men Wah Bing Teng(Note 2)	–	38.5	42.1
Phở Lệ	–	84.7	85.2
Tokyo Tsukiji	84.9	76.6	76.6
Fisher & Farmer	214.9	195.8	176.5
Rice Rule	–	–	43.9
Overall	71.6	70.6	72.6
Approximate average daily sales per restaurant (HKD)(Note 3)			
Tai Hing	50,785	49,687	55,134
TeaWood	50,908	49,931	50,473
Trusty Congee King	33,230	35,834	39,904
Men Wah Bing Teng	–	35,896	46,864
Phở Lệ	–	47,174	41,888
Tokyo Tsukiji	18,375	19,738	18,260
Fisher & Farmer	50,445	49,770	44,862
Rice Rule	–	–	12,148
Overall	48,546	47,725	51,710

	FY2016	FY2017	9M2018
Approximate seat turnover rate (Note 4)			
Tai Hing (Note 5)	5.0	5.1	5.2
TeaWood	5.2	5.3	5.0
Trusty Congee King (Note 5)	5.5	6.7	7.4
Men Wah Bing Teng	–	16.0	17.0
Phở Lệ	–	11.1	9.9
Tokyo Tsukiji	4.2	4.7	4.3
Fisher & Farmer	1.8	2.0	1.6
Rice Rule	–	–	2.5
Overall	5.0	5.2	5.1

	FY2016	FY2017	Same store growth rate	9M2017	9M2018	Same store growth rate
Comparable Restaurants (Note 6) **revenue** (HK$'000)						
Tai Hing	1,489,938	1,479,361	(0.7)%	1,131,249	1,197,132	5.8%
TeaWood	280,015	261,461	(6.6)%	294,988	297,472	0.8%
Trusty Congee King	64,702	68,723	6.2%	78,724	88,656	12.6%
Tokyo Tsukiji	22,506	21,934	(2.5)%	16,615	15,493	(6.8)%
Fisher & Farmer	18,463	18,166	(1.6)%	–	–	–
Total revenue	1,875,624	1,849,645	(1.4)%	1,521,576	1,598,753	5.1%

Notes:

(1) Calculated by dividing gross revenue generated from restaurant operation (excluding takeaway orders) by total number of guests served.

(2) Four of our Men Wah Bing Teng Restaurants adopts self-service order machines and therefore we are unable to accurately calculate the number of guest served. These four restaurants have been excluded for the purpose of this table.

(3) Calculated by dividing the gross revenue from restaurant operation by the total restaurant operation days.

(4) Calculated by dividing the total number of guests served (excluding takeaway orders) by total seating capacity by average operating days.

(5) One of our Tai Hing Restaurants and one of our Trusty Congee King Restaurants were located in food court and shared seating area with other restaurants. As individual seating capacity is not available, seat turnover rate of these restaurants cannot be calculated and is excluded from the calculation.

(6) We define our comparable restaurants as those self-operated restaurants that were in full operation throughout the years/periods under comparison.

Our key performance indicators have remained relatively stable during the Track Record Period. There was a decrease in average spending per guest in Trusty Congee King Restaurants for FY2017 and 9M2018 in comparison with FY2016, which was mainly because they started to offer breakfast during FY2017, which generally has lower prices than lunch and dinner dishes. The decrease in average spending per guest in Tokyo Tsukiji Restaurants for FY2017 and 9M2018 in comparison with FY2016 was due to promotions we offered starting in FY2017, while the decrease in average spending per guest in Fisher & Farmer Restaurants for FY2017 in comparison with FY2016 was due to the suspension of operation for the relocation of the restaurant during FY2017 from Tsim Sha Tsui to Kowloon Bay.

SUMMARY FINANCIAL INFORMATION

Consolidated Statements of Profit or Loss and Other Comprehensive Income

The following table sets forth our consolidated statements of profit or loss and other comprehensive income during the Track Record Period, details of which are set out in the Accountants' Report in Appendix I to this document:

	FY2016	FY2017	9M2017	9M2018
	HK$'000	HK$'000	HK$'000 (unaudited)	HK$'000
Revenue	2,512,970	2,771,277	2,044,436	2,348,942
Cost of materials consumed	(735,162)	(787,030)	(581,650)	(667,754)
Gross profit	1,777,808	1,984,247	1,462,786	1,681,188
Other income and gains, net	32,939	45,696	37,183	16,072
Gain on disposal of non-current assets classified as held for sale	–	–	–	162,614
Staff costs	(743,853)	(858,909)	(624,110)	(767,358)
Depreciation and amortisation	(128,995)	(133,396)	(102,276)	(108,417)
Rental and related expenses	(345,018)	(399,729)	(296,177)	(339,630)
Other operating expenses, net	(328,562)	(347,757)	(242,598)	(289,560)
Finance costs	(16,587)	(19,611)	(14,480)	(18,138)
[**REDACTED**] expenses	–	–	–	(6,536)
PROFIT BEFORE TAX	247,732	270,541	220,328	330,235
Income tax expense	(50,853)	(60,908)	(47,356)	(40,938)
PROFIT FOR THE YEAR/PERIOD	196,879	209,633	172,972	289,297

During 9M2018, we completed the disposal of certain non-current assets classified as held for sale with aggregate consideration of HK$523.8 million to certain related parties and independent third parties, and recognised a net gain on disposal of HK$162.6 million for 9M2018. For details, please see "Financial Information — Description of Selected Items in Consolidated Statements of Profit or Loss and Other Comprehensive Income — Gain on disposal of non-current assets classified as held for sale".

Through our multi-brand business model, we were able to increase our revenue from our existing self-developed brands and introducing new brands during the Track Record Period. Our revenue increased by 14.9% from HK$2,044.4 million for 9M2017 to HK$2,348.9 million for 9M2018, primarily due to (i) the opening of new restaurants under "Men Wah Bing Teng" and "Phở Lệ" brands during 9M2018; (ii) an increase in revenue contribution by our new "Rice Rule" brand during 9M2018; and (iii) an increase of our Comparable Restaurants revenue for "Tai Hing" and "Trusty Congee King" brands. For details of our Comparable Restaurants, please see "Financial Information — Key Factors Affecting Our Results of Operation and Financial Condition — Comparable Restaurant revenue".

Excluding non-recurring gain on disposal of non-current assets classified as held for sale and [**REDACTED**] expenses, our profit for 9M2018 would be HK$133.2 million, representing a decrease of 23.0% over 9M2017, primarily due to increase in staff costs, other operating expenses and cost associated from temporary suspension of restaurant operation due to renovation.

Key Consolidated Statements of Financial Position Information

	As at 31 December		As at 30 September
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Non-current assets	1,140,828	932,737	957,263
Current assets	1,105,972	801,650	412,632
Total assets	2,246,800	1,734,387	1,369,895
Current liabilities	1,320,081	1,460,106	530,120
Non-current liabilities	60,669	76,621	489,471
Total liabilities	1,380,750	1,536,727	1,019,591
Net current liabilities	(214,109)	(658,456)	(117,488)
Total equity	866,050	197,660	350,304

We recorded net current liabilities of HK$214.1 million, HK$658.5 million, HK$117.5 million and HK$112.8 million as at 31 December 2016 and 2017, 30 September 2018 and 30 November 2018, respectively. Our net current liabilities during the Track Record Period were mainly attributable to our interest-bearing bank borrowings. Our interest-bearing bank borrowings are mainly used for (i) financing our non-current assets such as rental deposits and purchase of property, plant and equipment; and (ii) centralised treasury function with related parties prior to our Reorganisation. As at 31 December 2016 and 2017, the entire amount of our bank borrowings were subject to repayable on demand clause and were classified as current liabilities. As at 30 September 2018 and 30 November 2018, our bank borrowings of HK$102.5 million and HK$114.1 million, respectively, were classified as current liabilities, while HK$412.5 million and HK$432.6 million, respectively, were classified as non-current liabilities. For details of the risk associated with net current liabilities, please see "Risk Factors — Our net current liabilities may expose us to certain liquidity risks and could restrain our operation flexibility as well as affect our ability to expand our business".

Key Information from our Consolidated Statement of Cash Flows

	FY2016	FY2017	9M2017	9M2018
	HK$'000	HK$'000	HK$'000 (unaudited)	HK$'000
Net cash flows from operating activities	171,983	185,665	141,148	468,970
Net cash flows (used in)/from investing activities	(270,671)	(269,859)	(117,724)	119,822
Net cash flows from/(used in) financing activities	114,455	94,530	61,522	(542,333)
Net increase in cash and cash equivalents	15,767	10,336	84,946	46,459
Cash and cash equivalents at beginning of year/period	140,534	152,491	152,491	164,682
Effect of foreign exchange rate changes, net	(3,810)	1,855	3,524	(5,914)
Cash and cash equivalents at end of year/ period	152,491	164,682	240,961	205,227

Key Financial Ratios

	FY2016	FY2017	9M2018
Gross profit margin (%)	70.7	71.6	71.6
Net profit margin (%)	7.8	7.6	12.3
Return on equity (%)	25.8	39.4	N/A
Return on total assets (%)	9.4	10.5	N/A
Interest coverage (times)	15.9	14.8	19.2

	As at 31 December		As at 30 September
	2016	2017	2018
Current ratio	0.8	0.5	0.8
Quick ratio	0.8	0.5	0.7
Gearing ratio (%)	102.7	515.6	147.0
Net debt to equity ratio (%)	85.1	432.3	88.4

For commentary on the fluctuations of the above, please see "Financial Information — Key Financial Ratios".

[REDACTED] EXPENSES

Assuming an [**REDACTED**] of [**REDACTED**], being the mid-point of indicative price range for the [**REDACTED**], total [**REDACTED**] expenses in relation to the [**REDACTED**] are expected to be approximately [**REDACTED**], in which (i) [**REDACTED**] was recognised in the consolidated statements of profit or loss and other comprehensive income for 9M2018; (ii) approximately [**REDACTED**] and [**REDACTED**] are expected to be recognised as expenses in our consolidated statements of profit or loss and other comprehensive income for the fourth quarter of FY2018 and FY2019, respectively; and (iii) approximately [**REDACTED**] is expected to be accounted for as a deduction from equity upon [**REDACTED**] under the relevant accounting standard. The actual amounts to be recognised to the consolidated statements of comprehensive income of our Group or to be capitalised are subject to adjustments based on audit and changes in variables and assumptions.

SHAREHOLDERS INFORMATION

Controlling Shareholders

Immediately following the completion of the [**REDACTED**] and Capitalisation Issue (without taking into account any Share which may be issued upon the exercise of the Share Options or the [**REDACTED**]), Chun Fat will hold [**REDACTED**]% of our Company. Chun Fat is an investment holding company owned by Mr. Chan, Mr. Lau, Mr. Ho and Mr. Yuen as to 70.7%, 12.6%, 9.9% and 6.8%, respectively. As such, Chun Fat, Mr. Chan, Mr. Lau, Mr. Ho and Mr. Yuen are our controlling shareholders and will continue to be so after the [**REDACTED**]. Details of the background of our Mr. Chan, Mr. Lau, Mr. Ho and Mr. Yuen are set out in the "Directors and Senior Management" section.

[REDACTED]

In November 2018, Ms. Chan Shuk Fong (one of our executive Directors), Mr. Chan Ka Keung, Mr. Lam Tai Po, Mr. Ho Siu Fung, Mr. Yiu Man, Mr. Sin Wai Hung, Ms. Yu Lin Ho, Ms. Tsun Tsz Wai and Ms. Tsun Tsz Yan Venice, through a series of share transfers, acquired 6,876 Shares in aggregate, representing approximately 6.9% interest in our Company immediately prior to the [**REDACTED**] and Capitalisation Issue. Please see "History, Development and Reorganisation — Reorganisation — [**REDACTED**]" for details of such [**REDACTED**].

STATISTICS OF THE [REDACTED]

	Based on an [REDACTED] of [REDACTED]	Based on an [REDACTED] of [REDACTED]
[**REDACTED**] of the Shares[1]	[**REDACTED**]	[**REDACTED**]
Unaudited pro forma adjusted consolidated net tangible assets per Share[2]	[**REDACTED**]	[**REDACTED**]

Notes:

(1) The calculation of market capitalisation is based on each indicative [**REDACTED**] and [**REDACTED**] Shares in issue immediately after completion of the [**REDACTED**] but takes no account of any Shares which may fall to be issued upon the exercise of the [**REDACTED**] or any Share Options or any Shares which may be allotted, issued or repurchased by the Company pursuant to the general mandates for the allotment and issue or repurchase of Shares referred to in the paragraph headed "A. Further Information About Our Group — 4. Written resolutions of our Shareholders passed on [●] 2019" in the section headed "Statutory and General Information" in Appendix V to this document.

(2) The unaudited pro forma adjusted net tangible assets value per Share has been arrived at after the adjustments referred to in the paragraph headed "Unaudited pro forma adjusted net tangible assets" under the section headed "Financial information" in this document and on the basis of [**REDACTED**] Shares in issue immediately after completion of the [**REDACTED**] but takes no account of any Shares which may fall to be issued under the [**REDACTED**] or Share Options or any Shares which may be allotted, issued or repurchased by the Company pursuant to the general mandates for the allotment and issue or repurchase of Shares referred

to in the paragraph headed "A. Further Information About Our Group — 4. Written resolutions of our Shareholders passed on [●] 2019" in the section headed "Statutory and General Information" in Appendix V to this document.

RECENT DEVELOPMENTS

We plan to open one restaurant in Hong Kong under a new brand during the first quarter of FY2019, which will be offering Taiwanese spicy hotpot cuisine (台式麻辣火鍋). We intend to cooperate, on an exclusive basis, with a new business partner, who is an owner of restaurants offering similar cuisine in Taiwan, to develop certain recipes for soup base and side dishes.

Our Company declared a special dividend of HK$[40.0] million on [●] 2019.

Our Directors confirm that as far as we are aware, except as disclosed in this document, there has been no material adverse change in our business operations, financial conditions or trading position since 30 September 2018, being the date to which our latest audited consolidated financial information was prepared, and up to the Latest Practicable Date, which would materially affect the information as set out in the Accountants' Report in Appendix I to this document.

DIVIDENDS AND DIVIDEND POLICY

The dividends declared by the companies now comprising our Group to their then respective shareholders was HK$14.0 million, HK$891.4 million and HK$122.6 million for FY2016, FY2017 and 9M2018, respectively. The dividends declared for FY2016, FY2017 and 9M2018 have been settled. On [●] 2019, our Company declared a special dividend of HK$[40.0] million, which is expected to be settled prior to the Listing Date.

We currently aim to pay a total dividend in respect of each financial year of not less than 30% of our distributable profits for any particular financial year, subject to the Companies Law and other applicable laws and regulations, as well as factors and considerations more specifically set out in "Financial Information — Dividend and Dividend Policy". We cannot assure you that we will be able to distribute dividend of the above amount or any amount or at all, in any particular financial year. The declaration and payment of dividend may also be limited by legal restrictions, loans or other agreements that we have entered into or may enter into in future.

RISK FACTORS

Our business is subject to a number of risks and there are risks relating to an [**REDACTED**] in the [**REDACTED**]. We believe that the following are some of the major risks that may have a material adverse effect on us:

- Our success depends significantly on the market recognition of our brands, and any damage to our brands, whether in our existing markets or new markets, could materially and adversely impact our business and results of operations.

- We have in recent years experienced rapid expansion, leading to increased risks and uncertainties, and our management system may not be effective enough to address such risks and uncertainties.

- Our operations are susceptible to increase in purchase cost for food ingredients, which could adversely affect our margins and results of operations.

- If our suppliers do not deliver food and other supplies at competitive prices or in a timely manner, we may experience supply shortages and increased food costs.

- As at the Latest Practicable Date, we leased all of the properties on which our restaurants operate, and we are exposed to risks relating to the commercial real estate rental market, including unpredictable and potentially high occupancy costs.

You should read the entire "Risk Factors" section carefully.

LEGAL COMPLIANCE

During the Track Record Period, there were instances where we did not fully comply with the laws and regulations in the countries or regions in which we have operations. In particular, we did not (i) make adequate contribution to social insurance and housing provident fund for certain of our employees in Mainland China, (ii) obtain relevant fire safety inspection approvals before commencing operation of two restaurants in Mainland China, (iii) timely file all Forms 56E under (Chapter 112 of the Laws of Hong Kong), and (iv) obtain restaurant licence for one restaurant in Macau before it commenced operation. Our Directors are of the view that these incidents did not and will not have material adverse impact on our business operation and financial conditions. For details, please see "Business — Legal Proceedings and Compliance".

In this document, unless the context otherwise requires, the following expressions shall have the following meanings:

"9M2017"	the nine months ended 30 September 2017
"9M2018"	the nine months ended 30 September 2018
"affiliate(s)"	any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
"AIC Confirmation"	the deed of confirmation dated 14 December 2018 by Mr. Chan, Mr. Yuen, Mr. Lau, Mr. Ho and Chun Fat, confirming the existence of their acting-in-concert arrangement
[**REDACTED**]	[**REDACTED**]
"Articles" or "Articles of Association"	the amended and restated articles of association of the Company conditionally adopted on [●] 2019 and effective on the Listing Date, as amended or supplemented from time to time
"Beijing Airport Tai Hing Franchise Agreements"	the franchise agreements entered into by our Group (as franchisor) and our Tai Hing Franchise Partner (as franchisee) on 25 October 2014, 29 April 2016 and 15 December 2018 in relation to the operation of Tai Hing Restaurants in the Beijing Capital International Airport
"Board" or "Board of Directors"	the board of directors of the Company
"business day"	any day (other than a Saturday, Sunday or public holiday) on which banks in Hong Kong are generally open for normal banking business
"BVI"	the British Virgin Islands
"CAGR"	compound annual growth rate

"Capitalisation Issue"	the issue of [**REDACTED**] Shares to be made upon capitalisation of an amount of [**REDACTED**] standing to the credit of the share premium account of our Company referred to under "Statutory and General Information — A. Further Information About Our Group — 4. Written resolutions of our Shareholders passed on [●] 2019" in Appendix V to this document
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant
"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
"CCASS Participant"	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
"Chun Fat"	Chun Fat Company Limited (俊發有限公司), a company incorporated in the BVI with limited liability on 30 November 2017 and directly owned as to 70.7% by Mr. Chan, 12.6% by Mr. Lau, 9.9% by Mr. Ho and 6.8% by Mr. Yuen. Chun Fat is a Controlling Shareholder
"Companies Law" or "Cayman Islands Companies Law"	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended or supplemented from time to time
"Companies (Winding Up and Miscellaneous Provisions) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended or supplemented from time to time
"Company" or "our Company"	Tai Hing Group Holdings Limited (太興集團控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 11 December 2017

"Controlling Shareholder(s)"	has the meaning ascribed thereto under the Listing Rules and, unless the context requires otherwise, refers to the controlling shareholders of our Company, namely Chun Fat, Mr. Chan, Mr. Lau, Mr. Ho and Mr. Yuen
"Deed of Indemnity"	the deed of indemnity dated [●] 2019 executed by our Controlling Shareholders in favour of our Company, particulars of which are set out in the paragraph headed "Statutory and General Information — F. Other Information — 3. Indemnities given by our Controlling Shareholders" in Appendix V to this document
"Deed of Non-Competition"	the deed of non-competition dated [●] 2019 executed by our Controlling Shareholders in favour of our Company, particulars of which are set out in the section headed "Relationship with Controlling Shareholders — Deed of Non-Competition" in this document
"Director(s)"	the director(s) of our Company
"EIT Law"	Enterprise Income Tax Law of the PRC* (《中華人民共和國企業所得稅法》), as amended or supplemented from time to time
"Fisher & Farmer Restaurant(s)"	Chinese cuisine restaurant(s) operated under our "Fisher & Farmer" (漁牧) brand
"Food Factories"	our Hong Kong Food Factory and Mainland China Food Factory
"Frost & Sullivan"	Frost & Sullivan International Limited, a consulting firm that provides market research and analysis
"Frost & Sullivan Report"	the report prepared by Frost & Sullivan, further information of which is set out in the section "Industry Overview"
"FY"	financial year ended or ending 31 December, as applicable
"FY2016"	financial year ended 31 December 2016
"FY2017"	financial year ended 31 December 2017
"FY2018"	financial year ended 31 December 2018
"FY2019"	financial year ending 31 December 2019

"FY2020"	financial year ending 31 December 2020
"FY2021"	financial year ending 31 December 2021
"GDP"	gross domestic product
"GFA"	gross floor area
[**REDACTED**]	[**REDACTED**]
[**REDACTED**]	[**REDACTED**]
"Group", "our Group", "we" or "us"	our Company and its subsidiaries at the relevant time or, where the context otherwise requires, in respect of the period prior to our Company becoming the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time
"Haikou Meilan International Airport Tai Hing Franchise Agreement"	the franchise agreement entered into by our Group (as franchisor) with our Tai Hing Franchise Partner (as franchisee) on 24 January 2014 in relation to the operation of a Tai Hing Restaurant in the Haikou Meilan International Airport
[**REDACTED**]	[**REDACTED**]
[**REDACTED**]	[**REDACTED**]
"HK$", "HKD" or "Hong Kong dollars"	Hong Kong dollars, the lawful currency of Hong Kong
"HKFRS"	Hong Kong Financial Reporting Standards
"HKSCC"	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC

"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Hong Kong Airport Tai Hing Franchise Agreements"	the franchise agreements entered into by our Group (as franchisor) and our Tai Hing Franchise Partner (as franchisee) on 23 July 2015 and 5 February 2016 in relation to the operation of Tai Hing Restaurants in the Hong Kong International Airport
[**REDACTED**]	[**REDACTED**]
"Hong Kong Food Factory"	our food factory and Hong Kong Logistics Centre located in Fo Tan, Hong Kong
"Hong Kong Government"	the government of Hong Kong
"Hong Kong Logistics Centre"	our logistics centre located in Fo Tan, Hong Kong
[**REDACTED**]	[**REDACTED**] new Shares being initially offered by our Company for subscription pursuant to the [**REDACTED**] subject to adjustment as described in the "Structure of the [**REDACTED**]" section
[**REDACTED**]	the [**REDACTED**] by our Company of the [**REDACTED**] to the public in Hong Kong for subscription at the [**REDACTED**], on and subject to the terms and conditions set out in this document and the [**REDACTED**], as further described in the "Structure of the [**REDACTED**]" section
[**REDACTED**]	the [**REDACTED**] listed in "[**REDACTED**]", being the [**REDACTED**] of the [**REDACTED**]
[**REDACTED**]	the [**REDACTED**] dated [**REDACTED**] relating to the [**REDACTED**] entered into by, among others, [our Company, the Sole Sponsor and the [**REDACTED**]], as further described in the "[**REDACTED**]" section
"Independent Third Party(ies)"	a party or parties that is or are independent of and not connected with (within the meaning of the Listing Rules) any Directors, chief executive, substantial Shareholders of our Company, our subsidiaries or any of their respective associates

[**REDACTED**]	the conditional [**REDACTED**] of the [**REDACTED**] outside the United States in offshore transactions in reliance on [**REDACTED**], including to professional investors in Hong Kong, at the [**REDACTED**], as further described in the "Structure of the [**REDACTED**]" section
[**REDACTED**]	[**REDACTED**] new Shares being initially [**REDACTED**] by our Company for subscription under the [**REDACTED**] together, where relevant, with any additional Shares which may be issued by our Company pursuant to the exercise of the [**REDACTED**] as described in "Structure of the [**REDACTED**]"
[**REDACTED**]	the [**REDACTED**] of the [**REDACTED**] who are expected to enter into the [**REDACTED**]
[**REDACTED**]	the [**REDACTED**] relating to the [**REDACTED**] to be entered into by, among others, [the Company and the [**REDACTED**] on or about the [**REDACTED**], as further described in "[**REDACTED**]"
"ISO"	the International Organisation for Standardisation, a non-government organisation based in Geneva, Switzerland, for assessing the quality systems of business organisations
[**REDACTED**]	[**REDACTED**]
[**REDACTED**]	[**REDACTED**]
"Latest Practicable Date"	7 January 2019, being the latest practicable date for the purpose of ascertaining certain information contained in this document prior to its publication
"Listing"	the listing of the Shares on the Main Board of the Stock Exchange
"Listing Committee"	the listing committee of the Stock Exchange
"Listing Date"	[**REDACTED**]

"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended or supplemented from time to time
"Macau"	the Macau Special Administrative Region of the People's Republic of China
"Main Board"	the stock exchange (excluding the options market) operated by the Stock Exchange which is independent from and operated in parallel with the GEM of the Stock Exchange
"Mainland China" or "PRC"	the People's Republic of China, excluding for the purposes of this document only, Hong Kong, Macau and Taiwan
"Mainland China Food Factory"	our food factory located in Dongguan, Mainland China
"Memorandum" or "Memorandum of Association"	the amended and restated memorandum of association of the Company conditionally adopted on [●] 2019 and effective on the Listing Date, as amended or supplemented from time to time
"Men Wah Bing Teng Restaurant(s)"	"bing teng" (冰廳) style restaurant(s) operated under our "Men Wah Bing Teng" (敏華冰廳) brand (or its predecessor brand)
"MOP"	Macanese Pataca, the lawful currency of Macau
"Mr. Chan"	Mr. Chan Wing On (陳永安先生), our chairman of our Board, executive Director and a Controlling Shareholder
"Mr. Ho"	Mr. Ho Ping Kee (何炳基先生), our non-executive Director and a Controlling Shareholder
"Mr. Lau"	Mr. Lau Hon Kee (劉漢基先生), our executive Director and a Controlling Shareholder
"Mr. Yuen"	Mr. Yuen Chi Ming (袁志明先生), our executive Director and a Controlling Shareholder
"NT$" or "NTD"	New Taiwan dollar, the lawful currency of Taiwan

[**REDACTED**]	the final Hong Kong dollar price per [**REDACTED**] (exclusive of brokerage, SFC transaction levy and the Stock Exchange trading fee payable thereon) of not more than [**REDACTED**] and expected to be not less than [**REDACTED**] at which the [**REDACTED**] are to be subscribed for pursuant to the [**REDACTED**]
[**REDACTED**]	the [**REDACTED**] and the [**REDACTED**] together, where relevant, with any additional Shares allotted and issued pursuant to the exercise of the [**REDACTED**]
[**REDACTED**]	the option expected to be granted by us to the [**REDACTED**] under the [**REDACTED**], exercisable by the [**REDACTED**] (for itself and on behalf of the [**REDACTED**]), pursuant to which we may be required to allot and issue up to [**REDACTED**] additional Shares (representing 15% of the number of [**REDACTED**] initially being [**REDACTED**] under the [**REDACTED**]) at the [**REDACTED**], to, among other things, cover over-allocations in the [**REDACTED**], if any, as further described in "Structure of the [**REDACTED**]"
"Phở Lệ Cooperation Agreement"	the cooperation agreement entered into by our Group (as licensee and transferee of the relevant trademark in specified territories) and an Independent Third Party (as licensor and transferor) on 6 September 2016 in relation to (among others) the operation of Phở Lệ Restaurants in Hong Kong, Mainland China, Macau and Taiwan
"Phở Lệ Restaurant(s)"	Vietnamese cuisine restaurant(s) operated under our Phở Lệ (錦麗) brand
[**REDACTED**]	the agreement expected to be entered into by the Company and the [**REDACTED**] (for itself and on behalf of the [**REDACTED**]) on the [**REDACTED**] to determine the final [**REDACTED**]
[**REDACTED**]	the date expected to be on or around [**REDACTED**], but no later than [**REDACTED**], on which the [**REDACTED**] is fixed for the purpose of the [**REDACTED**]
[**REDACTED**]	[**REDACTED**]

"Reorganisation"	the reorganisation of the Group in preparation for the listing, details of which are set out in "History, Development and Reorganisation — Reorganisation"
"Rice Rule Restaurant(s)"	Chinese cuisine restaurant(s) operated under our "Rice Rule" (飯規) brand
"RMB"	Renminbi, the lawful currency of the PRC
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO" or "Securities and Futures Ordinance"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time
"Shanghai Airport Tai Hing Franchise Agreement"	the franchise agreement entered into by our Group (as franchisor) and our Tai Hing Franchise Partner (as franchisee) on 28 August 2016 in relation to the operation of a Tai Hing Restaurant at the Shanghai Pudong International Airport
"Share(s)"	ordinary share(s) with a par value of HK$0.01 each in the share capital of the Company
"Shareholder(s)"	holder(s) of Shares
"Share Options"	options granted under the Share Option Scheme
"Share Option Scheme"	the share option scheme conditionally adopted by our Company on [●] 2019 for the benefit of our Directors, members of senior management, employees and other eligible participants defined in the scheme, a summary of the principal terms of which is set forth in "Appendix V — Statutory and General Information — D. Share Option Scheme" in this document
"Sole Sponsor"	BOCOM International (Asia) Limited, a licensed corporation under the SFO permitted to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities
"sq.ft."	square foot (plural: square feet)
"sq.m." or "m^2"	square metre(s), one square metre equals to approximately 10.76 sq.ft.
[REDACTED]	**[REDACTED]**

[**REDACTED**]	the agreement expected to be entered into by Chun Fat and the [**REDACTED**] in respect of the lending and borrowing of [**REDACTED**] Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Tai Hing (BVI)"	Tai Hing Group Holdings (BVI) Limited, a company incorporated in the BVI with limited liability on 1 November 2017 and directly wholly-owned by our Company
"Tai Hing (Samoa)"	Tai Hing Holdings Limited, an international company incorporated in Samoa on 6 August 1996 and an Independent Third Party
"Tai Hing Franchise Agreements"	the Hong Kong Airport Tai Hing Franchise Agreements, the Beijing Airport Tai Hing Franchise Agreements, the Haikou Meilan International Airport Tai Hing Franchise Agreement and the Shanghai Airport Tai Hing Franchise Agreement
"Tai Hing Franchise Partner"	our business partner (together with its subsidiaries and associates), which is the franchisee in our franchise arrangements under the Tai Hing Franchise Agreements, each of whom is an Independent Third Party
"Tai Hing Restaurant(s)"	Chinese cuisine restaurant(s) operated under our "Tai Hing" (太興) brand
"Taiwan Joint Venture Agreement"	the joint venture agreement entered into between our Group and Taiwan JV Partner (as defined in "Business — Cooperation, franchise and joint-venture agreements — Taiwan Joint Venture Agreement") on 13 September 2018
"Takeovers Code"	The Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended or supplemented from time to time
"TeaWood Restaurant(s)"	Taiwanese cuisine restaurant(s) and/or café(s) operated under our "TeaWood" (茶木) brand
"Tokyo Tsukiji Restaurant(s)"	Japanese cuisine restaurant(s) operated under our "Tokyo Tsukiji" (東京築地食堂) brand
"Track Record Period"	FY2016, FY2017 and 9M2018

"Trusty Congee King Restaurant(s)"	Chinese cuisine restaurant(s) operated under our "Trusty Congee King" (靠得住) brand
"U.S.", "US" or "United States"	the United States of America, its territories and possessions, any state of the United States and the District of Columbia
"U.S. Securities Act"	the United States Securities Act 1933, as amended or supplemented from time to time
[**REDACTED**]	the [**REDACTED**] and the [**REDACTED**]
[**REDACTED**]	the [**REDACTED**] and the [**REDACTED**]
"VAT"	value-added tax of the PRC
[**REDACTED**]	the form(s) of application for the [**REDACTED**] for use by the public who require such [**REDACTED**] to be issued in the applicants' own name
[**REDACTED**]	the form(s) of application for the [**REDACTED**] for use by the public who require such [**REDACTED**] to be deposited directly into CCASS
"%"	per cent.

In this document, unless the context otherwise requires, the terms "associate", "close associate", "connected person", "connected transaction", "controlling shareholder", "subsidiary" and "substantial shareholder" shall have the meanings given to such terms in the Listing Rules.

Unless otherwise specified, all references to any shareholdings in our Company assume no exercise of the [**REDACTED**] *and do not take into account any Shares which may be allotted and issued upon the exercise of the Share Options.*

For ease of reference, the names of Chinese laws and regulations, governmental authorities, institutions, natural persons or other entities (including certain of our subsidiaries) have been included in this document in both the Chinese and English languages and in the event of any inconsistency, the Chinese versions shall prevail. English translations of company names and other terms from the Chinese language are marked with "" and are provided for identification purposes only.*

If there is any inconsistency between this document and the Chinese translation of this document, this document shall prevail.

This document contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties. The forward-looking statements are contained principally in the sections headed "Summary", "Risk Factors", "Industry Overview", "Business", "Financial Information" and "Future Plans and Use of [**REDACTED**]" in this document. These statements relate to events that involve known and unknown risks, uncertainties and other factors, including those listed under the section headed "Risk Factors" in this document, which may cause our actual results, performance or achievements to be materially different from performance or achievements expressed or implied by the forward-looking statements. These forward-looking statements include, without limitation, statements relating to:

- our business strategies and operating plans;
- our capital expenditure and expansion plans;
- our ability to identify and successfully take advantage of new business development opportunities;
- our dividend policy;
- our prospective financial information; and
- the regulatory environment and industry outlook for the catering service industry.

The words "anticipate", "believe", "could", "estimate", "expect", "intend", "may", "plan", "seek", "will", "would" and the negative of these terms and other similar expressions, as they relate to us, are intended to identify a number of these forward-looking statements. These forward-looking statements reflect our current views with respect to future events and are not a guarantee of future performance. Actual results may differ materially from information contained in the forward-looking statements as a result of a number of uncertainties and factors, including but not limited to:

- any changes in the laws, rules and regulations relating to any aspect of our business or operations;
- general economic, market and business conditions in Hong Kong, Mainland China, Macau, Taiwan and overseas;
- various business opportunities that we may pursue; and
- the risk factors discussed in this document as well as other factors beyond our control.

Subject to the requirements of applicable laws, rules and regulations, we do not have any obligation to update or otherwise revise the forward-looking statements in this document, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this document might not occur in the way we expect, or at all.

Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements contained in this document are qualified by reference to the cautionary statements set forth in this section as well as the risks and uncertainties discussed in the section headed "Risk Factors" in this document.

In addition to other information in this document, you should carefully consider the following risk factors before making any [**REDACTED**] *decision in relation to the* [**REDACTED**]. *Any of the following risks, as well as other risks and uncertainties that are not yet identified or that we currently think are immaterial, may materially and adversely affect our business, financial condition or results of operations, or otherwise cause a decrease in the trading price of the* [**REDACTED**] *and cause you to lose part or all of the value of your* [**REDACTED**] *in the* [**REDACTED**].

RISKS RELATING TO OUR BUSINESS

Our success depends significantly on the market recognition of our brands, and any damage to our brands, whether in our existing markets or new markets, could materially and adversely impact our business and results of operations.

We believe our success depends substantially on the popularity of our brands. In particular, we have invested significant effort and financial resources to establish the recognition and reputation of our "Tai Hing" brand. In addition, we provide different cuisines under various other brands as part of our multi-brand strategy. These other brands target different markets with different consumer groups. We believe that our continued success will depend in large part on our ability to protect and enhance the value of all our brands. Any incident that may erode consumer trust in or affinity for our brands could significantly reduce their value. As we continue to grow in size, extend our geographic reach and expand our food offerings services and brand portfolio, maintaining food and services quality and consistency may become more difficult and we cannot assure you that customer confidence in our brands will not diminish. If consumers perceive or experience a reduction in food quality, service, ambiance or believe in any way that we are failing to deliver a consistently positive experience, our brand value could suffer, which could have a material adverse effect on our business.

Furthermore, the brand image of our restaurants is subject to reviews by food critics who analyse food and services of restaurants and then publish their experience on websites and social media. We have no control on the content of their blog or articles, or photographs and publications of such food critics, including whether or not they are true or accurate. Any publication of negative comments or reviews by the food critics about their experience at our restaurants may adversely affect our brand image and reputation, regardless of their validity. In the event that any negative publicity or review is associated with any of our restaurants or if any of our brands' reputation is negatively affected, the results of our business operations could be adversely affected.

We have in recent years experienced rapid expansion, leading to increased risks and uncertainties, and our management system may not be effective enough to address such risks and uncertainties.

We have increased the number of our restaurants (including restaurants operated by us (under our owned brands and licensed brand) and our franchisees) from 152 as at 31 December 2016 to 168 as at 31 December 2017, to 180 as at 30 September 2018 and further to 185 as at the Latest Practicable Date. Our current expansion plan contemplates a more rapid pace of expansion than we have previously undergone and we expect our rapid growth to continue in the foreseeable future. It is a challenge to continue our growth while ensuring consistent and high quality of food and services. In particular, we face challenges in the following aspects of our operations:

- *Food safety, consistency and quality.* A large-scale chain restaurant has a large number of restaurant staff. Even though we have extensively implemented automated food processing machinery in our production chain, the nature of restaurant business remains labour intensive. As our operations expand, it may be difficult to ensure that the dining experience across all of our restaurants is consistently of high quality, and that all of our staff comply with laws and regulations of multiple jurisdictions, especially the detailed and stringent regulations in relation to food safety.

- *Talent pool for restaurant managers.* A number of our restaurant managers are internally promoted. They start from non-managerial staff positions and rise through the ranks to become restaurant managers under our training programmes. Our continuing expansion may place a strain on our pool of qualified candidates for restaurant managers. Our continuing growth also depends on our ability to recruit, train and retain additional qualified management personnel as well as other administrative, sales and marketing personnel, particularly as we expand into new markets.

- *Supply chain management*. Our success relies on our ability to ensure consistency and quality of our food ingredients and dishes. As we rapidly expand, it may become increasingly difficult to procure fresh and high quality ingredients with stable supply and consistent quality from reliable suppliers and manage the inventory and logistics in an efficient manner at our Food Factories and across all of our restaurants.

We currently plan to expand our business operations in Hong Kong, Mainland China and Taiwan by opening 32, 35 and 38 restaurants for FY2019, FY2020 and FY2021. There is no assurance that we will be able to expand at the expected pace or effectively manage our growth. Our expansion may place substantial demands on our management and our operational, technological, financial and other resources, as well as significant pressure on us to maintain consistent food and service quality across our larger restaurant network. There can be no assurance that our management system will always be able to address all of our needs at different stages of our growth. Any significant failure or deterioration of our management system could have a material adverse effect on our business and financial results.

Our operations are susceptible to increases in purchase costs for food ingredients, which could adversely affect our margins and results of operations.

Our profitability depends partly on our ability to anticipate and react to changes in purchase costs of food ingredients. Food costs, as represented by our cost of materials consumed, accounted for 29.3%, 28.4% and 28.4% of our revenues for FY2016, FY2017 and 9M2018, respectively.

The availability (in terms of type, variety and quality) and price of food supplies can fluctuate and be volatile and are subject to factors beyond our control, including seasonal fluctuations, climate conditions, natural disasters, general economic conditions, global demand, governmental regulations, exchange rates and availability, each of which may affect our food costs or cause a disruption to our supply. Our suppliers may also be affected by higher costs to produce the goods and services supplied to us, rising labour costs and other expenses that they pass through to their customers, which could result in higher costs for goods and services supplied to us. During the Track Record Period and up to the Latest Practicable Date, we had not entered into any long term contracts with our suppliers.

In addition, we do not enter into futures contracts or engage in other financial risk management strategies against potential price fluctuations in food costs. We may not be able to anticipate and react to changes in food costs through our purchasing practices, by making changes to menu offerings or menu price adjustments in the future. Further, we may neither want to nor be able to pass these cost increases onto our customers. The failure to do so may materially and adversely affect our business and results of operations.

If our suppliers do not deliver food and other supplies at competitive prices or in a timely manner, we may experience supply shortages and increased food costs.

The ability to source quality food ingredients at competitive prices in a timely manner is crucial to our business. Our ability to maintain consistent quality and maintain our menu offerings throughout our restaurants depends in part upon our ability to acquire fresh food products and related supplies from reliable sources that meet our quality specifications and are in sufficient quantities. For FY2016, FY2017 and 9M2018, the aggregate amount of purchases from our five largest suppliers in aggregate accounted for approximately 25.9%, 27.1% and 24.6% of our total amount of purchases, respectively, and our amount of purchases from our largest supplier accounted for approximately 11.4%, 10.9% and 9.4%, respectively, of our total amount of purchases. During the Track Record Period, none of our key suppliers ceased or indicated that they would cease supply of food ingredients to us, and we did not experience any material delays or interruptions in securing the supply of food ingredients from our key suppliers. However, there can be no assurance that we will be able to maintain business relationships with our key suppliers.

A disruption of our food supplies can occur for a variety of reasons, many of which are beyond our control, including unanticipated demand, adverse weather conditions, natural disasters, diseases, a supplier ceasing operations or unexpected production shortages. There is no assurance that our current supplies will always be able to meet our stringent quality control requirements in the future. If any of our suppliers do not perform adequately or otherwise fail to distribute products or supplies to us in a timely manner, we cannot assure you that we will be able to find suitable replacement suppliers on acceptable terms or within a reasonable time frame. Any failure to do so could increase our food costs and could cause shortages of food and other supplies at our restaurants that may cause us to remove certain items from the menus of one or more restaurants. Any significant changes to our menus for a prolonged period of time could result in a significant reduction in revenue during the time affected by the shortage and could cause a change in guests' dining preferences.

As at the Latest Practicable Date, we leased all of the properties on which our restaurants operate, and we are exposed to risks relating to the commercial real estate rental market, including unpredictable and potentially high occupancy costs.

As at the Latest Practicable Date, we lease all the properties in which our restaurants operate. Accordingly, rental costs account for a significant portion of our operating expenses. For FY2016, FY2017 and 9M2018, our property rentals and related expenses amounted to HK$345.0 million, HK$399.7 million and HK$339.6 million, respectively, representing 13.7%, 14.4% and 14.5% of our total revenue, respectively. Our Directors believe that, generally, rental costs for premises that are suitable for restaurant businesses in Hong Kong will continue to increase. Our substantial operating lease obligations expose us to potentially significant risks, including increasing our vulnerability to adverse economic conditions, limiting our ability to obtain additional financing and reducing our cash available for other purposes.

We compete with other retailers and restaurants for quality sites in a highly competitive market for retail premises. If we cannot obtain desirable restaurant locations or secure renewals of existing leases on commercially reasonable terms, our business, results of operations and ability to implement our growth strategy will be adversely affected.

The lease agreements for our restaurant typically have an initial term ranging from three to six years in Hong Kong, and six to eight years in Mainland China. Some lease agreements contain an option for us to renew for an additional term. Many of our lease agreements provide that the rent will increase within the initial term or after the initial term at a fixed rate or at the then prevailing market rate. In addition, several of our leases require us to pay an additional contingent rent, determined as a percentage of sales, as specified by the terms of the applicable lease agreement. Where we do not have an option to renew a lease agreement, we must negotiate the terms of renewal with the lessor, which may insist on a significant modification to the terms and conditions of the lease agreement. If a lease agreement is renewed at a rate substantially higher than the existing rate or other existing favourable terms granted by the lessor, if any, are not extended, we must evaluate whether renewal on such modified terms is in our business interest. If we are unable to renew leases for our restaurant sites, we will have to close or relocate the relevant restaurant, which would eliminate the sales that the restaurant would have contributed to our revenues during the period of closure, and could subject us to initial setup costs and other costs and risks. In addition, the revenue and any profit generated at a relocated restaurant may be less than the revenue and profit previously generated at the closed restaurant. Therefore, any inability to obtain leases for desirable restaurant locations or renew existing leases on commercially acceptable terms could have a material adverse effect on our business and results of operations.

Some of our leased properties in Mainland China have title defects and certain lease agreements did not complete registration procedures at relevant authorities.

As at the Latest Practicable Date, we leased all of the properties for our restaurant operations. In Mainland China, the lessors of 16 of our leased properties have not provided valid title certificates or relevant authorization documents evidencing their rights to lease the properties as at the Latest Practicable Date. These 16 leased properties account for an aggregate GFA of approximately 54,616.7 sq.ft., representing approximately 16.3% of our total leased GFA in Mainland China.

The current usage of one of our leased properties in Mainland China is inconsistent with its permitted usage. We currently use this premises as one of our offices while its permitted usage under the relevant title certificate is residential.

We may be subject to challenge, lawsuit or other actions taken against us with respect to these properties. We may be forced to relocate our operations on the affected properties. If we fail to find suitable replacement properties on terms acceptable to us for the affected operations, or if we are subject to any material liability resulting from third-party challenges for our lease of properties, our business, financial condition and results of operations may be materially and adversely affected.

In addition, under the relevant PRC law, all lease agreements are required to be registered with the relevant land and real estate administration bureaus. However, as of the Latest Practicable Date, the lease agreements with respect to 22 (including six leased properties of which the lessors have not provided valid title certificates and the one leased property that has actual usage inconsistent with usage set out in such title certificate mentioned above) of our leased properties had not been registered and filed with the relevant land and real estate administration bureaus in the PRC because the relevant lessors failed to provide necessary documents for us to register the leases with the local government authorities. As advised by our PRC legal advisers, failure to complete the registration and filing of lease agreements will not affect the validity of the lease agreements or result in us being required to vacate the leased properties. However, the relevant PRC authorities may impose a fine ranging from RMB1,000 to RMB10,000 for each of such lease agreements. See "Business — Properties — Leased Properties."

If the sites on which we have chosen to establish our restaurants do not meet our expectations or the demographics or other characteristics of the area surrounding the sites we choose change in an adverse manner, we may have to continue to pay rent even if we choose to cease operations at such sites.

There can be no assurance that the sites of our existing restaurants will meet our expectations or that the neighbourhood characteristics or demographics of the areas surrounding our restaurant sites will not deteriorate or otherwise change in the future, resulting in reduced sales at these sites. For example, construction or renovation works in surrounding areas may adversely affect the accessibility of our restaurants or reduce the pedestrian or vehicle flow in the area, resulting in reduced guest traffic at our restaurants. In these circumstances, we may wish to relocate or cease operations. However, because most of our lease agreements have fixed terms, we would be obligated to continue to make rental payments for the entire duration of such leases at the relevant restaurants. In such circumstances, our business and results of operations may be materially and adversely affected.

The Taiwan market is different from our existing markets in Hong Kong, Mainland China and Macau, and our planned expansion into that market presents significant risks.

We plan to open one, two and three new restaurants under several of our existing brands in Taiwan in FY2019, FY2020 and FY2021, respectively. All markets are different. The Taiwan market is a different business environment, and we will be faced with competitive conditions, consumer preferences and discretionary spending patterns from our existing markets. As a result, any new restaurant we open in new markets may be less successful than restaurants in our existing markets. Consumers in the new markets may not be familiar with our brands and we may need to build brand awareness in such markets through greater investments in advertising and promotional activities than we originally planned. We may find it more difficult in new markets to hire, train and retain qualified employees who share our business philosophy and culture. Restaurants opened in new markets may also have lower average sales or higher initial setup cost, occupancy or operating costs than restaurants in existing markets. In addition, we may have difficulty in finding reliable suppliers or distributors with adequate supplies of ingredients meeting our quality standards in new markets. Sales at restaurants opened in new markets may take longer than expected to ramp up and reach, or may never reach, expected sales and profit levels, thereby affecting our overall profitability.

In addition, we cannot assure you that our menu and style of dining will suit the popular tastes and demands of customers in Taiwan. Although we will develop some local dishes at our restaurants in Taiwan to meet local demand and taste, we cannot assure you that we can correctly anticipate or understand customer preferences in Taiwan. If we are unable to identify customer preferences in Taiwan and develop and offer menu items accordingly, sales at our restaurants in Taiwan may be adversely affected.

Furthermore, we have managed to optimize the seating space in our existing restaurants in Hong Kong and Mainland China by relying on the provision of fully and partially prepared food by our Food Factories. Our new restaurants in Taiwan will not be able to fully leverage the benefits of our Food Factories and there is no assurance that we can replicate this model in Taiwan in the future due to a variety of factors, including the number of restaurants which can be opened within a reasonable distance, the scale of each restaurant and the availability of suitable production space for a food factory. Any inability to replicate or successfully adapt our business model to local conditions may affect the profitability of these restaurants. We will be susceptible to macro-economic conditions in Taiwan which are beyond our control. Any inability to execute our expansion plans for the Taiwan market could adversely affect our business, growth, financial condition and results of operations.

We may be subject to additional contributions of social insurance and housing provident funds and late payments and fines imposed by relevant governmental authorities.

According to the Social Insurance Law of the PRC (中華人民共和國社會保險法) and the Administrative Regulations on the Housing Provident Fund of the PRC (住房公積金管理條例), we are required to make social insurance and housing provident funds for our employees.

During the Track Record Period, 19 of our PRC subsidiaries failed to make full contribution to the social insurance and housing provident funds in a timely manner. For details, see "Business — Legal Proceedings and Compliance — Non-compliance of our Group". Although no penalty had been imposed by the relevant PRC government authorities during the Track Record Period and as advised by our PRC legal advisers, based on the confirmation and interview results from relevant competent PRC authorities, and the confirmation from the Company that it will pay the outstanding amount if requested by the relevant authorities, the legal risk of us being subject to administrative penalties as a result of our failure to fully pay social security insurance and housing provident fund for all employees is remote, there is no certainty whether the relevant PRC authorities would notify and require us to pay the outstanding contribution and late payment fee in the future. As advised by our PRC legal advisers, the relevant PRC authorities may require us to pay the outstanding social insurance contributions within a stipulated deadline and pay an overdue charge equal to 0.05% of the outstanding amount for each day of delay. If we fail to pay the outstanding social insurance contributions within the prescribed period, we may be liable to a fine of one to three times the amount of the overdue payment. In case we fail to make payments of outstanding housing fund contributions within the specified timeframe, we may be subject to an order from the relevant people's courts to make such payment.

On 20 July 2018, the General Office of the Communist Party of China and the General Office of the State Council of the PRC issued the Reform Plan of the State Tax and Local Tax Collection Administration System (國稅地稅徵管體制改革方案) (the "**Reform Plan**"). Under the Reform Plan, since 1 January 2019, tax authorities have become responsible for the collection of social insurance. We may be subject to additional contributions of social insurance under the Reform Plan, should such amount be significant, our business operation or financial performance may be adversely affected.

Certain Tai Hing Restaurants are operated under franchise arrangements by our franchisees which are not owned or managed by us. Any negative publicity in relation to restaurants operated by our franchisees could have material adverse impact on our brand reputation, business and results of operation.

As at the Latest Practicable Date, seven Tai Hing Restaurants were operated by our franchisees under franchise arrangements. For details of our franchise arrangements, please see "Business — Our Restaurants — Cooperation, franchise and joint venture agreements". We may also from time to time enter into new business arrangements to expand our operations if we identify other appropriate franchisees or business partners in the future.

We have adopted various measures to ensure that the franchised Tai Hing Restaurants are operated in accordance with our standards and requirements. However, we have no ownership or managerial control over any of our franchisees. We cannot assure you that our franchisees will at all times strictly adhere to the terms and conditions of our franchise agreements. Any wrongdoing by them or their employees, whether negligent or deliberate, may harm our business reputation, damage our brand image, give rise to customer complaints or claims against us. We cannot assure you that our franchisees will not cause any incidents leading to complaints or liabilities in the future. Any negative publicity in relation to our brand arising from their faults or mismanagement could have material and adverse impact on our brand reputation, business and results of operation.

Our net current liabilities may expose us to certain liquidity risks and could restrain our operational flexibility as well as affect our ability to expand our business.

As at 31 December 2016, 2017 and 30 September 2018, we recorded net current liabilities of HK$214.1 million, HK$658.5 million and HK$117.5 million, respectively. Please see "Financial Information — Liquidity and Capital Resources — Net Current Liabilities" for a detailed analysis of our net current liability position.

Net current liabilities may expose us to certain liquidity risks and could constrain our operational flexibility as well as adversely affect our ability to expand our business. Our future liquidity, the payment of trade and other payables, as and when they become due will primarily depend on our ability to maintain adequate cash inflows from our operating activities and adequate external financing, which will be affected by our future operating performance, prevailing economic conditions, our financial, business and other factors, many of which are beyond our control. If we do not have sufficient working capital to meet future financial needs, we may need to resort to external funding. Our inability to obtain additional external borrowings on a timely basis or on acceptable terms, or at all, may also force us to abandon our development and expansion plans, and our business, financial condition and results of operations may be materially and adversely affected.

We plan to expand our restaurant network, uplift our existing restaurants, as well as enhance and expand our Food Factories, such plans may result in increase in depreciation expenses and may adversely affect our financial results and conditions.

We plan to expand our restaurant network, uplift our existing restaurants, as well as enhance and expand our Food Factories. We estimate that the capital expenditures in respect of such expansion plan will amount to HK$[157.9] million, HK$[213.5] million and HK$[392.0] million for FY2019, FY2020 and FY2021. For details as to our expansion plan, please refer to "Business — Business Strategies".

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. It is expected that depreciation of leasehold land and buildings will depreciate over the lease term, leasehold improvements will depreciate over the shorter of the lease terms and five years, while furniture, fixtures and office equipment will depreciate at an annual rate of 20%. As a result of our expansion plan as set out in "Business — Business Strategies", it is estimated that there will be an increase in depreciation expenses of HK$[31.6] million for FY2019. With the intended acquisition of additional production machinery, it is expected that such additional depreciation expenses will be recognised in our profit or loss over the estimated useful period and may adversely affect our financial results and conditions.

Any unauthorised use of our proprietary brand by third parties and the expenses incurred in protecting our intellectual property rights, may adversely affect our business and reputation

We regard our brands and trademarks as critical to our success. We have developed our brands into strong and well-recognised brands in the catering service industry and we believe that many customers visit our restaurants because of our reputation and strong brand image. Our continuing growth therefore depends on our ability to protect and promote our brand, trademarks and other intellectual property rights.

As at the Latest Practicable Date, we owned 12, 31 and one registered trademarks in Hong Kong, Mainland China and Macau, respectively and had five and three ongoing trademark applications in Hong Kong and Mainland China, respectively, which are material to our business. For details of trademarks that are material to our business, please see "Statutory and General Information — B. Further information about our business — 2. Material intellectual property rights of our Group" in Appendix V to this document.

Unauthorised use of our intellectual property by third parties may adversely affect our business and reputation. For example, third parties may imitate our brand or infringe our trademark by using an identical brand name or trademark as us or by creating brand names or inventing keywords that are confusingly similar to ours. Preventing such unauthorised use of intellectual property is inherently difficult. We cannot assure you that we can successfully register all trademarks associated with our brands to protect them from unauthorised use, or that there will not be any unauthorised use of our registered trademarks. If we are unable to prevent such unauthorised use, competitors and other third parties may drive customers away from us, which could harm our reputation and materially and adversely affect our results of operation.

We generally rely on trademark and copyright laws to protect our intellectual property rights. However, the validity, enforceability and scope of protection of intellectual property could be uncertain. In particular, the laws in certain other countries may not offer intellectual property protection to the same extent as the laws of Hong Kong. In the future, if suspected infringement arises, litigation may be necessary to enforce our Group's intellectual property rights and to protect our intellectual property. Future litigation could result in substantial costs and diversion of resources.

We may be exposed to intellectual property infringement claims by third parties, which could disrupt our business and cause us to incur substantial legal costs, or damage our reputation.

We may be unaware of intellectual property registrations or applications relating to our business operations that may give rise to potential objection against the registration of trademarks associated with our brands or even infringement claims against us. As a result, we may fail to successfully register our trademarks or face claims of infringement of third parties' intellectual property rights or claims for indemnification resulting from such infringement. We cannot assure you that we will not be subject to trademark litigation or disputes in the future.

As at the Latest Practicable Date, applications for registration of certain of our trademarks were still pending approval in the countries/regions that our operation domiciled. For details, see "Statutory and General Information — B. Further Information about our business — 2. Material intellectual property rights of our Group" in Appendix V to this document.

Parties making infringement claims may be able to obtain an injunction to prevent us from operating our restaurants under certain brand names. Intellectual property litigation is expensive and time-consuming and could divert management's attention from our business. A successful infringement claim against us could require us to pay substantial damages, redevelop a new brand for our restaurants or pay licensing fees for the continued use of the brand names on terms that are not acceptable to us. Any intellectual property claim against us, regardless of merit, could damage our reputation and have a material adverse effect on our business, results of operations or financial condition.

Increase in labour costs or labour shortage in Hong Kong or Mainland China may further increase and impact our staff costs in the future.

Salary levels of restaurant industry employees in Hong Kong and Mainland China have been increasing in recent years. For FY2016, FY2017 and 9M2018, our staff costs amounted to HK$743.9 million, HK$858.9 million and HK$767.4 million, respectively, representing 29.6%, 31.0% and 32.7% of our revenue during the respective periods. Our operations in Hong Kong and Mainland China are required to comply with the statutory minimum wage requirements. For further details, please refer to "Regulatory Overview — PRC Regulatory Overview — Laws and Regulations Relating to Labour" and "Regulatory Overview — Employment Regulations" in this document. If there is any further increase in the statutory minimum wage rate in Hong Kong or Mainland China or additional legislation which may be enacted by the Hong Kong or PRC government to increase the employee benefits and welfare, our staff costs would likely increase as a result. As wages increase, competition for qualified employees also increases, which may indirectly result in worsening of prolonged labour shortage in catering service market in Hong Kong and further increases in our staff costs. In the event that we cannot increase our prices high enough to pass these increased staff costs onto our customers, our business and results of operations would be materially and adversely affected.

Our business could be adversely affected by difficulties in recruitment and retention of our employees.

We believe hiring, motivating and retaining qualified employees are critical to our success as a restaurant operator. Our success depends in part upon our ability to attract, retain and motivate a sufficient number of qualified employees, including restaurant staff, cooks, and kitchen assistants. The competition for service-oriented and qualified individuals in Hong Kong and the PRC is intense. Any failure to employ and retain enough qualified employees could delay planned new restaurant openings or result in higher employee turnover, either of which could have a material adverse effect on our business and results of operations. In addition, competition for qualified employees could also require us to pay higher wages, which could result in higher labour costs.

Any failure to maintain effective quality control systems of our restaurants could have a material adverse effect on our business and operations.

The quality of the food we serve is critical to our success. Maintaining consistent food quality depends significantly on the effectiveness of our quality control systems, which in turn depends on a number of factors, including the design of our Group's quality control systems and our ability to ensure that our employees adhere to those quality control policies and guidelines. Our quality control systems consist of (i) supply chain quality control, (ii) quality control of our Food Factories, (iii) logistics quality control and (iv) restaurant quality control. For more details on our quality control systems, see "Business — Quality Control". There is no assurance that our quality control systems will remain effective in the ever-changing restaurant industry environment. Any significant failure or deterioration of our Group's quality control systems could have a material adverse effect on our reputation, results of operations and financial condition.

Any significant liability claims or food contamination complaints from our customers could adversely affect our business and operations.

Our customers and restaurant guests may submit or file complaints or claims against us regarding our food products and services, including the food prepared and served in, and taken outside, our restaurants and product bought from third-party retail sales channels. Please see "Business — Customer's Complaints" for details of customers' complaints we received during the Track record Period and our procedures for handling such complaints.

Being in the catering service industry, we face an inherent risk of food contamination and liability claims. Our food quality depends partly on the quality of the food ingredients and raw materials provided by our suppliers and we may not be able to detect all defects in our supplies. In the event of such claims or complaints, our reputation and business may be materially and adversely affected.

All of our raw materials, semi-processed and processed food ingredients used in our restaurants were initially delivered to and handled by our Food Factories and suppliers who are Independent Third Parties. Any food contamination occurring at our Food Factories/supplier's facility(ies) or during the transportation from our Food Factories/supplier's facility(ies) to our restaurants that we fail to detect or prevent could adversely affect the quality of the food served in our restaurants. Due to the scale of our operations, we also face the risk that certain of our employees may not adhere to our mandated procedures and requirements. Any failure to detect defective food supplies, or observe proper hygiene, cleanliness and other quality control requirements or standards in our operations could adversely affect the quality of the food we offer inside or outside our restaurants, which could lead to liability claims, complaints and related adverse publicity, reduced customer traffic at our restaurants, the imposition of penalties against us by relevant authorities and compensation awards by courts. During the Track Record Period and up to the Latest Practicable Date, we had no material non-compliances with food and health-related laws and regulations which resulted in any material penalty to our Group. We cannot assure you that we will not receive any material orders or claims or penalty in relation to food and health-related matters in the future. Any such incidents could materially harm our reputation, results of operations and financial condition.

A multi-location restaurant business such as ours can also be adversely affected by negative publicity or news reports, whether accurate or not, regarding food quality issues, public health concerns, illness, safety, injury or government or industry findings concerning our restaurants, restaurants operated by other food service providers or others across the food industry supply chain. Any such negative publicity could materially harm our business and results of operations and result in damage to our brands.

During the Track Record Period, we received an aggregate of eight and nil complaint(s) filed by our customers to the Consumer Council and Hong Kong Tourism Board, respectively, which were generally related to the promotion, food or service quality of our restaurant staff. During the Track Record Period, there were 57 complaints filed by our customers to the FEHD. 47 out of the 57 complaints were found by the FEHD to be unjustified, and the remaining 10 complaints related to our food having been contaminated by foreign substances such as insects or debris, for which we were fined an aggregate amount of HK$14,140. We are not aware of any customer complaint seeking material compensation that could have material adverse effect on our business and results of operations during the Track Record Period and up to the Latest Practicable Date.

Significant number of complaints or claims against us, even if meritless or unsuccessful, could force us to divert management and other resources from other business concerns, which may adversely affect our business and operations. Adverse publicity resulting from such allegations, even if meritless or unsuccessful, could influence customers' confidence in us and our brands, which may adversely affect the business of the restaurants subject to such complaints and our restaurants under the same or related brand. As a result, we may experience significant decline in our revenues and customer traffic.

In respect of our operating lease commitments, the future application of HKFRS 16 "Leases" would require right-of-use assets and lease liabilities to be recognised in the consolidate statements of financial position, and rental expense, depreciation and interest expense to be recognised after the adoption of this standard.

As at Latest Practicable Date, we leased 153 properties in Hong Kong and 86 properties in Mainland China and had right of use against our premises for our one restaurant and an office and a storage room in Macau. 112 of these properties in Hong Kong and 53 of these properties in Mainland China were used as restaurant sites. Other properties are used as offices for our headquarters, exhibition area, staff accommodation, warehouse and carpark. The relevant leases were classified as operating leases. Our current accounting policy for such leases is set out in Note 3 of the Accountants' Report in Appendix I to this document. As at 30 September 2018, our total non-cancellable operating lease commitments amounted to approximately HK$905.7 million.

During the Track Record Period, our future operating lease commitments were not reflected in our consolidated statements of financial position. HKFRS 16 "Leases", which we expect to apply for the first time for our financial year beginning on 1 January 2019, provides new provisions for the accounting treatment of leases and will in the future upon adoption of the standard no longer allow lessees to recognise certain leases outside of the consolidated statement of financial position. Instead, for all leases with a term of more than 12 months, unless the underlying asset is of low value, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

The adoption of the new standard will therefore result in the recognition in right-of-use assets and lease liabilities in our consolidated statement of financial position. This will affect our related financial ratios, such as an increase in debt to equity ratio. In our consolidated statement of profit or loss and other comprehensive income after the adoption of the new standard, the financial impact of leases will be recognised as depreciation of the right-of-use assets and will no longer be recorded as rental expenses. Interest expenses on the lease liability will be presented separately under finance costs. As a result, the rental expense under otherwise identical circumstances will decrease, while depreciation and interest expense will increase. The combination of a straight-line depreciation of the right-of-use asset and the effective interest rate method applied to the lease liability will result in a higher total charge to statement of comprehensive income in the initial year of the lease, and decreasing expenses during the latter part of the lease term. Further details of the application of HKFRS 16 are set out in Note 2.3 of the Accountants' Report in Appendix I to this document.

We generated, and expect to continue to generate, most of our revenue in Hong Kong and Mainland China. Therefore, we are susceptible to developments in these regions.

During the Track Record Period, we generated most of our revenue from our restaurant operations in Hong Kong and Mainland China. We anticipate that our restaurant business in Hong Kong and Mainland China will continue to be our core business following the completion of the [**REDACTED**]. If Hong Kong or Mainland China experiences any adverse economic conditions due to events beyond our control, such as a local economic downturn, natural disasters, contagious disease outbreaks or terrorist attacks, or if the local authorities adopt regulations or policies that place additional restrictions or burdens on us or on our industry in general, our overall business and results of operations may be materially and adversely affected. In addition, we have limited experience in operating businesses outside Hong Kong and Mainland China, and may have difficulties in relocating our business to other geographic markets. Therefore, if there is any deterioration in the economic, political and regulatory environment in Hong Kong or Mainland China, our business may be materially and adversely affected.

We rely on our Food Factories to supply a majority of our semi-processed or processed food ingredients used in our restaurants. Any disruption of operation at, or failure to implement the planned expansion of, our Food Factories could adversely affect our business and operations.

Any disruption of operations at our Food Factories, such as electricity or water suspensions, may impact our ability to distribute food ingredients to our restaurants in a timely manner, or at all, which may disrupt our restaurants, ability to serve popular items or signature dishes from their menus, whether temporarily or on a permanent basis. If we remove popular items or signature dishes from our restaurant offerings, we may experience a significant reduction in revenue and our brand value may suffer, resulting in a material adverse effect on our business and results of operations. Further, failure to implement the planned expansion of our Food Factories due to the unavailability of suitable premises may limit the number of restaurants our Food Factories could support and thus result in a material adverse effect on our business and results of operations.

Our financial results depend on the success of our restaurants.

Our financial results depend on our ability to increase sales and efficiently manage costs in our existing and new restaurants. In particular, the success of our restaurants depends principally on our ability to increase guest traffic and the average check per guest. Significant factors that might adversely impact our guest traffic levels and the average check per guest include, without limitation:

- increased competition in the restaurant industry;
- changes in consumer preferences;
- declining economic conditions that may adversely affect discretionary consumer spending in the markets we serve;
- guest budget constraints and choosing not to order high margin items such as beverages;
- customer sensitivity to our menu price increases;
- our reputation and consumer perception of our brand and our offerings in terms of quality, price, value and service; and
- guest experiences from dining in our restaurants.

The profitability of our restaurants is also subject to cost increases that are either wholly or partially beyond our control, including, without limitation:

- occupancy costs under leases for our existing and new restaurants;
- food and other raw material costs;
- labor costs;
- energy, water and other utility costs;
- insurance costs;
- information technology and other logistical costs;
- costs associated with any material interruptions in our supply chain; and
- compliance costs relating to any changes in government regulation.

We cannot guarantee that we can maintain restaurant sales growth or growth of revenue in the future. Please see "Business — Our Restaurants — Breakeven and investment payback period of our existing self-operated restaurants" for details of the breakeven and investment payback periods of our restaurants during the Track Record Period. The failure of our existing or new restaurants to perform as expected could have a significant negative impact on our financial condition and results of operations.

Our future growth depends on our ability to open and profitably operate new restaurants.

We had 185 restaurants in our restaurant network as at the Latest Practicable Date. Our future growth depends on our ability to open and profitably operate new restaurants. We opened 28, 32 and 23 new restaurants in FY2016, FY2017 and 9M2018, respectively, and plan to open 32, 35 and 38 new restaurants in FY2019, FY2020 and FY2021, respectively. The number and timing of new restaurants actually opened during any given period, and their associated contribution to our growth, are subject to a number of risks and uncertainties, including but not limited to our ability to:

- find quality locations and secure leases on commercially reasonable terms;
- secure the required government permits and approvals;
- obtain adequate financing for development and opening costs;
- efficiently manage the time and cost involved in the design, renovation and initial setup processes for each new restaurant;
- accurately estimate expected consumer demand in new locations and markets;
- minimize cannibalization of sales at our existing restaurants;
- secure adequate suppliers of food ingredients that meet our quality standards;
- hire, train and retain skilled management and other employees on commercially reasonable terms; and
- successfully promote our new restaurants and compete in the markets where our new restaurants are located.

We may not be able to open our planned new restaurants on a timely basis, if at all, and if opened, these restaurants may not operate profitably. We have experienced and may continue to experience delays in restaurant openings. Opening new restaurants may place substantial strain on the managerial, operational and financial resources of our Group. We may not be able to attract enough guests to our new restaurants because potential guests may be unaware of or unfamiliar with our brands, the new restaurants or the menus of our new restaurants might not appeal to them. If we are unable to overcome the costs associated with opening new restaurant locations and building a satisfactory new customer base for our new restaurants, the operating results generated at the new restaurants may not be comparable to the operating results generated at any of our existing restaurants. New restaurants may operate at a loss, which could have a significant adverse effect on our overall operating results.

Opening new restaurants in existing markets may negatively affect sales at our existing restaurants.

The consumer target area of our restaurants varies by location, depending on a number of factors such as population density, local retail and business attractions, area demographics and geography. As a result, the opening of new restaurants in or near markets in which we already have existing restaurants could adversely impact the sales and guest traffic of existing restaurants. Some of our customers may be diverted from our existing restaurants to our new restaurants, and vice versa.

We currently plan to open 32, 35 and 38 new restaurants in FY2019, FY2020 and FY2021, respectively. We carefully consider any likely impact on our existing restaurants when we evaluate each new restaurant site and seek to balance any potential impact on our existing restaurants with the new restaurant's ability to attract more customers from competitors. We do not intend to open new restaurants that materially impact the sales or guest traffic of our existing restaurants. However, there can be no assurance that customer diversion among our existing and new restaurants will not occur or become more significant in the future as we continue to expand our operations, which could have a material adverse effect on sales at our existing restaurants and our overall profitability.

Opening of new restaurants could affect our financial performance.

Our operating results have been, and in the future may continue to be, significantly influenced by the timing of the opening of new restaurants (which is often affected by factors beyond our control), including initially lower sales and higher operating costs, as well as changes in our geographic distribution due to the opening of new restaurants. New restaurants also incur expenses before opening such as rental expenses and staff costs. New restaurants require time to ramp up and achieve our target performance. Our progress in opening new restaurants from period to period may also occur at an uneven rate. Accordingly, the number and timing of new restaurant openings has had, and may continue to have, a meaningful impact on our profitability. As a result, our results of operations may fluctuate significantly from period to period and comparison of different periods may not be meaningful. Our results for a given fiscal period are not necessarily indicative of results to be expected for any other fiscal period. Please see "Financial Information — Description of Selected Items in Consolidated Statements of Profit or Loss and Other Comprehensive Income — Revenue" for details of the growth in revenue during the Track Record Period.

We require various approvals, licenses and permits to operate our business and any failure to obtain or renew any of these approvals, licenses and permits could materially and adversely affect our business and results of operations.

We are subject to all applicable government regulations and licensing regime. Most of the requisite licenses applicable to our business in Hong Kong are usually valid for one to two years and we need to renew our licenses every one to two years. In particular, in accordance with the relevant laws and regulations in the PRC, we are required to maintain various approvals, licenses and permits to operate our restaurant business, including food operation license, food production licenses (which are renewable every five years) and environmental protection assessment, fire safety verification and fire safety inspection, which are obtained upon satisfactory compliance with, among other things, the applicable environmental protection, fire safety laws and regulations. For details, see "Regulatory Overview — PRC Regulatory Overview".

As at the Latest Practicable Date, we had not obtained the relevant fire safety approvals and filings from the relevant fire safety authority for two of our restaurants in Mainland China. Our PRC legal advisers have advised us that we may be subject to a potential penalty of RMB30,000 to RMB300,000 for each non-compliant incident and closure of such restaurants. Further, we have commenced operation of our Macau restaurant prior to obtaining a restaurant license. Our Macau legal advisers have advised us that we may be subject to a potential liability of up to MOP30,000 and an immediate closure order. Our business and restaurant operations may be adversely impacted as a result. See "Business — Legal Proceedings and Compliance — Non-compliance of our Group".

We may experience difficulties or failures in obtaining the necessary approvals, licenses and permits for new restaurants. In addition, there can be no assurance that we will be able to obtain, renew and/or convert all of the approvals, licenses and permits required for our existing business operations upon expiration in a timely manner or at all. If we cannot obtain and/or maintain all licenses required by us to operate our business and our planned new business operations, our ongoing business and/or expansion could be interrupted. We may also be subject to fines and penalties. Please see "Business — Licence and Approvals" for licences that we are required to obtain for our business operations and "Business — Legal Proceedings and Compliance — Non-compliance of our Group" for details of our non-compliance incident in this respect.

Our success depends on our key personnel and our business may be harmed if we lose their services or they are not able to successfully manage our growing operations.

Our future success depends on the ability of our key management personnel to work together and successfully implement our growth strategy while maintaining the strength of our brand. Our future success also depends heavily upon the continuing services and performance of our key management personnel, in particular our Executive Directors and certain senior management personnel. We must continue to attract, retain and motivate a sufficient number of qualified management and operating personnel, including regional operational managers, restaurant general managers and executive chefs, to maintain consistency in the quality and atmosphere of our restaurants and meet our planned expansion requirements. If our key management personnel fail to work together successfully, or if one or more of our key management personnel is unable to effectively implement our business strategy, we may be unable to grow our business at the speed or in the manner in which we expect. Competition for experienced management and operating personnel in the restaurant industry is intense, and the pool of qualified candidates is limited. We may not be able to retain the services of our key management and operating personnel or attract and retain high-quality senior executives or key personnel in the future.

If any key personnel is unable or unwilling to continue in his or her present positions, we may not be able to replace them easily or at all, and our business may be disrupted and our results of operations may be materially and adversely affected. In addition, if any member of our senior management team or any of our other key personnel joins a competitor or forms a competing business, we may lose business secrets and know- how as a result. Any failure to attract, retain and motivate these key personnel may harm our reputation and result in a loss of business.

We may be unable to detect, deter and prevent instances of fraud or other misconduct committed by our employees, customers or other third parties.

As we operate in the restaurant industry, we usually receive and handle large amounts of cash in our daily operations. Please see "Business — Pricing Policy and Settlement — Settlement and cash management" for details in this respect. We are not aware of any instances of fraud, theft and other misconduct involving employees, customers and other third parties that had any material adverse impact on our business and results of operations during the Track Record Period and up to the Latest Practicable Date. However, we cannot assure you that there will not be any such instances in the future. We may be unable to prevent, detect or deter all instances of misconduct. Any misconduct committed against our interests, which may include past acts that have gone undetected or future acts, could subject us to financial losses, harm our reputation and may have a material adverse effect on our business and results of operations.

Information technology system failures or breaches of our network security could interrupt our operations and adversely affect our business.

We rely on our computer systems and network infrastructure across our operations to monitor the daily operations of our restaurants and food production and to collect accurate up-to-date financial and operating data for business analysis as well as validation of in-store coupon redemption. Any break-in damage or failure of our computer systems or network infrastructure that causes an interruption in our operations could have a material adverse effect on our business and results of operations.

We also receive and maintain certain personal information about our guests when accepting credit cards for payment. If our network security is compromised and such information is stolen or obtained by unauthorized persons or used inappropriately, we may become subject to litigation or other proceedings brought by cardholders and financial institutions that issue cards. Any such proceedings could distract our management from running our business and cause us to incur significant unplanned losses and expenses. Consumer perception of our brand could also be negatively affected by these events, which could further adversely affect our business and results of operations.

Events that disrupt our operations, such as fires, floods, or other natural or man-made disasters, may materially and adversely affect our business operations.

Our operations are vulnerable to interruption by fires, floods, typhoons, power failures and power shortages, hardware and software failures, computer viruses, terrorist attacks and other events beyond our control. Our business is also dependent on prompt delivery and transportation of our raw materials and food ingredients. Certain events, such as adverse weather conditions, natural disasters, severe traffic accidents and delays and labor strikes, could also lead to delayed or lost deliveries of food supplies to our Food Factories and our restaurants which may result in the loss of revenue or customer claims. Perishable food ingredients, such as fresh, chilled or frozen food ingredients, may deteriorate due to delivery delays, malfunctioning of refrigeration facilities or poor handling during transportation by our suppliers or our logistics partners. This may result in failure to provide quality food and services to our customers, thereby adversely affecting our business and damaging our reputation. Fires, floods, earthquakes and terrorist attacks may lead to evacuations and other disruptions in our operations, which may also prevent us from providing quality food and service to customers for an indefinite period of time, thereby affecting our business and damaging our reputation. Any such event could materially and adversely affect our business operations and results of operations.

Our insurance policies may not provide adequate coverage for all claims associated with our business operations.

During the Track Record Period, we were covered by insurance policies that we believe are customary for businesses of our size and type and in line with the standard commercial practice in Hong Kong. For more details on our insurance policies, see "Business — Insurance" in this document. However, there are losses we may incur that cannot be insured against or that we believe are not commercially reasonable to insure, such as loss of reputation. If we were held liable for uninsured losses or amounts and claims for insured losses exceeding the limits of our insurance coverage, our business and results of operations may be materially and adversely affected.

Our results of operations may fluctuate significantly from period to period due to seasonality and other factors.

Our overall results of operations may fluctuate significantly from period to period because of various factors, including the timing of new restaurant openings and the incurrence of associated pre-opening costs and expenses, operating costs for our newly opened restaurants, any losses associated with our restaurant closings and seasonal fluctuations. During the Track Record Period, we generally derived a higher amount of revenue during certain holiday periods, such as Christmas, Chinese New Year and in summer, with lower monthly revenues during the period after these major holidays. As a result of the above factors, our results of operations may fluctuate significantly from period to period and a comparison of different periods may not be meaningful. Our results for a given fiscal period are not necessarily indicative of results to be expected for any other fiscal period.

Our historical financial and operating results may not be indicative of future performance, and we may not be able to achieve and sustain the historical level of revenue and profitability.

Our historical results may not be indicative of our future performance. Our financial and operating results may not meet the expectations of public market analysts or [**REDACTED**], which could cause the future price of our Shares to decline. Our revenues, expenses and operating results may vary from period to period in response to a variety of factors beyond our control, including general economic conditions, special events, regulations or actions pertaining to restaurants based in Hong Kong, Mainland China and Macau and our ability to control costs and operating expenses. You should not rely on our historical results to predict the future performance of our Shares.

Our historical dividends may not be indicative of our future dividends.

For FY2016, FY2017 and 9M2018, our Group declared and distributed dividends to its then shareholders of approximately HK$14.0 million, HK$891.4 million and HK$122.6 million. On [Date], we declared special dividend of approximately HK$[40.0] million which will be settled by cash before Listing. We currently aim to pay a total dividend in respect of each financial year of not less than 30% of our distributable profits for any particular financial year, subject to the Companies Law and other applicable laws and regulations, as well as factors and considerations more specifically set out in "Financial Information — Dividend and Dividend Policy". We cannot assure you that we will declare or pay dividends in the future, and [**REDACTED**] should be aware that the amount of dividends that were declared and paid in the past should not be used as a reference or basis upon which future dividends will be determined. The payment and the amount of any dividends will be at the discretion of our Directors and will depend upon our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors which our Directors deem relevant.

Dividends to be paid to our Hong Kong subsidiaries might not qualify for the reduction of PRC withholding tax rate under the special arrangement between Hong Kong and the PRC.

Under the PRC Corporate Income Tax Law and its implementation regulations, PRC-sourced income of foreign enterprises that are "non-PRC resident enterprises" and do not have an establishment or place of business in the PRC or, despite the existence of an establishment or place of business in the PRC, have income that is not actually connected with the establishment or place of business in the PRC, such as dividends paid by a PRC subsidiary to its overseas parent, is generally subject to a 10% withholding tax unless the jurisdiction of the foreign enterprise has a tax treaty with the PRC that provides a different withholding arrangement.

Pursuant to a special arrangement between Hong Kong and the PRC, the withholding tax rate is lowered to 5% if a Hong Kong resident enterprise is qualified as the beneficial owner and owns more than 25% of a PRC company distributing the dividends. However, according to the Circular of the State Administration of Taxation on Printing and Issuing the Administrative Measures for Non-resident Individuals and Enterprise Regarding Favourable Treatment Under Taxation Treaties (for Trial Implementation) (國家稅務總局關於印發《非居民享受稅收協定待遇管理辦法(試行)》的通知), which was issued by the State Administration of Taxation on 24 August 2009 and become effective on 1 October 2009, the 5% withholding tax rate does not automatically apply, and approvals from competent local tax authorities are required before an enterprise can enjoy any benefits under the relevant taxation agreements or treaties. Moreover, according to the Notice of the State Administration of Taxation on Issues Concerning the Application of the Dividend Clauses if Tax Agreements (國家稅務總局關於執行稅收協定利息條款有關問題的通知) issued by the State

Administration of Taxation on 20 February 2009, if the main purpose of an offshore arrangement is to obtain preferential tax treatment, the PRC tax authorities have the discretion to adjust the preferential tax rate for which an offshore entity would otherwise be eligible. In addition, on 27 August 2015, the State Administration of Taxation promulgated the Announcement on Promulgating the Administrative Measures for Non-resident Taxpayer to Enjoy Treatments under Tax Treaties (國家稅務總局關於發佈非居民納稅人享受稅收協定待遇管理辦法的公告), which became effective on 1 November 2015 and replaced the Administrative Measures for Non-resident Individuals and Enterprise Regarding Favourable Treatment Under Taxation Treaties (for Trial Implementation) (國家稅務總局關於印發《非居民享受稅收協定待遇管理辦法(試行)》的通知). Under the Announcement on Promulgating the Administrative Measures for Non-resident Taxpayers, any qualifying non-resident taxpayer meeting specified conditions may therefore not be entitled to the convention treatment.

If we are required under the PRC Corporate Income Tax Law to withhold PRC income tax on dividends payable to foreign shareholders, the value of your [**REDACTED**] in [**REDACTED**] may be materially and adversely affected.

RISKS RELATING TO OUR INDUSTRY

We face risks related to instances of food-borne illnesses, health epidemics and other outbreaks or diseases.

The restaurant industry is susceptible to food-borne illnesses, health epidemics and other outbreaks. Furthermore, our reliance on third-party food suppliers increases the risk that food-borne illness incidents could be caused by third-party food suppliers outside of our control and could affect multiple restaurants in our Group. New illnesses resistant to any precautions currently in place may develop in the future, or diseases with long incubation periods could arise, such as mad-cow disease, that could give rise to claims or allegations on a retroactive basis. Reports in the media of instances of food-borne illnesses could, if highly publicized, negatively affect our industry overall and us in particular, impacting our restaurant sales, forcing the closure of some of our restaurants and conceivably having a significant impact on our operations. This risk exists even if it were later determined that the illness in fact was not caused by our restaurants. Furthermore, other illnesses, such as hand, foot and mouth disease, could adversely affect the supply of some of our important food ingredients and significantly increase our costs.

We also face risks related to health epidemics. Past occurrences of epidemics or pandemics, depending on their scale of occurrence, have caused different degrees of damage to the economy in Hong Kong. For example, in 2003, certain Asian countries and regions, including Mainland China, Hong Kong and Taiwan, encountered an outbreak of Severe Acute Respiratory Syndrome, or SARS, a highly contagious form of atypical pneumonia. Recently, human infected cases of influenza A (H7N9) were discovered in China and Hong Kong in 2013 and 2014. A recurrence of SARS or an outbreak of any other epidemics or pandemics, including without limitation, influenza A (H1N1 or H7N9) and avian flu (H5N1), in the areas where we have restaurants may result in quarantines, temporary closures of our restaurants, travel restrictions or the sickness or death of key personnel and our guests. Any of the above may cause material decreases in guest traffic and disruptions to our operations, which in turn may materially and adversely affect our business and results of operations.

The restaurant business may be subject to increasingly stringent licensing requirements, environmental protection regulations and hygiene standards, which can increase our operating costs.

We are required to obtain a number of licenses and permits for our restaurant operations, including, among others, general restaurant licenses, water pollution control licenses, liquor licenses, hygiene permits, polluting materials discharge permits and fire protection approvals. We are also required to comply with environmental protection regulations. We cannot assure you that the licensing requirements and environmental protection regulations for our restaurant operations in Hong Kong will not become more stringent in the future. In addition, if the relevant government authority concludes that any of our restaurants is not able to meet the required hygiene standards, we may be required to take steps to comply with the relevant laws and regulations or may result in suspension of the operation of the relevant restaurant. Any failure to comply with existing regulations, or future legislative changes, could cause our Group to incur significant compliance costs or expenses or result in the assessment of damages, imposition of fines against us or suspensions of some or all of our business, which could materially and adversely affect our financial condition and results of operations.

Macro-economic factors have had and may continue to have a material adverse effect upon our business, financial condition and results of operations.

The restaurant industry is affected by macro-economic factors, including changes in international, national, regional and local economic conditions, employment levels and consumer spending patterns. In particular, our Group's business is operating restaurants in Hong Kong, Mainland China and Macau and, accordingly, our results of operations are closely affected by the macroeconomic conditions in these regions. Any deterioration of the economy, decrease in disposable consumer income, fear of a recession and decreases in consumer confidence in these regions may lead to a reduction of guest traffic and average spending per guest at our restaurants, which could materially and adversely affect our financial condition and results of operations.

Moreover, the occurrence of a sovereign debt crisis, banking crisis or other disruptions in the global financial markets that could impact the availability of credit generally may have a material and adverse impact on financings available to us. Renewed turmoil affecting the financial markets, banking systems or currency exchange rates may significantly restrict our ability to obtain financing from the capital markets or from financial institutions on commercially reasonable terms, or at all, which could materially and adversely affect our business, financial condition and results of operations.

Intense competition in the restaurant industry could prevent us from increasing or sustaining our revenue and profitability.

The restaurant industry is intensely competitive with respect to, among other things, food quality and consistency, taste, price-value relationships, ambiance, service, location, supply of quality food ingredients and employees. Key competitive factors in the industry include type of cuisine, food choice, food quality and consistency, quality of service, price, dining experience, restaurant location and the ambiance of the facilities. We face significant competition at each of our locations from a variety of restaurants in various market segments, including locally-owned restaurants and regional and international chains. Our competitors also offer dine-in, take-away and delivery services. There are a number of well-established competitors with substantially greater financial, marketing, personnel and other resources and many of our competitors are well established in the markets where we have restaurants, or in which we intend to open new restaurants. Additionally, other companies may develop new restaurants that operate with similar concepts and target our customers resulting in increased competition.

Any inability to successfully compete with other restaurants in our markets may prevent us from increasing or sustaining our revenues and profitability and lose market share, which could have a material adverse effect on our business, financial condition, results of operations or cash flows. We may also need to modify or refine elements of our restaurant system to evolve our concepts in order to compete with popular new restaurant styles or concepts that develop from time to time. We cannot ensure that we will be successful in implementing these modifications or that these modifications will have the intended effect.

RISKS RELATING TO OPERATIONS IN MAINLAND CHINA

Adverse changes in economic and political policies of Mainland China government could have a material adverse effect on the overall economic growth of China, which could materially and adversely affect our business and results of operations.

As at the Latest Practicable Date, we had 62 restaurants in Mainland China. We plan to open 11, 12, 13 new restaurants in Mainland China for FY2019, FY2020 and FY2021. Accordingly, our business, financial condition, results of operations and prospects could be affected by economic, political and legal developments in Mainland China. Mainland China economy differs from the economies of most developed countries in many respects, including the degree of government involvement, the level of development, the growth rate, the control of foreign exchange, access to financing, and the allocation of resources. Restaurant dining is discretionary for customers and tends to be higher during periods in which favourable economic conditions prevail. Customers' tendency to become more cost conscious as a result of an economic slowdown or decreases in disposable income may reduce our customer traffic or average revenue per customer, which may adversely affect our revenues.

While the Chinese economy has experienced significant growth in the past few decades, growth has been uneven geographically, across various sectors of the economy and during different periods. We cannot assure you that the Chinese economy will continue to grow, or that if there is growth, such growth will be steady and uniform, or that if there is a slowdown, such slowdown will not have a negative effect on our businesses. In addition, we cannot assure you that the various macroeconomic measures, monetary policies and economic stimulus packages that may be adopted by Mainland China government will be effective in sustaining the recent growth rates of the Chinese economy. In addition, such measures, even if they benefit the overall Chinese economy in the long term, may adversely affect us if they reduce the disposable income of our customers or dampen their willingness to dine at restaurants.

Uncertainties with respect to Mainland China legal system could materially and adversely affect us.

Our restaurant business in Mainland China is conducted through our subsidiaries established under PRC laws. Thus, our operations in China are governed by PRC laws and regulations. Our subsidiaries in Mainland China are generally subject to laws and regulations applicable to foreign investments in China and, in particular, laws applicable to wholly foreign-owned enterprises. Mainland China legal system is based on written statutes and regulations. Prior court decisions may be cited for reference but have limited precedential value.

Since 1979, PRC legislation and regulations have significantly enhanced the protections afforded to various forms of foreign investments in China. However, China has not developed a fully integrated legal system and recently enacted laws and regulations which may not sufficiently cover all aspects of economic activities in China. In particular, because these laws and regulations are relatively new, and because published court decisions are limited in number and are nonbinding, the interpretation and enforcement of these laws and regulations involve uncertainties. In addition, Mainland China legal system is based in part on government policies and internal rules (some of which are not published on a timely basis or at all) that may have a retroactive effect. As a result, we may be subject to fines and other penalties applied retroactively for violations of policies and rules enacted in the future based on acts that are currently permissible. In addition, any litigation in China may be protracted and result in substantial costs and diversion of resources and management attention.

You may experience difficulties in effecting service of legal process, enforcing foreign judgments or bringing original actions in Mainland China against us or our management named in the document.

We are a company incorporated under the laws of the Cayman Islands. During the Track Record Period, all of our businesses, assets and operations were located in Hong Kong, Mainland China and Macau. All of our Directors and executive officers reside in Hong Kong. As at the Latest Practicable Date, we had 122, 62 and one restaurant(s) in our restaurant network in Hong Kong, Mainland China and Macau, respectively. We plan to open new restaurants in our existing markets in the future. In addition, China does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts with the United States, the United Kingdom, Japan and many other countries. As a result, recognition and enforcement in Hong Kong or Mainland China of judgments of a court in the United States and any of the other jurisdictions mentioned above in relation to any matter not subject to binding arbitration awards may be difficult or impossible. On 14 July 2006, Hong Kong and Mainland China entered into the *Arrangement on Reciprocal Recognition and Enforcement of Judgements in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements Between Parties Concerned (*《關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》*) (the "**Arrangement**"*), pursuant to which a party with a final court judgement rendered by a Hong Kong court requiring payment of money in a civil and commercial case according to a choice of court agreement in writing may apply for recognition and enforcement of the judgement in Mainland China. Similarly, a party with a final judgement rendered by a PRC court requiring payment of money in a civil and commercial case according to a choice of court agreement in writing may apply for recognition and enforcement of the judgement in Hong Kong. A choice of court agreement in writing is defined as any agreement in writing entered into between parties after the effective date of the Arrangement in which a Hong Kong court or a PRC court is expressly designated as the court having sole jurisdiction for the dispute. Therefore, it may not be possible to enforce a judgement rendered by a Hong Kong Court in Mainland China if the parties in the dispute do not agree to enter into a choice of court agreement in writing. As a result, it might be difficult or impossible for [**REDACTED**] to effect service of process against our business in Mainland China in order to seek recognition and enforcement of foreign judgements in Mainland China.

In addition, since we are incorporated under the laws of the Cayman Islands and our corporate affairs are governed by the laws of the Cayman Islands, it may not be possible for you to bring an action against us or against our Directors or officers based upon Hong Kong laws or PRC laws in the event that you believe that your rights as a shareholder have been infringed.

Governmental control of currency conversion may affect the value of your [REDACTED].

Mainland China government imposes controls on the convertibility of the RMB into foreign currencies and, in certain cases, the remittance of currency out of Mainland China. We currently receive our revenues from our Mainland China restaurant operations in RMB. Shortages in the availability of foreign currency may restrict the ability of our subsidiaries in Mainland China to remit sufficient foreign currency to pay dividends or other payments to us, or otherwise satisfy their foreign currency denominated obligations. Under existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and expenditures from trade-related transactions, can be made in foreign currencies without prior approval from Mainland China State Administration of Foreign Exchange, or SAFE, by complying with certain procedural requirements. However, approval from appropriate government authorities is required where RMB is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of loans denominated in foreign currencies. Mainland China government may also, at its discretion, restrict access in the future to foreign currencies for current account transactions. If the foreign exchange control system prevents us from obtaining sufficient foreign currency to satisfy our currency demands, we may not be able to pay dividends in foreign currencies to our shareholders, including holders of our Shares.

Fluctuations in exchange rates may result in foreign currency exchange losses and may have a material adverse effect on your [REDACTED].

The change in value of the Renminbi against the Hong Kong dollar, U.S. dollar and other currencies may fluctuate and is affected by, among other things, changes in China's political and economic conditions. In respect of our restaurant operations in Mainland China, a majority of our revenues and costs are denominated in RMB. We are also partially reliant on dividends and other fees paid to our Company by our subsidiaries to be established in China. Any significant revaluation of the RMB may materially and adversely affect our cash flows, revenues, earnings and financial position, and the value of, and any dividends payable on, our Shares in Hong Kong dollars. For example, any appreciation of the Renminbi against the Hong Kong or U.S. dollar or any other currencies may result in the decrease in the Renminbi-equivalent value of the [**REDACTED**] from this [**REDACTED**]. Conversely, any devaluation of the Renminbi may adversely affect the value of, and any dividends payable on, our ordinary shares in foreign currency terms.

RISKS RELATING TO THE [REDACTED]

There has been no prior public market for our Shares and an active trading market for our Shares may not develop or be sustained.

Prior to the [**REDACTED**], there has been no public market for our Shares. Following the completion of the [**REDACTED**], the Stock Exchange will be the only market on which the Shares are publicly traded. We cannot assure you that an active trading market for our Shares will develop or be sustained after the [**REDACTED**]. In addition, we cannot assure you that our Shares will trade in the public market subsequent to the [**REDACTED**] at or above the [**REDACTED**]. The [**REDACTED**] for the Shares is expected to be fixed by agreement among the [**REDACTED**] (for itself and on behalf of the [**REDACTED**]) and us, and may not be indicative of the market price of our Shares following the completion of the [**REDACTED**]. If an active trading market for our Shares does not develop or is not sustained after the [**REDACTED**], the market price and liquidity of Shares could be materially and adversely affected.

The trading prices of our Shares may be volatile, which could result in substantial losses to you.

The trading prices of our Shares may be volatile and could fluctuate widely in response to factors beyond our control, including general market conditions of the securities markets in Hong Kong, Mainland China, the United States and elsewhere in the world. In particular, the trading price performance of other restaurant companies based in Asia may affect the trading price of our Shares. Various broad market and industry factors may significantly affect the market price and volatility of our Shares, regardless of our actual operating performance. In addition to market and industry factors, the price and trading volume of our Shares may be highly volatile for specific business reasons. In particular, factors such as variations in our revenue, net income and cash flow could cause the market price of our Shares to change substantially. Any of these factors may result in large and sudden changes in the volume and trading price of our Shares.

In addition, shares of other companies listed on the Stock Exchange with operations and assets in Mainland China have experienced significant price volatility in the past. As a result, it is possible that our Shares may be subject to changes in price not directly related to our performance and as a result, [**REDACTED**] in our [**REDACTED**] may suffer substantial losses.

Since there will be a gap of several days between pricing and trading of our [REDACTED], holders of our [REDACTED] are subject to the risk that the price of our [REDACTED] could fall during the period before trading of our [REDACTED] begins.

The [**REDACTED**] of our Shares is expected to be determined on the [**REDACTED**]. However, our Shares will not commence trading on the Stock Exchange until they are delivered, which is expected to be four business days after the [**REDACTED**]. As a result, [**REDACTED**] may not be able to sell or otherwise deal in our Shares during that period. Accordingly, holders of our Shares are subject to the risk that the price of our Shares could fall before trading begins as a result of adverse market conditions or other adverse developments that could occur between the time of sale and the time trading begins.

The sale or availability for sale of substantial amounts of our Shares could adversely affect their trading price.

Sales of substantial amounts of our Shares in the public market after the completion of the [**REDACTED**], or the perception that these sales could occur, could adversely affect the market price of our Shares and could materially impair our future ability to raise capital through offerings of our Shares.

Your interest may be diluted as a result of additional equity fund-raising

We may need to raise additional funds in the future to finance further expansion of, or new developments relating to, our existing operations. If additional funds are raised through the issue of new equity or equity-linked securities of our Company other than on a pro-rata basis to existing Shareholders, the percentage ownership of such Shareholders in our Company may be reduced, thereby resulting in dilution. Furthermore, such newly issued securities may confer rights, preferences or privileges superior to those of the existing Shares.

Our Shareholders might experience an immediate dilution in the book value of their Shares purchased in the [REDACTED] and may experience further dilution if we issue additional Shares in the future.

The [**REDACTED**] of our [**REDACTED**] [is higher] than the net tangible assets value per Share immediately prior to the [**REDACTED**]. Therefore, our Shareholders might experience an immediate dilution in pro forma net tangible assets value of [**REDACTED**] per Share, based on the maximum [**REDACTED**] of [**REDACTED**].

In order to expand our business, we may consider offering and issuing additional Shares in the future. Our Shareholders may experience further dilution in the net tangible assets book value per Share if we issue additional Shares at a price lower than the net tangible assets book value per Share at the time of their issue.

The sale or availability for sale of substantial amounts of our Shares could adversely affect their trading price.

Sales of substantial amounts of our Shares in the public market after the completion of the [**REDACTED**], or the perception that these sales could occur, could adversely affect the market price of our Shares and could materially impair our future ability to raise capital through offerings of our Shares.

The Shares owned by our Controlling Shareholders are subject to certain lock-up periods. In addition to the lock-up required under the Listing Rules, our Controlling Shareholders have undertaken to each of us, the [**REDACTED**], the Sole Sponsor and the [**REDACTED**] that any Shares held by them will be subject to lock-up for a certain period after the listing that is longer than as required under the Listing Rules. Such voluntary lock-up undertaking may be waived by the prior written consent of the Sole Sponsor and the [**REDACTED**] (for itself and on behalf of the [**REDACTED**]). Please see "[**REDACTED**]". If such voluntary lock-up undertaking is waived by the Sole Sponsor and the [**REDACTED**] (for itself and on behalf of the [**REDACTED**]), our Shares held by our Controlling Shareholders will be tradable in the market. There can be no assurance that they will not dispose of these Shares following the expiration of the lock-up periods, or any Shares they may come to own in the future. We cannot predict what effect, if any, significant future sale will have on the market price of our Shares.

Our Controlling Shareholders, may exert substantial influence over our operation and may not act in the best interests of our public Shareholders.

Immediately following completion of the [**REDACTED**] and Capitalisation Issue (without taking into account any Shares which may be issued upon the exercise of the share options that may be granted under the Share Option Scheme and the [**REDACTED**]), Chun Fat will hold [**REDACTED**] of the Company. Chun Fat is an investment holding company owned by Mr. Chan, Mr. Lau, Mr. Ho and Mr. Yuen as to 70.7%, 12.6%, 9.9% and 6.8%, respectively. As such, Chun Fat, Mr. Chan, Mr. Lau, Mr. Ho and Mr. Yuen are the controlling shareholders of the Company and will continue to hold a controlling interest in our Company upon completion of the [**REDACTED**] and the Capitalisation Issue.

Therefore, they will be able to exercise significant influence over all matters requiring Shareholders' approval, including the election of directors and the approval of significant corporate transactions. They will also have veto power with respect to any shareholder action or approval requiring a majority vote except where they are required by relevant rules to abstain from voting. Such concentration of ownership also may have the effect of delaying, preventing or deterring a change in our control that would otherwise benefit our Shareholders. The interests of our Controlling Shareholders may not always align with our or your best interests. If the interests of our Controlling Shareholders conflict with our interests or our other Shareholders, or if our Controlling Shareholders chooses to cause our business to pursue strategic objectives that conflict with our interests or other Shareholders, we or those other Shareholders, including you, may be disadvantaged as a result.

The laws of the Cayman Islands relating to the protection of the interests of minority shareholders are different from those in Hong Kong.

Our corporate affairs are governed by our Memorandum and Articles of Association and by the Cayman Islands Companies Law and common law of the Cayman Islands. The laws of the Cayman Islands relating to the protection of the interests of minority shareholders differ in some respects from those established under statutes or judicial precedent in existence in Hong Kong. This may mean that the remedies available to our Company's minority shareholders may be different from those they would have under the laws of other jurisdictions. A summary of Cayman Islands company law is set out in Appendix IV to this document.

Certain statistics and forecasts in this document were derived from third party sources and have not been independently verified.

This document includes certain statistics and facts that have been extracted from official government sources and publications or other sources and we cannot guarantee neither the quality nor the reliability of such source material. They have not been prepared or independently verified by us, the Sole Sponsor, the [**REDACTED**] or any of its or their respective affiliates or advisers, and therefore we take no representation as to the accuracy of such facts and statistics. In addition, the section headed "Industry Overview" in this document contains certain forecast data which were based on certain assumptions which, by their nature, are subjective and uncertain. We cannot guarantee the accuracy or adequacy of such assumptions and accordingly, the forecast data. In all cases, [**REDACTED**] should give consideration as to how much weight or importance they should attach to, or place, on such facts, statistics and forecasts in this document.

You should read the entire document carefully, and we strongly caution you not to place any reliance on any information contained in press articles or other media regarding us or the [REDACTED].

There may be, subsequent to the date of this document but prior to the completion of the [**REDACTED**], press and media coverage regarding us and the [**REDACTED**], which contained, among other things, certain financial information, projections, valuations and other forward-looking information about us and the [**REDACTED**]. We have not authorised the disclosure of any such information in the press or media and do not accept responsibility for the accuracy or completeness of such press articles or other media coverage. We make no representation as to the appropriateness, accuracy, completeness or reliability of any of the projections, valuations or other forward-looking information about us. To the extent such statements are inconsistent with, or conflict with, the information contained in this document, we disclaim responsibility for them. Accordingly, [**REDACTED**] are cautioned to make their [**REDACTED**] decisions on the basis of the information contained in this document only and should not rely on any other information.

You should rely solely upon the information contained in this document, the [**REDACTED**] and any formal announcements made by us in Hong Kong in making your [**REDACTED**] decision regarding our Shares. We do not accept any responsibility for the accuracy or completeness of any information reported by the press or other media, nor the fairness or appropriateness of any forecasts, views or opinions expressed by the press or other media regarding our Shares, the [**REDACTED**] or us.

We make no representation as to the appropriateness, accuracy, completeness or reliability of any such data or publication. Accordingly, [**REDACTED**] should not rely on any such information, reports or publications in making their decisions as to whether to [**REDACTED**] in our [**REDACTED**]. By applying to purchase our Shares in the [**REDACTED**], you will be deemed to have agreed that you will not rely on any information other than that contained in this document and the [**REDACTED**].

[REDACTED]

[**REDACTED**]

[REDACTED]

[REDACTED]

[REDACTED]

DIRECTORS

Name	Address	Nationality
Executive Directors		
Mr. Chan Wing On (陳永安先生)	Flat C, 16/F Block 2, Swiss Towers 113 Tai Hang Road Hong Kong	Chinese
Mr. Yuen Chi Ming (袁志明先生)	Flat H, 14/F Ko On Mansion Tai Koo Shing Hong Kong	Chinese
Mr. Lau Hon Kee (劉漢基先生)	Flat 8, 1/F, Tsui Yiu Court 1 Lai Chi Ling Road Kwai Chung New Territories Hong Kong	Chinese
Ms. Chan Shuk Fong (陳淑芳女士)	30K, The Masterpiece 18 Hanoi Road Tsim Sha Tsui Kowloon Hong Kong	Chinese
Non-executive Director		
Mr. Ho Ping Kee (何炳基先生)	Flat A, 1/F Pine Court 18 Dianthus Road Kowloon Hong Kong	Chinese
Independent non-executive Directors		
Mr. Mak Ping Leung (alias: Mak Wah Cheung) (麥炳良先生又名麥華章)	Flat H, 25/F Pak Hoi Mansion Kwun Hoi Terrace 1 Taikoo Wan Road Tai Koo Shing Hong Kong	Chinese

Name	Address	Nationality
Mr. Wong Shiu Hoi Peter (黃紹開先生)	8 Serene Ave Discovery Bay La Serene 5/F, Duplex B Lantau Island New Territories Hong Kong	Chinese
Dr. Sat Chui Wan (薩翠雲博士)	Flat B, 5/F Block 3, Villa Carlton 369 Tai Po Road Sham Shui Po Kowloon Hong Kong	Chinese

Further information on our Directors can be found in the section headed "Directors and Senior Management" of this document.

PARTIES INVOLVED IN THE [REDACTED]

Sole Sponsor	**BOCOM International (Asia) Limited** 9th Floor, Man Yee Building 68 Des Voeux Road Central Hong Kong
[REDACTED]	**[REDACTED]**
[REDACTED]	**[REDACTED]**
Legal advisers to our Company	*As to Hong Kong law:* **Deacons** 5th Floor, Alexandra House 18 Chater Road Central Hong Kong *As to PRC law:* **Jingtian & Gongcheng** 34/F, Tower 3, China Central Place 77 Jianguo Road Chaoyang District Beijing 100025 China

	As to Macau law: **Rato, Ling Lei & Cortés — Advogados** Avenida da Amizade, 555 Macau Landmark, Office Tower, 23rd Floor, Macau
	As to Cayman Islands and BVI law: **Conyers Dill & Pearman** Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Legal advisers to the Sole Sponsor and the [REDACTED]	*As to Hong Kong law:* **Hogan Lovells** 11th Floor, One Pacific Place 88 Queensway Hong Kong
	As to PRC law: **Jia Yuan Law Offices** Suite 2511, Landmark 4028 Jintian Road Futian District Shenzhen 518035 China
Reporting accountants	**Ernst & Young** *Certified Public Accountants* 22/F, Citic Tower 1 Tim Mei Avenue Central Hong Kong
Industry consultant	**Frost & Sullivan International Limited** 1706, One Exchange Square 8 Connaught Place Central, Hong Kong
Property valuers	**Jones Lang LaSalle Limited** 6/F, Three Pacific Place 1 Queen's Road East Hong Kong

Legal counsel	**Mr. Chan Chung** 10/F, Grand Building 15-18 Connaught Road Central Central Hong Kong
Tax adviser	**Russell Bedford Hong Kong** Room 1708 Dominion Centre 43-59 Queen's Road East Wanchai Hong Kong
Compliance adviser	**BOCOM International (Asia) Limited** 9th Floor, Man Yee Building 68 Des Voeux Road Central Hong Kong
[**REDACTED**]	[**REDACTED**]

CORPORATE INFORMATION

Registered office	Cricket Square, Hutchins Drive PO Box 2681 Grand Cayman KY1-1111 Cayman Islands
Head office and principal place of business in Hong Kong under Part 16 of the Companies Ordinance	13/F, Chinachem Exchange Square 1 Hoi Wan Street Quarry Bay Hong Kong
Company's website	www.taihingroast.com.hk *(the information on our website does not form part of this document)*
Company secretary	Mr. Wong Kin Pong Edmond *(HKICPA, FCCA)* Flat A, 31/F, Block 3 Royal Peninsula 8 Hung Lai Road Kowloon Hong Kong
Audit committee	[Dr. Sat Chui Wan *(Chairman)*] [Mr. Mak Ping Leung (alias: Mak Wah Cheung)] [Mr. Wong Shiu Hoi Peter]
Remuneration committee	[Mr. Mak Ping Leung (alias: Mak Wah Cheung) *(Chairman)*] [Mr. Chan Wing On] [Ms. Chan Shuk Fong] [Dr. Sat Chui Wan] [Mr. Wong Shiu Hoi Peter]
Nomination committee	[Mr. Chan Wing On *(Chairman)*] [Ms. Chan Shuk Fong] [Mr. Mak Ping Leung (alias: Mak Wah Cheung)] [Dr. Sat Chui Wan] [Mr. Wong Shiu Hoi Peter]
Authorised representatives (for the purpose of the Listing Rules)	Ms. Chan Shuk Fong 30K, The Masterpiece 18 Hanoi Road Tsim Sha Tsui Kowloon Hong Kong

	Mr. Wong Kin Pong Edmond Flat A, 31/F, Block 3 Royal Peninsula 8 Hung Lai Road Kowloon Hong Kong
Principal bankers	Bank of China (Hong Kong) Limited Bank of China Tower 1 Garden Road Hong Kong Hang Seng Bank Limited 83 Des Voeux Road Central Hong Kong The Hong Kong and Shanghai Banking Corporation Limited 1 Queen's Road Central Hong Kong
Principal share registrar and transfer office in the Cayman Islands	Conyers Trust Company (Cayman) Limited Cricket Square Hutchins Drive PO Box 2681 Grand Cayman KY1-1111 Cayman Islands
[**REDACTED**]	[**REDACTED**]

The information that appears in this section has been prepared by Frost & Sullivan and reflects estimates of market conditions based on publicly available sources and is prepared primarily as a market research tool. References to Frost & Sullivan should not be considered as the opinion of Frost & Sullivan as to the value of any security or the advisability of [**REDACTED**] *in us. Our Directors believe that the sources of information contained in this section are appropriate sources for such information and have taken reasonable care in reproducing such information. Our Directors have no reason to believe that such information is false or misleading or that any material fact has been omitted that would render such information false or misleading. The information prepared by Frost & Sullivan and set out in this section has not been independently verified by us, the Sole Sponsor, the Controlling Shareholders, the* [**REDACTED**] *, the* [**REDACTED**]*, the* [**REDACTED**]*, the* [**REDACTED**] *or any other party or affiliate involve in the* [**REDACTED**] *(except for Frost & Sullivan), and neither did they give any representations as to its accuracy and the information should not be relied upon in making or refraining from making, any* [**REDACTED**] *decision.*

SOURCES AND RELIABILITY OF INFORMATION

We have commissioned Frost & Sullivan, an independent market researcher and consultant, to analyse and report on the catering service market in Hong Kong and Mainland China. Frost & Sullivan is an independent global consulting firm founded in 1961 in New York. Frost & Sullivan offers industry research and market strategies and provides growth consulting and corporate training. Its industry coverage includes catering service, food and beverage, consumer products, automotive and transportation, etc. We commissioned Frost & Sullivan for a total fee of RMB650,000.

The market research process for the Frost & Sullivan Report has been undertaken through detailed primary research, which involves discussing the status of the catering service market with leading industry participants and industry experts. Secondary research involved reviewing company reports of the Group's key competitors, independent research reports, and data based on Frost & Sullivan's own research database.

Assumptions used in the Frost & Sullivan Report

Analysis and forecasts contained in the Frost & Sullivan Report are based on the following major assumptions:

- Hong Kong and Mainland China's economy are likely to maintain steady growth in the next decade;
- Hong Kong and Mainland China's social, economic, and political environment are likely to remain stable in the forecast period; and
- Market drivers such as Hong Kong and Mainland China's stable increasing GDP in the next several years forecasted by International Monetary Fund, supportive government policies for tourism in Hong Kong, changing lifestyle, and increasing need and demand for dining out are likely to drive the future growth of catering service market in Hong Kong and Mainland China.

DEFINITION AND SEGMENTATION OF CATERING SERVICE MARKET

Catering service industry refers to the commercial activities of providing prepared foods, consumption sites, and facilities for consumers. Set out below is a table showing the key characteristics of the common restaurant categories of the catering service market.

- **Fine Dining** refers to traditional restaurants with full table services provided by waiters, where customers are served their meals at the table and typically pay at the end of the meal. Service fees are usually charged in fine dining restaurant. Fine dining restaurants generally have more comfortable ambience and are usually located in premium or high-end shopping malls or commercial areas, targeting customers with a mid-to-high-end spending power. Fine dining restaurants generally offer food at set lunch and dinner times rather than all day. The customers usually spend approximately two hours to dine at the fine dining restaurants. Table settings of fine dining can accommodate huge group gatherings, such as family dinner, hosting wedding and celebrating banquets.

- **Casual Dining** refers to catering establishments that serve moderately priced food in a casual dining ambience. Casual dining restaurants typically provide some table service and the opening hours are longer with more flexible meal times as compared with fine dining restaurants. This segment comprises Cha Chaan Teng, casual Chinese restaurants, casual western dining establishments, cafés, and bars serving drinks along with snacks. Customers usually finish their meals in approximately one hour at casual dining restaurants. Casual dining restaurants target the mass market customers including the white collars and tourists.

- **Quick Service Restaurant (QSR)** refers to restaurants that provide fast and consistent food services, with no or little table service and simple dining ambience. QSRs typically have order taking and cooking platforms designed specifically for ordering, preparing and serving menu items with speed and efficiency. Customers usually order the food, settle the bills and take their meals at the service counter. QSRs usually open for long hours. Some western QSRs are even open for 24 hours. It usually takes customers around half an hour to finish a meal at QSRs.

- **Others** Other catering establishments include takeaway shops, hawker stalls, roadside vendors and establishments not otherwise described in the organized segments above. This segment also includes event catering.

The catering service market can be categorised by cuisine type into three major types, including Chinese cuisine, Western cuisine and Asian cuisine.

- **Chinese cuisine** refers to traditional Chinese dishes, which usually consists of cold dishes and hot dishes. Chinese cuisine includes cuisines from different provinces of China, including but not limited to Cantonese cuisine, Taiwan cuisine, Sichuan cuisine, Beijing cuisine, Shanghai cuisine and other Chinese cuisines.

- **Western cuisine** refers to western style dishes, which are usually served in separate dining system. French cuisine, Italian cuisine, Mexican cuisine and all styles of cuisines other than Chinese cuisine and Asian cuisine are included in this segment.

- **Asian cuisine** includes traditional dishes from other Asian countries other than Mainland China such as Japanese cuisine, Korean cuisine, and other Asian cuisines like Thai, Vietnamese cuisine, etc.

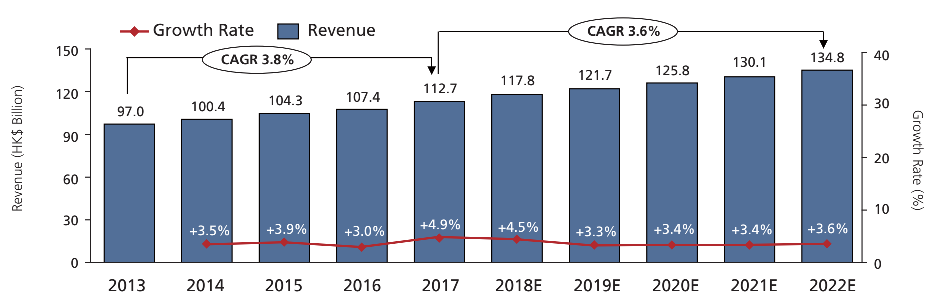
HONG KONG CATERING SERVICE MARKET OVERVIEW

Market size of the Hong Kong catering service industry

As one of the most famous tourist cities in Asia, the revenue of catering service industry in Hong Kong experienced a moderate growth from HK$97.0 billion in 2013 to HK$112.7 billion in 2017, representing a CAGR of 3.8%. This growth is mainly attributed to the rising household expenditure on food, higher living standard, growing tourism industry, and diversification of cuisines offering in Hong Kong.

With further development of tourism industry, continuous improvement of per capita annual disposable income and a growing preference to dine out, the revenue of catering service market in Hong Kong is estimated to reach HK$134.8 billion in 2022, realizing a CAGR of 3.6% from 2017 to 2022.

Revenue of Catering Service Market (Hong Kong), 2013–2022E

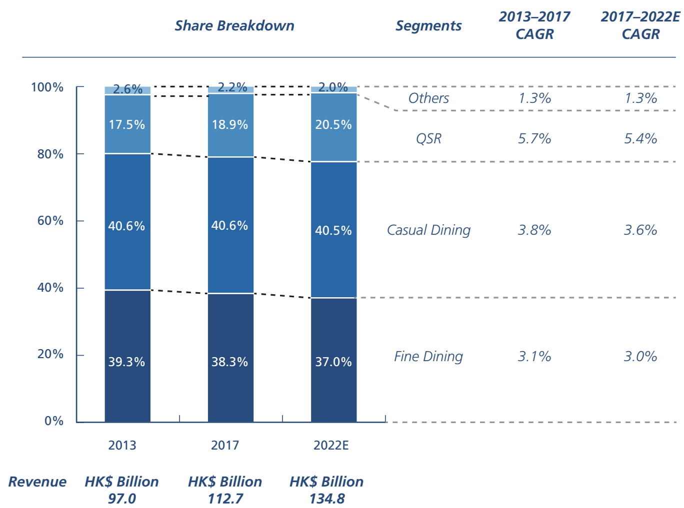


Source: Census and Statistics Department of HKSAR, Frost & Sullivan

In 2017, casual dining is the largest segment of catering service in Hong Kong, accounting for 40.6% of market share in terms of revenue of the overall catering service industry. Fine dining and QSR accounted for 38.3% and 18.9%, respectively of the share of the overall catering service industry in Hong Kong in 2017.

With the growth of tourism sector and thus expenditure of tourists on dining, the market size of QSR and casual dining in Hong Kong experienced a rapid growth during 2013 to 2017 at CAGRs of 5.7% and 3.8%, respectively. Tourists are considered as key contributors to the growth of casual dining and fine dining due to fact that tourists in Hong Kong generally prefer restaurants with a variety of cuisines and better environment and service level. Given the continued growth of tourism sector in Hong Kong, the revenue of QSR and casual dining are expected to grow further at CAGRs of 5.4% and 3.6%, respectively, during 2017 to 2022.

Revenue of Catering Service Market by Service Type (Hong Kong), 2013–2022E

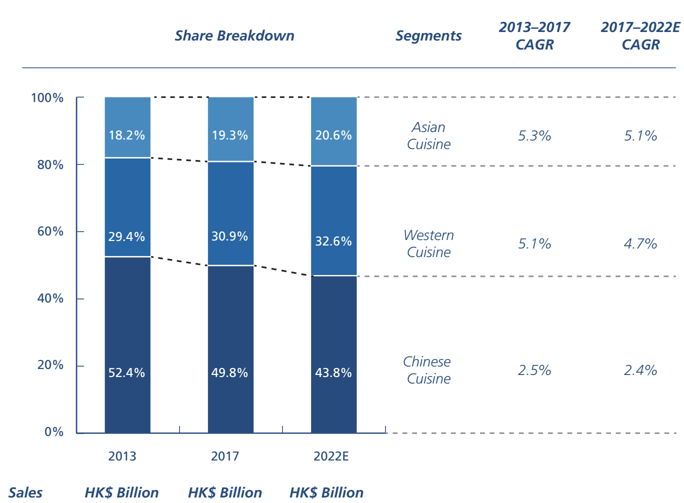


Source: Census and Statistics Department of HKSAR, Frost & Sullivan

The revenue of Chinese cuisine restaurants in Hong Kong witnessed a growth from HK$50.8 billion in 2013 to HK$56.1 billion in 2017, representing a CAGR of 2.5%. Chinese cuisine is the largest segment in terms of revenue in the catering service in Hong Kong, followed by Western cuisine and Asian cuisine.

In 2017, Chinese cuisine, Western cuisine and Asian cuisine accounted for 49.8%, 30.9%, and 19.3% respectively of the revenue of the catering service industry in Hong Kong. With the diversified brand development, revenue of Asian cuisine and Western cuisine in Hong Kong are estimated to grow at CAGRs of 5.1% and 4.7% during 2017 to 2022, respectively.

Revenue of Catering Service Market by Cuisine Type (Hong Kong), 2013–2022E



Source: Census and Statistics Department of HKSAR, Frost & Sullivan

Growth drivers of Hong Kong catering service market

Growing demand due to rising disposable income: According to the International Monetary Fund, per capita gross national income in Hong Kong is expected to increase with a CAGR of 4.5% from 2017 to 2022. The total population in Hong Kong is likely to increase at a CAGR of 0.8% from 2017 to 2022. The demand for catering service correlates with the income level that shows a rising trend in recent years. With the increase in income, the spending on food grows accordingly and more people shift from preparing and having meals at home to dining out. In addition, household expenditure on food in Hong Kong is expected to continue to grow from HK$96.721.0 in 2017 to HK$112,920.0 in 2022, representing a CAGR of 3.1% during the period. On the other hand, the number of visitor arrivals is expected to grow as indicated by first half of 2018 rebound as compared to 2017. According to the Hong Kong Tourism Board, the number of inbound visitors witnessed a growth of 10.1% in the first half of 2018 compared to the same period in 2017. As disposable income continues to rise, catering service industry is expected to benefit from the trend.

Pursuit of holistic dining experience: Customers nowadays are embracing a more holistic dining experience, from quality of food and services to concepts and visions relating to them. As consumer spending shifts from food to experience, casual dining restaurants with high value for money have grown as dining out provides customers with better experiences, in terms of table services, quality of food, dining ambience and specific concepts. Catering service industry, in general, is embracing a more comfortable dining environment to attract customers, at competitive prices and good food whilst adopting the concepts that address the concern of customers, such as healthier and seasoned menu offering. The pursuit of holistic dining experiences reflects the changing consumer behavior, which would increase in the demand for casual dining restaurant in Hong Kong.

Supportive government policies: The government coordinates with the tourism industry to provide policy support and leadership to the development of tourism in Hong Kong. Hong Kong is promoted as Asia's premier international city, and a world-class destination for leisure and business visitors. The rising number of tourists is likely to translate into opportunities for the catering service industry in Hong Kong. Together with the campaigns launched to promote the catering service in Hong Kong and initiatives in elevating quality of services and high level of standardisation, the catering service industry in Hong Kong is expected to continue to maintain an upward trend.

COMPETITIVE LANDSCAPE OF CASUAL DINING MARKET IN HONG KONG

According to Frost & Sullivan, there were approximately 5,000 casual dining restaurants in Hong Kong in 2017. The casual dining market in Hong Kong is highly fragmented with top three players together contributing 8.4% of revenue generated by casual dining restaurants in 2017.

In 2017, we were the largest casual dining group in terms of revenue of casual dining restaurants and also number of self-operated restaurants, in Hong Kong. We recorded a revenue of HK$1,821.2 million from 91 casual dining restaurants, accounting for a market share of 4.0% in 2017, with a brand portfolio of casual dining restaurants including "Tai Hing", "TeaWood", "Phở Lệ", and "Tokyo Tsukiji".

Leading players in casual dining market embrace multi-brand strategy to provide customers with various types of cuisines under different brands in prime locations, such as major shopping malls and areas with high customer traffic flow. They target middle to mass market, especially customers with mid to high spending power, and develop diversified customers base. In addition, multiple chain stores enable the top players to benefit from economies of scale thorough sharing cost of marketing, staff training and procurement. The key competitive factors in the industry lie in value for money, operational efficiency, food offerings and quality of services.

In general, leading casual dining restaurant groups increase value for money by offering high quality of food and services at competitive prices. They standardise workflow to achieve operational efficiency and reduce costs. To address the shifting market trends and customer demands, leading casual dining restaurant operators continue to develop new dishes and incorporate regional and international elements into menus. They also pay attention to the quality of services as attentive staff and hygiene are important to restaurant operations.

Ranking by revenue and Market Share of Top Three Self-operated Casual Dining Group (Hong Kong), 2017

Ranking	Casual Dining Group	Market Share of Casual Dining Revenue (%)	No. of Self-operated Casual Dining Restaurants
1	**The Group**	**4.0%**	**91**
2	Group A	2.7%	32
3	Group B	1.7%	64
	Top 3	**8.4%**	

Source: Frost & Sullivan

We were also the largest Taiwanese casual dining restaurant operator in terms of the number of Taiwanese casual dining restaurants in Hong Kong in 2017. We operated 27 Taiwanese casual dining restaurants in Hong Kong in 2017, which was way above the second largest Taiwanese casual dining restaurant operator in terms of the number of Taiwanese casual dining restaurant in Hong Kong.

In 2017, we were also the third largest restaurant operator specialising in congee and noodles in terms of the number of restaurants in Hong Kong, with 11 restaurants, under the brand name of "Trusty Congee King".

Entry barriers of casual dining in Hong Kong

Initial capital: The initial start-up cost of opening a casual dining restaurant in Hong Kong is high. It includes space rental, interior decorating, staff hiring, and equipment purchasing and marketing costs. In addition, sufficient amount of capital is also required to sustain the cost of daily operation as it takes time for a new restaurant to reach its breakeven point and begin to generate profit.

Well-established brand awareness: The building of brand names is highly dependent on food taste and quality, dishes, dining environment, etc. Strong brand recognition can also be achieved through successful marketing strategies. Consumers are typically willing to choose restaurants with good brand recognition. It is difficult for new entrants to establish a strong brand name within a short term.

Application of central kitchen or food factory: Central kitchen or food factory is generally set up as a specialty facility by a chain restaurant operator with certain operation scale with the purpose to enhance operational efficiency and effectiveness. Central kitchen or food factory model is relatively mature with QSR and hotpot restaurant chains for the dishes require less processing procedures as well as less discretionary control by the cooks. Central kitchen or food factory itself set up entry barriers for new entrances, including food preparation process and development capability, initial setup costs, scale of operation, systematic management, etc.

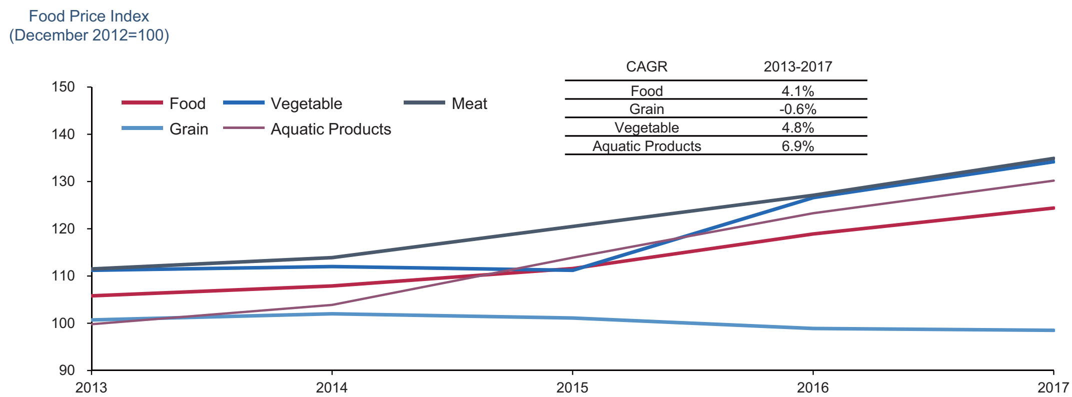
Established relationship with supplier: Established relationship with raw food materials supplier will be crucial to newly opened restaurants. Since the freshness and quality of food ingredients will affect the taste of the dishes, restaurants must find a reliable supplier in order to maintain the food quality. It may also be challenge for newcomers to partner with supplier in providing good quality products as existing competitors would have advantage in securing better quality ingredients.

Difficulty in securing rental space: The process of identifying, negotiating, and signing a commercial lease is a long process, which add complexity and uncertainty to the set-up of restaurants. Given proven track record of business operation and credibility, the existing and larger market players are preferred by the landlord and have advantage in securing rental space in prime locations.

Licensing requirements: In order to start a new restaurant in Hong Kong, restaurant owners are required to obtain several licenses prior to the opening including General Restaurant License, Light Refreshment Restaurant License and Liquor License from the Liquor Licensing Board. The process of obtaining the licenses will take up to several months, so new entrants will need to put extra focus in order to meet the regulatory requirements in order to prevent delays in restaurant opening.

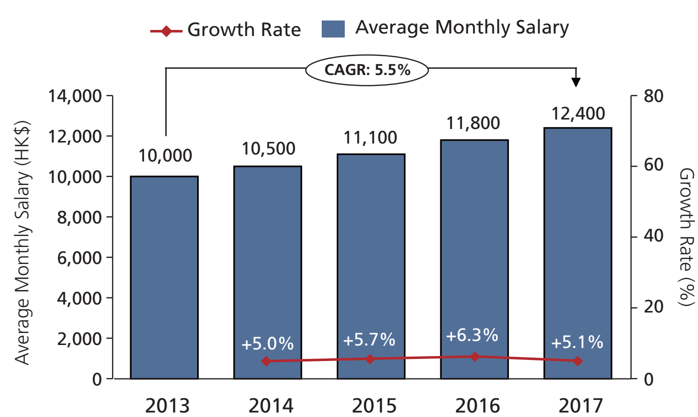
Food cost, labour cost and rental cost of catering service provider

Food Price Index of Major Raw Materials (Hong Kong), 2013–2017



Food price index of major raw materials such as vegetable, meat and aquatic products, have generally shown an upward trend from 2013 to 2017, primarily due to the RMB inflation and the rising import prices, as well as the increasing demand from catering service in Hong Kong. Per capita consumption of grain has decreased in Hong Kong, as a result of gradual change of eating habit due to diverse food choices and international cuisine available in Hong Kong.

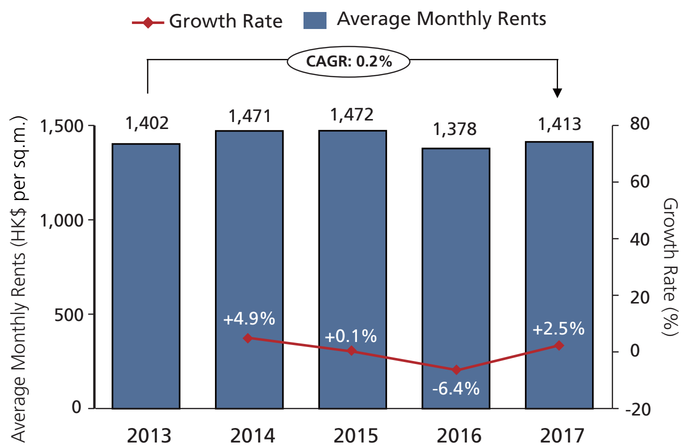
Average monthly salary of employees in catering service (Hong Kong), 2013–2017



Source: Census and Statistics Department of HKSAR, Frost & Sullivan

With the enforcement of the minimum wages and prolonged labor shortage in catering service market in Hong Kong along with inflation, the average monthly salary of employees in catering service industry in Hong Kong increased from HK$10,000 in 2013 to HK$12,400 in 2017, representing a CAGR of 5.5%.

Average monthly rents for retail premises (Hong Kong), 2013–2017



Source: Rating and Valuation Department of HKSAR, Frost & Sullivan

According to the Rating and Valuation Department of Hong Kong, the average monthly rents for retail premises in Hong Kong recorded a CAGR of approximately 0.2%, from HK$1,402 per sq.m. in 2013 to HK$1,413 per sq.m. in 2017. The rents decreased slightly in 2016 as some retailers were not able to withstand the rents due to the retail downturn.

Market trends

Trends in food delivery: It is a rising trend in Hong Kong that restaurants offer dine-in, takeaway and delivery services. Upon delivery of food, customers are able to order food from restaurants that usually only offer dine-in services. It grants customers flexibility in food ordering and venue selection, and therefore enables the catering service industry to reach greater customer base. Food delivery services such as Foodpanda, UberEats and Deliveroo are becoming increasingly popular among consumers in Hong Kong. With more food delivery services providers partnering with restaurants across different districts, the penetration rate of delivery service in Hong Kong's catering services industry is on the rise.

Popularity of green dining: Consumers in Hong Kong are becoming increasingly aware of the origin of food that they consume. In recent years, there are many information circulating on social media regarding to the origin of food ingredients, such as where vegetables are harvested, the methods farmers use to treat live stocks but also fishing methods of seafood. Through the sharing of these posts, consumers are more aware of how they are impacting the environment with the food they consume. Therefore increasing number of restaurants in Hong Kong are sourcing sustainable raw food materials product and promoting healthy and organic eating by offering dishes that are prepared using natural and organic ingredients. It is an effective campaign to target the community who pursue a green diet.

Technology integration: Restaurants operators in Hong Kong are also looking to adapt new technology into their daily operation to improve the efficiency in operation while enhancing the dining experience for the consumers. For example, the electronic ticketing system that has been adopted by larger chain restaurants in Hong Kong are accessible through the kiosk terminal at the entrance of the restaurant and accessible through mobile application, allowing customers to remotely receive their ticket prior to arriving at the restaurant and also providing the estimated waiting time. This implementation also benefits the reception staff to focus on directing customers to an available table rather than being surrounded by customers questioning about the waiting time. It is only a matter of time for restaurants to incorporate new technology into their operation, such as pay at the table service and self ordering service at the table.

Promotion of online marketing channels: The high penetration of electronic devices and internet has created a potential opportunity for restaurant operators to promote their brand through different marketing channels. Restaurant operators have already taken advantage of mobile applications and social media to engage target customers by offering coupon and discounts, sharing new menus, hosting reward campaigns and responding to customers' comments to drive customer traffic in their restaurants.

Promotion of omni channels: The omni channel development is seen across various industries, particularly services subsectors such as catering, travel, education, automotive and real estate. Channel integration is becoming the mainstream among the restaurants operators in Hong Kong. Integration of physical store and online channel is the rising trend to meet future retail needs and provide customers with better shopping experience. To adapt to the digital era, the restaurants have increasingly leveraged advanced technologies to promote their brands through different marketing channels. OpenRice is very popular among consumers to read about restaurant reviews and ratings that they are interested in Hong Kong. Restaurant operators have already taken advantage of mobile applications and social media to engage target customers by offering coupon and discounts, sharing new menus, hosting reward campaigns and responding to customers' comments to drive customers' traffic to their restaurants. With the fast development of electronic devices and virtualization of physical objects, technology application enables data capture, analytics and release, which are important for shaping the new user experiences in the catering service industry.

Threats and challenges

Increasing cost of labour: Despite the rental cost for the catering service industry reduced slightly in 2016, Hong Kong restaurant operators still suffer from pressure of maintaining profit margins with the increasing wage and raw material costs. Ever since the Statutory Minimum Wage came in effect in 2011, the amount of minimum wage has been reviewed for 3 times and increased from HK$28.0 per hour in 2011 to HK$34.5 per hour in 2017. Moreover, the rising cost of raw materials such as meat and vegetables due to inflation creates significant pressure for restaurant operators to maintain their businesses.

Fierce competition among restaurants: Customers' preferences in restaurants in Hong Kong are constantly evolving as their demand is not limited to food quality and customer service. With increasing social activities and expectations in the overall dining experience, the dining environment is also a criterion that customer would judge, creating a competitive environment between restaurants coming up with different ways to attract their customers to return. With higher expectations in the overall dining experience, restaurants are required to take initiatives, namely promotional campaigns, refurbishment of decoration and innovation of menu offerings, in order to stand out. Therefore, restaurants that are not able to catch up with the evolving trend may bear the risk of being left behind in the competition.

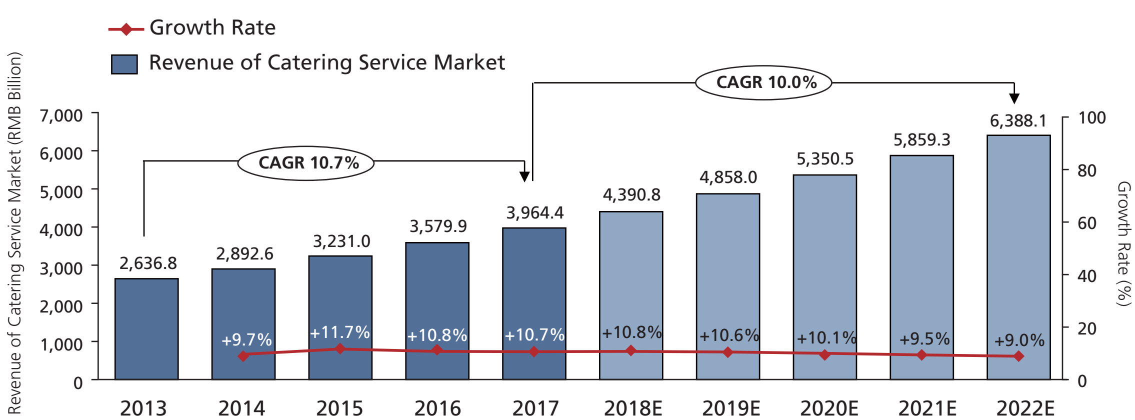
MAINLAND CHINA'S CATERING SERVICE MARKET

Overview of Mainland China catering service market

Chinese catering service market has kept a high growth rate, rising from RMB2,636.8 billion in 2013 to RMB3,964.4 billion in 2017, representing a CAGR of 10.7%. Key factors that drive the development of the catering service market include the improvement of consumers' purchasing power, increased urban population due to advancing urbanization, more out-dining versus home dining and so on.

In the following years, with expanding middle class population, continuous improvement of per capita annual disposable income and a growing preference to dine out more often, the Chinese catering service market is anticipated to keep sustainable growth along with the steady economy growth in Mainland China. Frost & Sullivan forecasts that the total market is likely to reach RMB6,388.1 billion in 2022, growing at a CAGR of 10.0% from 2017 to 2022.

Revenue of Catering Service Market (Mainland China), 2013–2022E



Source: National Bureau of Statistics, Frost & Sullivan

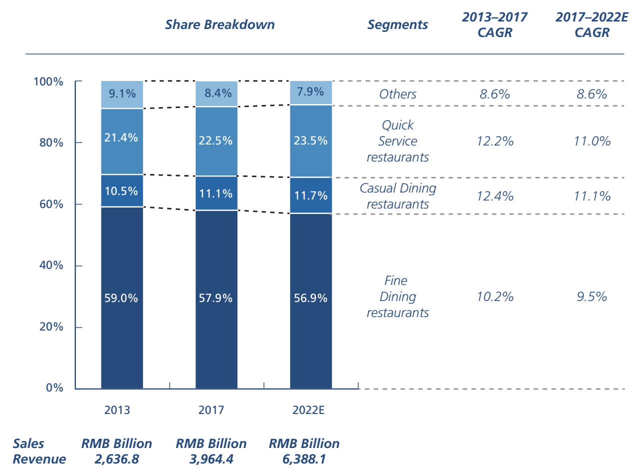
In Mainland China, fine dining constitutes the largest sector, occupying 57.9% of total catering service market in 2017. It attained a CAGR of 10.2% from 2013 to 2017 and is expected to grow at a CAGR of 9.6% from 2017 to 2022. Many fine dining restaurants offer set meal during lunch time in weekdays to attract workers in nearby office buildings.

Casual dining restaurants is the fastest growing segment in the catering service industry, reaching a CAGR of 12.4% from 2013 to 2017. An increasing number of young customers prefer to dine in casual dining restaurants that provide more flexible meal time and diversified food offering compared to other types of restaurants. Moreover, Casual dining restaurants are more economical for daily dining.

Quick service restaurants accounted for around 22.5% of total market revenue of Mainland China's catering service industry in 2017. Increasing life pace in Mainland China drives the demand for quick service restaurants.

Fine dining restaurants, casual dining restaurants, quick service restaurants, and other restaurants are expected to maintain their growth from 2017 to 2022.

Revenue of Catering Service Market by Service Type (Mainland China), 2013, 2017 & 2022E



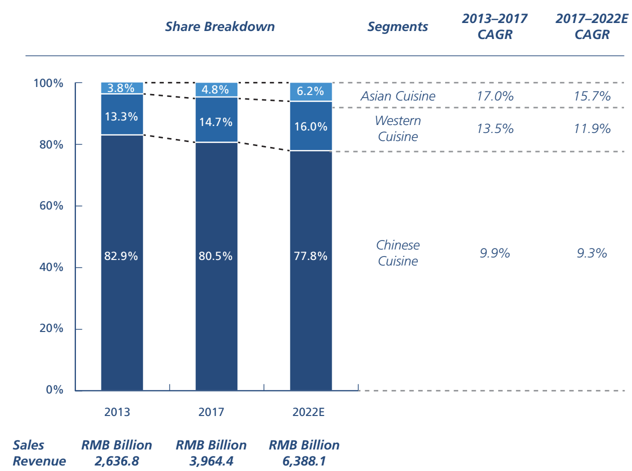
Note: *Sum may not add up to 100.0% due to rounding.*
Source: *Frost & Sullivan.*

Chinese cuisine takes a large proportion in Mainland China's catering service market. The market revenue of Chinese cuisine increased from RMB2,184.6 billion in 2013 to RMB3,192.0 billion in 2017, representing a CAGR of 9.9%. The market share of Chinese cuisine accounted for 80.5% in 2017. Chinese cuisine market is expected to grow at a CAGR of 9.3% from 2017 to 2022, reaching RMB4,972.2 billion in 2022.

Western cuisine grew at a CAGR of 13.5% from 2013 to 2017. The market revenue of Western cuisine increased from RMB350.8 billion in 2013 to RMB1,021.8 billion in 2017.

Asian cuisine includes other cuisines such as Japanese cuisine and Korean cuisine. The market revenue of Asian Cuisine increased from RMB101.4 billion in 2013 to RMB190.1 billion in 2017, representing a CAGR of 17.0% from 2013 to 2017. Asian cuisine is expected to reach RMB394.1 billion by 2022, representing a CAGR of 15.7% from 2017 to 2022.

Revenue of Catering Service Market by Cuisine Type (Mainland China), 2013, 2017 & 2022E



Note: Sum may not add up to 100.0% due to rounding.
Source: Frost & Sullivan.

Market size of casual dining market in Mainland China

Over past few years, Chinese casual dining market has grown at a CAGR of 12.4%, with the total market revenue increased from RMB277.0 billion in 2013 to RMB441.6 billion in 2017. Major market drivers include the increasing per capita disposable income, the increasing urban population, and increasing out-dining need from both business activities and social interactions. In the meanwhile, the casual dining enterprises, especially the chained ones, continued to launch new dishes and upgrade popular dishes to target many consumption groups.

For the forecast period from 2017 to 2022, per capita disposable income is forecasted to continue with steady growth. With continuously expanding middle-class population, out dining is likely to become increasingly important as a solution for better convenience and instrument to improve the quality of life. Therefore, promising prospect is expected for Mainland China's casual dining market, with the market revenue forecasted to reach RMB747.4 billion in 2022, representing a CAGR of 11.1% from 2017 to 2022.

Mainland China casual dining market could be divided into two types by operating model, including chain stores and non-chain stores.

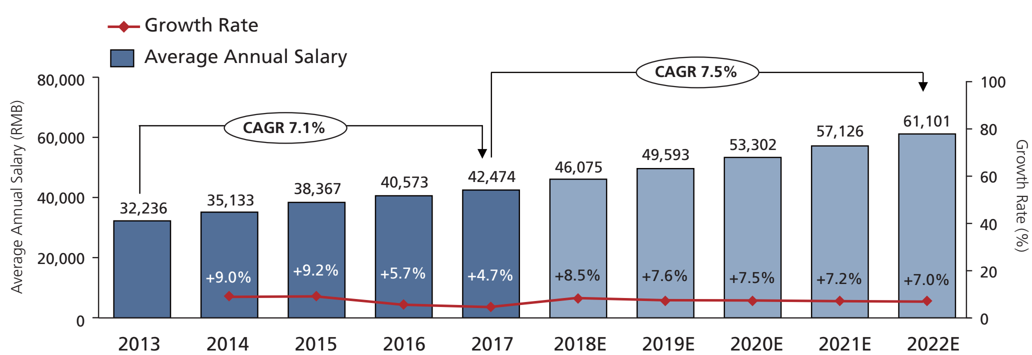
Mainland China catering service market has traditionally been fragmented and dominated by standalone restaurants. Due to difficulties in developing and managing scalable and standardized operations of Chinese cuisine, non-chain stores are dominant players which accounted for 79.8% of Mainland China casual dining market in 2017.

The revenue generated by chain stores accounted for 20.2% of the total casual dining market in 2017. However, with the increasing consumers' focus on the brand reputation, food safety, quality of the service and food, the revenue of chain restaurants is expected to grow from RMB89.3 billion to RMB152.2 billion from 2017 to 2022, primarily because chain restaurant brands generally have stronger capital platforms, higher brand awareness and reputation, better control on food safety, and offer high quality food and services.

Food cost, labour cost and rental cost of catering service provider

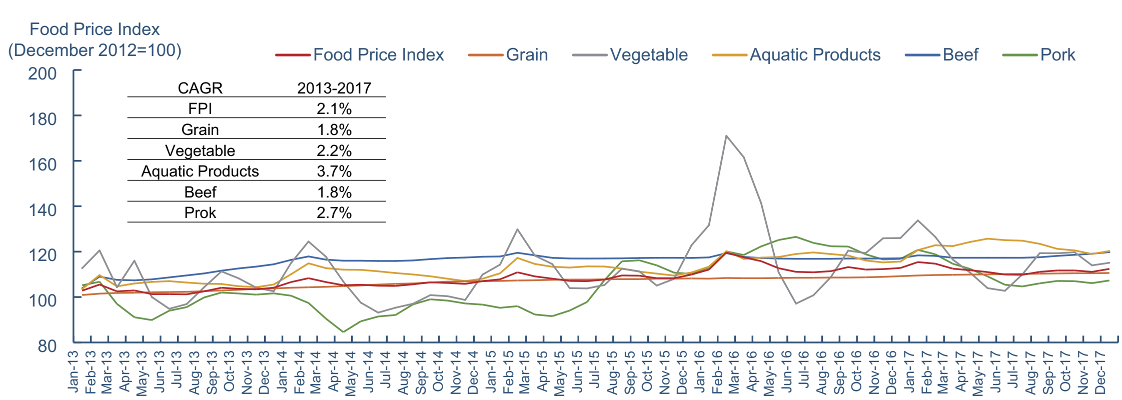
Average annual salary of employees in catering service market has increased rapidly from RMB32,236 in 2013 to RMB42,474 in 2017, representing a CAGR of 7.1%, according to the National Bureau of Statistics. Furthermore, it is expected that the average annual salary of employees in catering service market is expected to keep increasing with a CAGR of 7.5% during 2017 to 2022 due to the sustained booming catering industry and development of China's macro economy.

Average Annual Salary of Employees in Catering Service Market (Mainland China), 2013–2022E



Source: National Bureau of Statistics, Frost & Sullivan

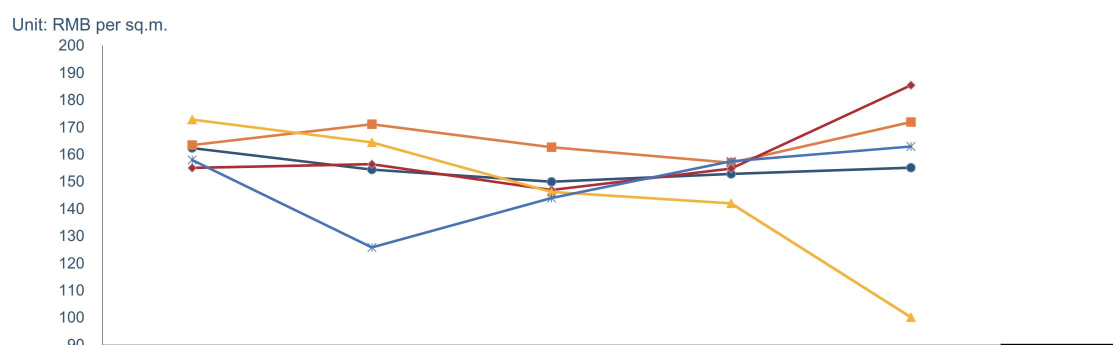
Consumer Price Index of Food and Major Raw Materials (Mainland China), January 2013–December 2017



The food price index has been growing relatively steady from 2013 to 2017, it increased from 102.8 in January 2013 to 112.4 to December 2017. With further economic development, increase in disposable income and inflation, the FPI is likely to show a steady growth in the following years. Pork price index has shown a floating trend from 2013 to 2017. Looking forward, such price index is likely to remain stable or slightly decrease because of the rising demand on other categories of the meat. The price index of fresh vegetables has been fluctuating substantially during 2013 to 2017. In the following years, the price index of vegetables is likely to show an upward trend. The price index of grain has maintained a relatively stable growth pace from 2013 to 2017 because of the Chinese cuisine culture and that grain is widely consumed. Price index of grain is expected to remain stable or slightly rise in the future.

Overall average monthly rents of shopping centers in the first-tier cities (Beijing, Shanghai, Guangzhou and Shenzhen) in Mainland China has gone through a slightly down pace in past few years. In particular, average monthly rent of shopping centers in Guangzhou experienced a sharp fall from 2016 to 2017. A rapidly increasing supply of commercial-used land since September 2017 results in the sharp fall of average monthly rents in Guangzhou. Average monthly rents of shopping centers in other first-tier cities such as Beijing, Shanghai and Shenzhen has enjoyed varying degrees of growth, which indicate an increasing rent cost for catering service providers in such cities.

Average Monthly Rents of Shopping Centers (Mainland China), 2013–2017



	2013	2014	2015	2016	2017	CAGR (13-17)
First-tier Cities	162.3	154.5	150.0	152.8	155.1	-1.1%
Beijing	163.5	171.1	162.7	157.0	171.9	1.3%
Shanghai	155.1	156.4	147.0	154.8	185.5	4.6%
Guangzhou	172.8	164.5	146.2	142.0	100.2	-12.7%
Shenzhen	158.0	125.8	144.0	157.5	162.9	0.8%

Source: Frost & Sullivan

Market drivers of casual dining market in Mainland China

The future growth of Mainland China's casual dining market is expected to be driven by the following factors:

Increasing per capita disposable income: Per capita disposable income in Mainland China has been rocketing up along with the rapid growth of Mainland China's economy. According to the National Bureau of Statistics, the per capita annual disposable income of urban households has increased to RMB36,396.0 in 2017 from RMB26,955.0 in 2013. Increasing income has promoted consumption upgrading and boosting the market of catering service industry and casual dining market in Mainland China.

Changing lifestyle and increasing need and demand for dining-out: Of the two major purposes of out-dining, which are the substitution of in-house dining for hunger appeasing and out-dining for leisure and social interactions, the latter has been largely increasing in importance, as supported by consumers' increasing purchasing power and gradually changing lifestyle. This is expected to serve as a major incentive for the need and demand for dining out. Moreover, casual dining market in Mainland China is still in the early development stage. With people paying more attention to the quality of food and experience, they tend to prefer more diversified dining options, rather than only fine dining and fast food, driving the development of casual dining market in Mainland China.

Rich and diversified dining culture: Major cuisines in Mainland China include Chinese cuisine such as Anhui, Cantonese, Hunan and western cuisine. With the rapid growth of Chinese economy and urbanization process, these cuisines are changed and mixed. On the other hand, Chinese consumers start to dine out more often and are open up to innovative dining style and culture. Mainland China's casual dining is a fusion of Chinese cuisine dining culture, which are able to offer different kinds of Chinese cuisine and meet diverse demands of consumers expected to expand region-wisely.

Development of technology: Technology adoption has accelerated the growth of the catering service market. New technologies such as automatic ordering and automatic queue management provide a better dining experience for guests. Not only consumers but also the operators can benefit from the development of technology. It has offered a strong support for the management of operators and enables companies to improve management efficiency through various aspects including operation, decision making, supply chain management, promotion, etc.

COMPETITIVE LANDSCAPE OF CASUAL DINING MARKET IN MAINLAND CHINA

The self-operated casual dining market is highly competitive and fragmented in Mainland China, with top 5 players accounting for 0.7% market share in terms of revenue generated by casual dining restaurants in 2017. In 2017, the Group was one of the leading self-operated casual dining groups in Mainland China in terms of revenue of casual dining restaurants, with a market share of 0.1% of total casual dining market. The Group recorded a revenue of RMB572.4 million and operated 58 casual dining restaurants with a brand portfolio of "Tai Hing" and "TeaWood".

Ranking by Revenue and Market Share of Top Five Self-operated Casual Dining Group (Mainland China), 2017

Ranking	Casual Dining Group	Market Share of Casual Dining Revenue (%)	No. of Self-operated Casual Dining Restaurants
1	**Group C**	**0.3%**	**130**
2	**The Group**	**0.1%**	**58**
3	Group A	0.1%	34
4	Group D	0.1%	72
5	Group E	0.1%	24
	Top 5	**0.7%**	

Source: Frost & Sullivan

Market trends of casual dining market in Mainland China

Increasing standardization and expansion of chain store: An increasing number of casual dining restaurant operators begin to expand their store network to enlarge their business and coverage of target customers. An extensive network is likely to increase exposure of the brand. Meanwhile, standardization of products and services is the key to ensure the quality and safety of the dishes. Central kitchens or food factory help to produce large quantities of semi-finished dishes to ensure the standardization of the dishes and to increase the turnover rate of the table.

Stricter food safety and healthier dish trend: Food safety is always top priority in Mainland China, especially after several scandals in catering service industry in previous years. Government is expected to implement stricter supervision and governance. Meanwhile customers pay more attention to their health and raise higher requirements to the food materials and the cooking procedures. Casual dining restaurants are expected to launch new healthier dishes to meet the demand of customers.

Development of O2O food delivery platform: With the development of Internet and penetration of mobile phone, increasing number of consumers prefer to order food through online food delivery platform, especially for young generation. Major market of food delivery service in Mainland China is online market, especially third party platform online market. Food delivery service through mobile phones accounts for an extremely small portion of the market. Increasing casual dining restaurants are expected to expand delivery service through O2O platform.

Innovation of product & service to differentiate: Generally, casual dining restaurants offer highly homogeneous product in such a highly competitive environment. Innovation of products and services is the key to manage customers' satisfactory and experience. Many casual dining restaurants offer additional service like photo stickers, video games when customers are queuing for the table. New ingredients and dishes are the key to attract customers and maintain their interest in the restaurants.

Entry barriers of casual dining market in Mainland China

Initial set-up capital: A large amount of initial and operating investment to keep business running is needed in casual dining market in Mainland China. It is crucial for new entrants to have sufficient capital support to ensure renting, decorating, substantial expenditure on human resources, etc. For players who want to achieve sizable scales, set-up capital for new stores is essentially important. Thus, the capital investment set a high barrier for those new entrants.

Brand awareness and reputation: Generally, brand reputation is highly related to food taste, safety and quality, service and environment, etc. In that case, a casual dining restaurant with a high brand awareness and reputation is more likely to be welcomed by consumers. On the other hand, brand reputation is crucial in various aspects of business, such as negotiating and securing favourable lease terms with landlords of desirable restaurant locations or to relocate stores to a prime location, strong bargaining power with suppliers or service providers in terms of pricing, stable supply and provision of tailor-made food ingredient and services, and attracting and retain experienced management staff and other employees. For the new entrants, it is hard for them to establish brand awareness and reputation in a short term, while existed notable players are easier to gain larger market share.

Human resources: Catering service industry depends a lot on the human resources, including chefs, waiters and waitresses and management team. Recruitment of chefs and the assurance of standard service and efficient management are key entry barriers for new entrants. Moreover, management of staff turnover rate is difficult for new entrants with no experience.

Restaurant location: Location is a key success factor for casual dining restaurants. However, suitable locations may not be easily available for new entrants. New entrants have to seek chances for a new location. Moreover, new entrants may not be familiar with the customer flow of the location and have difficulty targeting the right segment.

Catering service license: Application for a license of entering casual dining market in Mainland China takes time and effort. License for catering service industry, fire safety certificate, sewage discharge permission, and health certificate of food and beverage industry for all staff, are necessary licenses for operating a restaurant in Mainland China.

Threats and challenges of Casual Dining Market in Mainland China

Rising labour costs and high employee turnover: Human resource is rather important in catering service industry. As the economy develops, the labour cost in Mainland China faces an increase in recent years. The rising cost and the lack of both service personnel and mid-to-high management personnel are likely to be threats to the industry.

HONG KONG REGULATORY OVERVIEW

The following sets forth the most significant aspects of Hong Kong laws and regulations relating to our business operations in Hong Kong.

There are three principal types of licences required for the operation of our Group's restaurants in Hong Kong. They are as follows:

(a) food business licence, including general restaurant licence for restaurant operation which are required to be obtained before commencement of the relevant food business operation;

(b) water pollution control licence, which is required to be obtained before any discharge of trade effluents into a communal sewer or communal drain in a water control zone commences; and

(c) liquor licence, which is to be obtained before commencement of sale of liquor in the restaurant premises.

HEALTH AND SAFETY REGULATORY COMPLIANCE

General restaurant licence

Any person operating a restaurant in Hong Kong is required to obtain a general restaurant licence from the FEHD under the Public Health and Municipal Services Ordinance (Chapter 132 of the Laws of Hong Kong) and the Food Business Regulation (Chapter 132X of the Laws of Hong Kong) (the "**FBR**") before commencing the restaurant business operation. It is provided under section 31(1) of the FBR that no person shall carry on or cause, permit or suffer to be carried on, among others, any restaurant business except with a licence granted under the FBR. FEHD will consider whether certain requirements in respect of health, hygiene, ventilation, gas safety, building structure and means of escape are met before issuing a general restaurant licence. The FEHD will also consult the Buildings Department and the Fire Services Department in accessing the suitability of premises for use as a restaurant, and the fulfilment of the Buildings Department's structural standard and the Fire Services Department's fire safety requirement are considered. The FEHD may grant provisional restaurant licences to new applicants who have fulfilled the basic requirements in accordance with the FBR pending fulfilment of all outstanding requirements for the issue of a full general restaurant licence.

A provisional restaurant licence is valid for a period of six months or a lesser period and a full general restaurant licence is generally valid for a period of one year, both subject to payment of the prescribed licence fees and continuous compliance with the requirements under the relevant legislation and regulations. A provisional restaurant licence is renewable once and a full general restaurant licence is renewable annually.

Under section 35 of FBR, any person who is guilty of an offence for carrying on a food factory business without a valid licence shall be liable on summary conviction to a maximum fine of HK$50,000 and imprisonment for six months and, where the offence is a continuing offence, to an additional fine of HK$900 for each day during which it is proved to the satisfaction of the court that the offence has continued.

Food factory license

In respect of food businesses involving preparation of food for sale off-premise, a food factory license has to be obtained from the Food and Environmental Hygiene Department ("**FEHD**") under the FBR. It is provided under section 31(1) of the FBR that no person shall carry on or cause, permit or suffered to be carried on any food factory business except with a food factory license. The FEHD may grant a provisional food factory license to a new applicant who has fulfilled the basic requirements in accordance with the FBR pending fulfilment of all outstanding requirements for the issue of a full food factory license.

A provisional food factory license is valid for a period of six months or lesser and a full food factory license is valid generally for a period of one year, both subject to payment of the prescribed license fees and continuous compliance with the requirements under the relevant legislation and regulations. A provisional food factory license is renewable once and a full food factory license is renewable annually.

Demerit points system

The demerit points system is a penalty system operated by the FEHD to sanction food businesses for repeated violations of relevant hygiene and food safety legislation. Under the system:

(a) if within a period of 12 months, a total of 15 demerit points or more have been registered against a licensee in respect of any licensed premises, the licence in respect of such licensed premises will be subject to suspension for seven days (the "**First Suspension**");

(b) if, within a period of 12 months from the date of the last offence leading to the First Suspension, a total of 15 demerit points or more have been registered against the licensee in respect of the same licensed premises, the licence will be subject to suspension for 14 days (the "**Second Suspension**");

(c) thereafter, if within a period of 12 months from the date of the last offence leading to the Second Suspension, a total of 15 demerit points or more have been registered against the licensee in respect of the same licensed premises, the licence will be subject to cancellation;

(d) for multiple offences found during any single inspection, the total number of demerit points registered against the licence will be the sum of the demerit points for each of the offences;

(e) the prescribed demerit points for a particular offence will be doubled and trebled if the same offence is committed for the second and the third time within a period of 12 months; and

(f) any alleged offence pending, that is the subject of a hearing and not yet taken into account when a licence is suspended, will be carried over for consideration of a subsequent suspension if the licensee is subsequently found to have violated the relevant hygiene and food safety legislation upon the conclusion of the hearing at a later date.

Restricted Food Permit

Under sections 30(1), 31(A) and Schedule 2 of the FBR and according to the guideline of the FEHD, save with the restricted food permit, no person shall see, or offer or expose for sale, or possess for sale or for use in the preparation of any article of food for sale, any of the foods specified in Schedule 2 of the FBR (including sashimi, oysters to be eaten in raw state, live fish and shell fish).

Under section 35 of the FBR, any person who is guilty of an offence under section 30(1) may be liable to a maximum fine of HK$50,000, imprisonment for 6 months and HK$900 for each day where the offence is a continuing offence.

Hygiene Manager and Hygiene Supervisor Scheme

To strengthen food safety supervision in licensed food premises, the FEHD has introduced the Hygiene Manager and Hygiene Supervisor Scheme under which all large food establishments and food establishments producing high risk food are required to appoint a hygiene manager and a hygiene supervisor; and all other food establishments are required to appoint a hygiene manager or a hygiene supervisor. General restaurants which accommodate over 100 customers are required to appoint a hygiene manager and a hygiene supervisor. Food business operators are required to train up their staff or appoint qualified persons to take up the post of hygiene manager or hygiene supervisor. According to "A Guide to Application for Restaurant Licences (September 2016 Edition)" of the FEHD, one of the criteria for the issuance of a provisional restaurant licence/full general restaurant licence is the submission of a duly completed nomination form for hygiene manager and/or hygiene supervisor together with a copy of the relevant course certificate(s).

Occupiers Liability Ordinance

The Occupiers Liability Ordinance (Chapter 314 of the Laws of Hong Kong) (the "**OLO**") regulates the obligations of a person occupying or having control of premises for injury or damage resulting to persons or goods lawfully on the land or other property from dangers.

Factories and Industrial Undertakings (Fire Precautions in Notifiable Workplaces) Regulations (Cap. 59V) ("FIU(F)R")

The FIU(F)R ensures that the proprietor of every workplace shall maintain a means of escape from the workplace in good condition and free from obstruction. Under regulation 5(1) of the FIU(F)R, the proprietor of every notifiable workplace shall maintain in good condition and free from obstruction every doorway, stairway and passageway within the workplace which affords a means of escape from the workplace in case of fire. The proprietor must also provide or maintain adequate and suitable fire extinguishers so as to be readily available for use. Regulation 14(5) of the FIU(F)R stipulates that proprietor who contravenes regulation 5(1) of the FIU(F)R without reasonable excuse shall be liable to a fine of HK$200,000 and to imprisonment of six months upon conviction.

ENVIRONMENTAL REGULATIONS

Water pollution control licence

In respect of our operations in Hong Kong, we are required to obtain a water pollution control licence from the Environmental Protection Department (the "**EPD**") prior to any discharge of trade effluents under the Water Pollution Control Ordinance (Chapter 358 of the Laws of Hong Kong) ("**WPCO**"). Under sections 8(1) and 8(2) of the WPCO, a person who discharges (i) any waste or polluting matters into waters of Hong Kong in a water control zone; or (ii) any matter into any inland waters in a water control zone which tends (either directly or in combination with other matter which has entered those waters) to impede the proper flow of the water in a manner leading or likely to lead to substantial aggravation of pollution, commits an offence and where any such matter is discharged from any premises, the occupier of the premises also commits an offence. Under sections 9(1) and 9(2) of the WPCO, a person who discharges any matter into a communal sewer or communal drain into a water control zone commits an offence and where any such matter is discharged into a communal sewer or communal drain in a water control zone from any premises, the occupier of the premises also commits an offence. Under section 12(1)(b) of the WPCO, a person does not commit an offence under sections 8(1), 8(2), 9(1) or 9(2) of the WPCO if the discharge or deposit in question is made under, and in accordance with, a water pollution control licence. A water pollution control licence is granted with terms and conditions specifying requirements relevant to the discharge, such as the discharge location, provision of wastewater treatment facilities, maximum allowable quantity, effluent standards, self-monitoring requirements and keeping records.

A water pollution control licence may be granted for a period of not less than two years and generally five years, subject to payment of the prescribed licence fee and continuous compliance with the requirements under the relevant legislation and regulations. A water pollution control licence is renewable.

Under section 11 of the WPCO, (1) a person who commits an offence under section 8(1), 8(2), 9(1) or 9(2) is liable to imprisonment for six months and (a) for a first offence, a fine of HK$200,000; (b) for a second or subsequent offence, a fine of HK$400,000, and in addition, if the offence is a continuing offence, to a fine of HK$10,000 for each day during which it is proved to the satisfaction of the court that the offence has continued.

LIQUOR REGULATIONS

Liquor licence

In Hong Kong, a person must obtain a liquor licence from the Liquor Licensing Board (the "**LLB**") under the Dutiable Commodities (Liquor) Regulations (Chapter 109B of the Laws of Hong Kong) (the "**DCR**") before commencement of sale of liquor for consumption on the premises. It is provided under section 17(3B) of the Dutiable Commodities Ordinance (Chapter 109 of the Laws of Hong Kong) (the "**DCO**") that where regulations prohibit the sale or supply of any liquor except with a liquor licence, no person shall sell, or advertise or expose for sale, or supply, or possess for sale or supply, liquor except with a liquor licence.

Regulation 25A of the DCR prohibits the sale of liquor at any premises for consumption on those premises or at a place of public entertainment or a public occasion for consumption at the place or occasion except with a liquor licence. A liquor licence will only be valid if the relevant premises remain licensed as a restaurant. All applications for liquor licence are referred to the Commissioner of Police and the District Officer concerned for comments.

Under Regulation 20 of the DCR, a liquor licence is valid for a period of two years or lesser period, subject to the continuous compliance with the requirements under the relevant legislation and regulations.

Under section 46 and Schedule 2 of the DCO, a person who commits an offence under section 17 is liable to a maximum penalty of HK$1,000,000 and imprisonment for two years.

OCCUPATIONAL SAFETY REGULATIONS

Occupational Safety and Health Ordinance

Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong) (the "**OSHO**") is purported to ensure the safety and health of employees when they are at work and aims to improve the safety and health standards applicable to certain hazardous processes, plant and substances used or kept in workplaces. The employer shall ensure the safety and health at works of all his employees by:

(i) providing and maintaining plant and work systems that are safe and without risk to health;

(ii) making arrangements for ensuring safety and the absence of risks to health in connection with the use, handling, storage and transport of plants and substances;

(iii) providing all necessary information, instruction, training and supervision for ensuring safety and health;

(iv) providing and maintaining safe access to and egress from the workplaces; and

(v) providing and maintaining a work environment that is safe and without risk to health.

Under section 9(1) of the OSHO, the Commissioner for Labour may serve an improvement notice on an employer, or an occupier of premises where a workplace is located, if the employer or occupier is contravening the OSHO, or has contravened in circumstances that make it likely that the contravention will be continued or repeated. Section 9(2)(e) of the OSHO stipulates that an improvement notice must require the employer or occupier either to remedy the contravention within a period specified in the notice, or to refrain from continuing or repeating the contravention. Section 9(5) of the OSHO stipulates that an employer who, without reasonable excuse, fails to comply with a requirement of an improvement notice commits an offence and is liable on conviction to a fine of HK$200,000 and to imprisonment for 12 months.

EMPLOYMENT REGULATIONS

Employment Ordinance

The Employment Ordinance (Chapter 57 of the Laws of Hong Kong) (the "**EO**") provides for, amongst other things, the protection of the wages of employees, to regulate general conditions of employment, and for matters connected therewith. Under section 25 of the EO, where a contract of employment is terminated, any sum due to the employee shall be paid to him as soon as it is practicable and in any case not later than seven days after the day of termination. Any employer who wilfully and without reasonable excuse contravenes section 25 of the EO commits an offence and is liable to a maximum fine of HK$350,000 and to imprisonment for a maximum of three years. Further, under section 25A of the EO, if any wages or any sum referred to in section 25(2)(a) of the EO are not paid within seven days from the day on which they become due, the employer shall pay interest at a specified rate on the outstanding amount of wages or sum from the date on which such wages or sum become due up to the date of actual payment. Any employer who wilfully and without reasonable excuse contravenes section 25A of the EO commits an offence and is liable on conviction to a maximum fine of HK$350,000.

Employees' Compensation Ordinance

Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong) (the "**ECO**") establishes a no-fault, non-contributory employee compensation system for work injuries and lays down the obligations of employers in respect of injuries sustained by, or death of their employees caused by accidents arising out of and in the course of employment, or by prescribed occupational diseases suffered by the employees. Under section 5 of the ECO, if an employee sustains an injury or dies as a result of an accident arising out of and in the course of his employment, his employer is generally liable to pay for the compensation even if the employee might have committed acts of faults or negligence when the accident occurred. Similarly, under section 32 of the ECO, an employee who suffers incapacity or dies arising from an occupational disease is entitled to receive the same compensation as that payable to employees injured in occupational accidents. Further, section 40 of the ECO provides that an employer is not permitted to employ any employee in any employment unless there is in force in relation to such employee a policy of insurance issued by an insurer for an amount not less than that specified in the ECO.

Minimum Wage Ordinance

The Minimum Wage Ordinance (Chapter 608 of the Laws of Hong Kong) (the "**MWO**") provides a statutory minimum wage for employees in Hong Kong. In essence, wages payable to an employee in respect of any wage period, when averaged over the total number of hours worked in the wage period, should be no less than the statutory minimum wage, which was HK$34.5 per hour as at the Latest Practicable Date. Any provision of the employment contract which purports to extinguish or reduce the right, benefit or protection conferred on the employees by the MWO is void.

Mandatory Provident Fund Scheme Ordinance

Section 7 of the Mandatory Provident Fund Scheme Ordinance (Chapter 485 of the Laws of Hong Kong) ("**MPFSO**") requires every employer of a relevant employee must take all practicable steps to ensure that the employee becomes a member of a registered scheme within the permitted period after the relevant time. Section 7A of the MPFSO requires an employer who is employing a relevant employee must, for each contribution period occurring after that commencement (a) from the employer's own funds, contribute to the relevant registered scheme the amount determined in accordance with MPFSO; and (b) deduct from the employee's relevant income for that period as a contribution by the employee to that scheme the amount determined in accordance with MPFSO.

The amount to be contributed and/or deducted by an employer for a contribution period is in the case of a casual employee who is a member of an industry scheme, an amount determined by reference to a scale specified in an order made in accordance with MPFSO.

MAINLAND CHINA REGULATORY OVERVIEW

Our business and operations in the Mainland China are subject to laws and regulations issued by various PRC government authorities. Set forth below are the principal laws and regulations applicable to our current business and operations in the Mainland China.

Regulations on the Foreign-Invested Companies

According to the Catalogue of Industries for Guiding Foreign Investment (《外商投資產業指導目錄》) jointly issued by the National Development and Reform Commission of the PRC (the "**NDRC**") and the Ministry of Commerce of the PRC (the "**MOFCOM**") on 28 June 2017, the Special Administrative Measures for Access of Foreign Investment (Negative List) (2018 Edition) (《外商投資准入特別管理措施(負面清單)(2018年版)》) issued on 28 June 2018 and the Negative List of Market Access (2018 Edition) (《市場准入負面清單(2018年版)》) issued on 21 December 2018, food and beverage services and food production, processing and sales fall into the industries where foreign investment is permitted.

The establishment, operation, management and investment activities of foreign-invested companies in the PRC are governed by the Wholly Foreign-owned Enterprise Law of the PRC (《中華人民共和國外資企業法》), which was promulgated on 12 April 1986 and amended on 31 October 2000, 3 September 2016, the PRC Company Law (《中華人民共和國公司法》) promulgated on 29 December 1993 and subsequently amended on 25 December 1999, 28 August 2004, 27 October 2005, 28 December 2013 and 26 October 2018, the Interim Administrative Measures for the Record-filing of the Incorporation and Change of Foreign-invested Enterprises (《外商投資企業設立及變更備案管理暫行辦法》), which was promulgated by the MOFCOM on 8 October 2016 and subsequently amended on 30 July 2017, 29 June 2018, and the Interim Provisions on Investment Made by Foreign-Invested Enterprises in the PRC (《關於外商投資企業境內投資的暫行規定》), which were promulgated by MOFCOM and the State Administration for Industry and Commerce on 25 July 2000 and subsequently amended on 26 May 2006, 28 October 2015.

Laws and Regulations on Food Safety and Licensing Requirement for Consumer Food Services and Food Production

In accordance with the Food Safety Law of the PRC (《中華人民共和國食品安全法》, the "**Food Safety Law**"), which was promulgated on 28 February 2009 and amended on 24 April 2015 and 29 December 2018, and the Implementation Rules of the Food Safety Law of the PRC (《中華人民共和國食品安全法實施條例》), which was promulgated on 20 July 2009 and amended on 6 February 2016, the State implements a licensing system for the food production and trading and a person who engages in food production, food selling or catering services shall obtain the license.

The State Food and Drug Administration promulgated the Administrative Measures for Food Operation Licensing (《食品經營許可管理辦法》, the "**Food Operation Licensing**") promulgated on 31 August 2015 and amended on 17 November 2017. According to the Food Operation Licensing, the principle of one license for one site shall apply to the licensing for food operation and the food and drug administrative authorities implement classified licensing according to their types of operation and the degree of risk of their operation projects. According to the Administrative Measures for Food Production Licensing (《食品生產許可管理辦法》) promulgated by the State Food and Drug Administration on 7 April 2010 and amended on 31 August 2015, 17 November 2017, the food and drug administrative authorities implement classified licensing for food production according to the degree of risk of food, and the principle of one license for one enterprise shall apply to the licensing for food production.

The Decision of the State Council on the Integration of Health permits and Food Business licenses in Public places for Restaurant Services (《國務院關於整合調整餐飲服務場所的公共場所衛生許可證和食品經營許可證的決定》), which was promulgated on 3 February 2016, cancels the hygiene permits of restaurants and integrate the contents of the food safety permits into the food business licenses issued by the food and drug regulatory authorities.

Regulations on Fire Prevention

According to the Fire Prevention Law of the PRC (《中華人民共和國消防法》) promulgated by the National People's Congress (the "**NPC**") on 29 April 1998 and amended on 28 October 2008, the Provisions on the Administration of Fire Safety of State Organs, Organisations, Enterprises and Institutions (《機關、團體、企業、事業單位消防安全管理規定》) promulgated by the Ministry of Public Security on 14 November 2001, and the Provisions on Supervision and Administration of Fire Protection of Construction Projects (《建設工程消防監督管理規定》) promulgated by the Ministry of Public Security on 30 April 2009 and amended on 17 July 2012, for a construction project which needs a fire prevention design under the national fire protection technical standards, the construction unit must submit the fire prevention design documents for approval or filing purposes, and upon completion of such construction project, the construction unit shall apply for fire protection acceptance or conduct fire protection filing for fire protection design and completion acceptance as the case may be. Furthermore, public gathering places shall pass a fire prevention safety inspection conducted by the local public security fire-fighting department before the commencement of business operations.

Regulations on Environmental Protection

Environmental Protection Law

The Environmental Protection Law of the PRC (《中華人民共和國環境保護法》, the "**Environmental Protection Law**"), which was promulgated on 26 December 1989 and was amended on 24 April 2014, provides a regulatory framework to protect and develop the environment, prevent and reduce pollution and other public hazards and safeguard human health. According to the Catalog of Classified Management of Pollutant Discharge Permits for Stationary Pollution Sources (2017 Edition) (《固定污染源排污許可分類管理名錄(2017年版)》, the "**Pollutant Discharge Catalog**") promulgated by the Ministry of Environmental Protection on 28 July 2017, and the Administrative Measures for Pollutant Discharge Licensing (for Trial Implementation) (《排污許可管理辦法(試行)》) promulgated by the Ministry of Environmental Protection on 10 January 2018, it is temporarily unnecessary for pollutant discharge entities not included in the Pollutant Discharge Catalog to apply for a pollutant discharge license and food and beverage places do not fall in the Pollutant Discharge Catalog.

Environment Impact Assessment Law

According to Law on Environment Impact Assessment of the PRC (《中華人民共和國環境影響評價法》), which was promulgated on 28 October 2012 and amended on 2 July 2016 and 29 December 2018, the Administrative Regulations on Environmental Protection in Construction Projects (《建設項目環境保護管理條例》), which was promulgated by the State Council on 29 November 1998 and amended on 16 July 2017, and the Category-based Administration Catalogue for the Environmental Impact Assessment of Construction Projects (《建設項目環境影響評價分類管理目錄》), which was promulgated by the Ministry of Ecological Environment on 29 June 2017 and amended on 28 April 2018, the State implements a classification-based management on the environmental impact assessment (the "**EIA**") of construction projects, construction units shall prepare the environment impact reports (the "**EIR**") or Environmental Impact Statement (the "**EIS**") or fill out the Environmental Impact Registration Form (the "**EIRF**") according to the impact of the construction projects on the environment. After the construction of a construction project for which an EIR or EIS is prepared is completed, the construction unit shall make an acceptance check of the matching environmental protection facilities and prepare an acceptance report. Construction of food and beverage services are classified as projects that shall fill in the EIRF and do not require the environmental acceptance check before go into production and use.

Regulations on Drainage and Sewage Disposal

Enterprises that engage in the activities of industry, construction, catering, and medical treatment, etc. that discharges sewage into urban drainage facilities shall apply to the relevant competent urban drainage department for collecting the permit for discharging sewage into drainage pipelines under relevant laws and regulations, including the Regulations on Urban Drainage and Sewage Disposal (《城鎮排水與污水處理條例》), which was promulgated on 2 October 2013, and the Measures for the Administration of Permits for the Discharge of Urban Sewage into the Drainage Network (《城鎮污水排入排水管網許可管理辦法》), which was promulgated on 22 January 2015.

Laws and Regulations Relating to Taxation

Enterprise Income Tax

According to the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》, the "**EIT Law**") promulgated by the NPC on 16 March 2007 and subsequently amended on 24 February 2017, 29 December 2018, and the Implementation Rules to the EIT Law (《中華人民共和國企業所得稅法實施條例》, the "**Implementation Rules**"), which was promulgated by the State Council on 6 December 2007, enterprises are divided into resident and non-resident enterprises. A resident enterprise shall pay enterprise income tax on its income deriving from both inside and outside the PRC at the rate of enterprise income tax of 25%. Non-resident enterprises are subject to (i) an enterprise income tax rate of 25% on their income generated by their establishments or places of business in the PRC and its income derived outside the PRC which are effectively connected with their establishments or places of business in the PRC; and (ii) an enterprise income tax rate of 10% on their income derived from the PRC but not connected with its establishments or places of business located in the PRC. Non-resident enterprises without an establishment or place of business in the PRC are subject to an enterprise income tax of 10% on their income derived from the PRC.

Value-Added Tax

According to the Provisional Regulations on Value-added Tax of the PRC (《中華人民共和國增值稅暫行條例》, the "**VAT Regulations**"), which was promulgated by the State Council on 13 December 1993 and subsequently amended on 10 November 2008, 6 February 2016 and 19 November 2017, Implementation Regulations to the VAT Regulations of the PRC (《中華人民共和國增值稅暫行條例實施細則》), which was promulgated by the Ministry of Finance (the "**MOF**") on 25 December 1993 and amended on 15 December 2008, 28 October 2011, and the Notice of the MOF and the SAT on Overall Implementation of the Pilot Programme of Replacing Business Tax with Value-added Tax (《財政部、國家稅務總局關於全面推開營業稅改徵增值稅試點的通知》) promulgated on 23 March 2016, entities or individuals engaging in sale of goods, provision of processing services, repairs and replacement services, sale of services, intangible assets, real property or importation of goods within the territory of the PRC shall pay value-added tax. According to the Notice of the MOF and the SAT on Adjusting the Value-added Tax Rate (《財政部、國家稅務總局關於調整增值稅稅率的通知》), which was promulgated on 4 April 2018 and became effective on 1 May 2018, the VAT tax rates on sales or imported goods are adjusted from 17% and 11% to 16% and 10%, respectively.

Withholding tax

According to the Arrangement between the PRC and Hong Kong Special Administrative Region for the Avoidance of Double Taxation the Prevention of Fiscal Evasion with respect to Taxes on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》), which was signed on 21 August 2006 and came into effect on 1 January

2007, and subsequently amended and became effective on 30 January 2008, 20 December 2010 and 29 December 2015, where the beneficial owner of the dividends in Hong Kong directly owns at least 25% of the capital of the PRC enterprise, the dividends received from the enterprises incorporated in the PRC shall be subject to withholding tax at a rate of 5%; in any other case, tax rate of 10%. According to the Announcement of the State Administration of Taxation on Issues Relating to "Beneficial Owner" in Tax Treaties (《國家稅務總局關於稅收協定中「受益所有人」有關問題的公告》) promulgated by SAT on 3 February 2018 and became effective on 1 April 2018, made a definition on "beneficial owners", and introduced various factors to adversely impact the recognition of such "beneficial owners".

Laws and Regulations Relating to Foreign Exchange Registration

Under the Foreign Currency Administration Rules of the PRC (《中華人民共和國外匯管理條例》) promulgated on 29 January 1996 and amended on 14 January 1997 and 5 August 2008 and various regulations issued by the State Administration of Foreign Exchange (the "**SAFE**"), the conversion of Renminbi into other currencies and remittance of the converted foreign currency outside the PRC for capital account items requires the prior approval from SAFE or its local office.

According to the Regulations on the Administration of the Settlement, Sale and Payment of Foreign Exchange (《結匯、售匯及付匯管理規定》) promulgated by the People's Bank of China on 20 June 1996, and the Circular of the SAFE on Further Simplifying and Improving the Direct Investment-related Foreign Exchange Administration Policies (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》) promulgated by SAFE on 13 February 2015, foreign exchange receipts under the current account of foreign-invested enterprises may be retained to the fullest extent specified by the foreign exchange bureau, and the administrative examination and approval procedures relating to the foreign exchange registration approval under direct investment were cancelled and the foreign exchange registration under direct investment will be directly reviewed and handled by banks.

Laws and Regulations Relating to Labour

Employment Contracts

According to the Labor Law of the PRC (《中華人民共和國勞動法》) which was effective as of 1 January 1995 and amended on 27 August 2009 and 29 December 2018, the Labor Contract Law of the PRC (《中華人民共和國勞動合同法》, "**Labor Contract Law**") which was promulgated on 29 June 2007 and amended on 28 December 2012 and the Implementing Regulations of the Labor Contract Law of the PRC (《中華人民共和國勞動合同法實施條例》) which was promulgated on 18 September 2008, an employment relationship is established from the date when an employee commences work for an employer, and a written employment contract must be entered into on this same date or within one month.

Labor contracts shall be concluded in writing if labor relationships are to be or have been established between enterprises or institutions and the laborers under the Labor Contract Law. Enterprises and institutions are forbidden to force the laborers to work beyond the time limit and the employers shall pay laborers overtime working compensation in accordance with national regulations. In addition, the labor wages shall not be lower than local standards on minimum wages and shall be paid to the laborers timely.

Employee Social Insurance and Housing Provident Funds

According to the Social Insurance Law of the PRC (《中華人民共和國社會保險法》) which was promulgated on 28 October 2010 and amended on 29 December 2018, employers in the PRC are required to make contributions to various social insurances on behalf of its employees, and if an employer fails to pay social insurance premiums on time or in full amount, it will be ordered by the collection agency of social insurance premiums to pay or make up the deficit of premiums within a prescribed time limit, and a daily late fee at the rate of 0.05% of the outstanding amount from the due date will be imposed; and if it still fails to pay the premiums within the prescribed time limit, a fine of one to three times the outstanding amount might be imposed by the relevant administrative department.

According to the Regulation on the Administration of Housing Provident Fund (《住房公積金管理條例》) which was promulgated on 3 April 1999 and amended on 24 March 2002, enterprises are obliged to pay and deposit housing fund in full amount in a timely manner. Any enterprise that fails to make housing fund contributions may be ordered to rectify the non-compliance and pay the required contributions within a stipulated deadline. Otherwise, an application may be made by the housing provident fund administration center to a local court for compulsory enforcement.

MACAU REGULATORY OVERVIEW

Health and Safety Regulations

License to operate a Restaurant

Under Macau law, restaurants can only open to the public after the issuance of a license obtained from the Macau Government Tourist Office (the "**MGTO**"), in accordance with the provisions of Decree-Law no. 16/96/M, dated 1 April 1996, and Ordinance no. 83/96/M, dated 1 April 1996. Before issuing such a license, the MGTO must analyse formal opinions of other relevant public authorities rendered on urbanistic, sanitary and fire safety conditions, the compliance of the project with the applicable legal requirements and the result of the mandatory inspection of the premises in respect of their suitability for use as a restaurant.

Once the license for the restaurant is issued, it is valid for one year and must be renewed annually. The license lapses and is cancelled if the restaurant is closed for a period of at least one year or if its renewal is not requested for two consecutive years (article 31 of Decree-Law no. 16/96/M, dated 1 April 1996).

License to operate a Food Establishment

Food establishments that are not considered restaurants can only open to the public after the issuance of a license obtained from the Civic and Municipal Affairs Bureau ("**IACM**"), in accordance with the provisions set out in Decree-Law no. 16/96/M, dated 1 April 1996, and Ordinance no. 83/96/M, dated 1 April 1996.

In addition, with the enactment of Administrative Regulation no. 16/2003, the licensing of a certain type of food and beverage establishment, one that is installed at a completed building or construction unit with the appropriate utilization license, has been comprehensively consolidated at the IACM, meaning that the IACM is responsible for dealing directly with all applications for obtaining licenses, and assisting applicants with processing the required documents and drawings, as well as the procedures involving other relevant public authorities.

Governed under the same legal regime of Decree-Law 16/96/M, dated 1 April 1996, once the license for the food establishment is issued, it is valid for one year and must be renewed annually. The license lapses and is cancelled if the restaurant is closed for a period of at least one year or if its renewal is not requested for two consecutive years.

Food safety and Fire Prevention Regulations

Macau's Law no. 5/2013 dated 22 April 2013 on food safety regulates supervision and management, preventing measures, control and treatment of risks and processing mechanisms related to food security, in consideration of guaranteeing human health. It applies to production and trade of foodstuff, as well as to the use of food additives and related products, thus it is also applicable to operations of food establishment and restaurant in Macau. The IACM is the entity responsible for the control and implementation of these legal provisions. The non-compliance with these standards may constitute penal and administrative offense, punishable with monetary fines and additional sanctions.

Also in respect to this matter, the abovementioned Decree-Law no. 16/96/M, dated 1 April 1996, and Ordinance no. 83/96/M, dated 1 April 1996 also provide several rules designed to guarantee that restaurants and food establishments have minimum standards for hygiene, food and fire safety, and the safeguard of public health. The non-compliance with these standards may constitute an administrative offense, punishable with monetary fines and additional sanctions.

Decree-Law no. 24/95/M, dated 9 June 1995, which approved the Regulation on Fire Safety, sets out, in detail, fire safety and fire prevention regulations, aiming to prevent the risk of fires and their spreading and propagation to neighbour buildings. Restaurants must comply with the technical and building requirements in Decree-Law no. 24/95/M, dated 9 June 1995, and such compliance will be considered at the time of licensing by the MGTO.

Employment Regulations

The 2008 Macau Labour Relations Law establishes the general regime of labour relations, containing various rules concerning employment contracts that range from, but are not limited to, general principles applicable to employment relationships, duties and obligations of the employer and the employee, probation period, employment contract requirements, employment contract for a fixed period, working hours, overtime, weekly time-off, annual leave, and compensation in case of contract termination without justifiable cause. The regulatory authority in charge of monitoring compliance with the labour, safety and insurance regime is the Macau Labour Affairs Bureau.

Regarding the employment of foreign labour, it is important to note that non-residents of Macau are generally not permitted to work unless a proper work permit has been obtained. The employment of such workers is subject to strict regulations included in Law no. 21/2009, which sets forth the terms for granting and renewing work permits for non-resident workers, determines measures to ensure the equal treatment of Macau resident and non-resident workers and establishes minimum contract terms and limits on the duration of employment contracts with non-resident employees.

Non-compliance with the rules included in Law no. 21/2009 may constitute administrative offenses, sanctioned with fines and accessory sanctions of revocation of all or part of the authorizations to employ non-resident workers along with the prohibition to request new authorizations for a period of 6 months to 2 years, and/or criminal offenses related to illegal employment, sanctioned with effective incarceration periods, fines and/or accessory sanctions of (i) revocation of all or part of the authorizations to employ non-resident workers and the prohibition for a period of 6 months to 2 years to request new authorizations; (ii) prohibition, for a period of 6 months to 2 years, to participate in public tenders related to public works or public concessions; and (iii) prohibition, for the period of 6 months to 2 years, to receive any subsidies or benefits conferred by Macau public entities.

Regarding the working environment, an employer must comply with the rules provided under the General Regulation of Work Safety and Hygiene of Offices, Services and Commercial Establishments, in order to provide a safe and clean working environment for its employees. Failure to comply with those rules may result in the application of fines to the employer, according to the provisions set out by Decree Law no. 13/91/M (sanctions for the non-compliance with the General Regulation on Occupational Health and Safety in Commercial, Office and Service Establishments).

Pursuant to Decree Law no. 40/95/M (Legal Regime of Compensation of Damages Caused by Industrial Accidents and Occupational Diseases), the Group must provide industrial accident insurance for its employees. In case the employer fails to provide such insurance, fines may be charged as legal sanction.

Environmental Protection Regulations

The guidelines and fundamental principles governing environmental policy in Macau are set out in Law no. 2/91/M, dated 11 March 1991 (the Macau Environmental Law), which seeks to enhance the protection and sustainable development of the environment. As a general principle, the Macau Environmental Law prescribes that everyone has the right to an ecologically balanced environment, as well as the duty to collectively promote an improved quality of life.

In order to achieve this goal, all projects and constructions which may affect the environment or the health of citizens must be subject to a preliminary study of environmental impact. Moreover, the Macau Environmental Law prescribes that violations of the environmental legislation will be punished with civil liability, administrative fines or criminal liability (article 268 of the Macau Criminal Code prescribes pollution-related crimes), depending on the degree of the violation in question. Also, injunctions may be granted in order to cease environmental infringements. The regulatory authority in charge of monitoring environmental protection matters is the Environment Protection Services Bureau. However, police authorities are also legally entitled to impose preventive measures with respect to time period restrictions.

The "Smoking Prevention and Control Regime", approved by Law no. 5/2011, dated 3 May 2011 and which entered into force on 1 January 2012, set out strict rules for the sale of tobacco products and now determines that smoking is prohibited indoors in a restaurant. Non-compliance with the rules of the "Smoking Prevention and Control Regime" is an administrative offense punishable with fines ranging from MOP1,500 to MOP200,000.

Of relevance are also Decree-Law no. 46/96/M, dated 19 August 1996, which sets out the water supply and drainage regulations and technical specifications in order to ensure public health and the safety of the installations, and Decree-Law no. 54/94/M, dated 14 November 1994, which provides rules for noise prevention and control.

OVERVIEW

Our Company was incorporated on 11 December 2017 in the Cayman Islands and, as part of our Reorganisation, became the holding company of our Group with our business conducted through our subsidiaries. Throughout the Track Record Period, Mr. Chan, Mr. Yuen, Mr. Lau and Mr. Ho have maintained control over all of our subsidiaries. For details on the shareholder structure of our Group companies, please see " — Reorganisation — Post-Reorganisation corporate structure" below.

Immediately upon completion of the Capitalisation Issue and the [**REDACTED**] (assuming the [**REDACTED**] and Share Options have not been exercised), Mr. Chan, Mr. Yuen, Mr. Lau and Mr. Ho, through their wholly-owned investment holding company, Chun Fat, will together hold approximately [**REDACTED**] of the voting rights of our Company. Mr. Chan, Mr. Yuen, Mr. Lau, Mr. Ho and Chun Fat have confirmed under the AIC Confirmation, among other things, that they have been acting in concert with each other for the entire duration when all of them were/are contemporaneously either the legal and/or beneficial owners of shares in each of our Group companies, and shall continue to centralise the ultimate control and right to make decisions with respect to their interest in our businesses. Mr. Chan, Mr. Yuen, Mr. Lau and Mr. Ho, together with Chun Fat, are our Controlling Shareholders.

BUSINESS DEVELOPMENT

History and origin

Mr. Chan, our Chairman, was engaged in the business of meat trading prior to the establishment of our Group. In 1989, Mr. Chan and Mr. Yuen among others founded our first restaurant under the "Tai Hing" brand in Sai Wan Ho, Hong Kong, using their personal resources. Mr. Lau joined our Group when our second restaurant opened in Jardine Street in Causeway Bay in 1990. Our Group expanded to a chain operator with over 10 restaurants in around 2001 when Mr. Ho joined our Group. Since joining our Group, each of Mr. Chan, Mr. Yuen, Mr. Lau and Mr. Ho has been involved in the overall management of our Group, and together they have maintained control over all of our subsidiaries during the Track Record Period.

Siu mei dishes have a long-standing history in Hong Kong, and it was not an easy task to integrate the traditional skills of experienced chefs with modern production technologies. We have been active in exploring opportunities to adopt automated food processing machines and information technology in our production and operation processes, and have dedicated extensive marketing efforts to enhance and enrich the image, awareness and recognition of our well-known and emerging brands. Through years of hard work, our Group has expanded from one standalone restaurant to a chain of over 180 restaurants under multiple brands, serving a variety of cuisines in Hong Kong, Mainland China and Macau, and at the same time adhering to our core value of delivering quality, authentic and great tasting food.

Business milestones

The key milestones in our development are set out below:

Year	Key milestones
1989	Mr. Chan and Mr. Yuen opened our first restaurant under the "Tai Hing" brand in Sai Wan Ho, Hong Kong
2004	We opened our first restaurant in Mainland China under the "Tai Hing" brand
2008	Our Hong Kong Food Factory opened in Fo Tan, Hong Kong
	We acquired the restaurant under the "Trusty Congee King" brand from an Independent Third Party
2011	Our first restaurant under the "Tokyo Tsukiji" brand opened in Mongkok, Hong Kong
	Our "Trusty Congee King" restaurant in Wanchai, Hong Kong featured in the Michelin Guide Hong Kong and Macau for the first time
2012	Our first restaurant under the "TeaWood" brand opened in Mongkok, Hong Kong
2013	The *siu mei* production unit of our Hong Kong Food Factory obtained ISO22000 accreditation
2014	We opened our first restaurant under the "TeaWood" brand in Mainland China
2015	Our first restaurant under the "Fisher & Farmer" brand opened in Tsim Sha Tsui, Hong Kong
	We entered into the first of the Hong Kong Airport Tai Hing Franchise Agreements with our Tai Hing Franchise Partner and opened a "Tai Hing" restaurant in Hong Kong International Airport
2016	We opened our first restaurant under the "Trusty Congee King" brand in Mainland China
	We acquired the brand of a standalone "bing sutt" (冰室) named Man Wah Bing Teng (文華冰廳) which was subsequently rebranded as Men Wah Bing Teng (敏華冰廳)

Year	Key milestones
2017	We opened our first Vietnamese restaurant under the "Phở Lệ" brand in Kwun Tong, Hong Kong
2018	We opened our Mainland China Food Factory in Dongguan, Mainland China Our first factory canteen under the "Rice Rule" brand opened in Fo Tan, Hong Kong Our "Trusty Congee King" restaurant in Wanchai, Hong Kong has been conferred the Michelin Guide Bib Gourmand award for 2 consecutive years in Michelin Guide Hong Kong Macau 2018 Selection and Michelin Guide Hong Kong Macau 2019 Selection.

OUR GROUP

As at the Latest Practicable Date, our Group comprises our Company and 64 subsidiaries established in the BVI, Hong Kong, Macau and the PRC. The following table sets out information regarding our material subsidiaries:

Name	Date and place of incorporation/ establishment	Share capital[(1)]	Interest attributable to our Group after the Reorganisation	Principal business activities	Date of commencement of business
Subsidiaries engaged in our restaurant operations					
Café 308 Company Limited	3 June 2010 in Hong Kong	100	100%	Operation of restaurants under the "Men Wah Bing Teng" brand and "Rice Rule" brand in Hong Kong	3 June 2010
CTC Congee Limited	22 October 2008 in Hong Kong	10,000	100%	Operation of restaurants under the "Trusty Congee King" brand in Hong Kong	22 October 2008
Miyasaki Yakiniku Company Limited	13 October 2010 in Hong Kong	100	100%	Idle for future use	13 October 2010
Roast.Pot Limited	31 July 2012 in Hong Kong	100	100%	Operation of restaurants under the "Fisher & Farmer" brand in Hong Kong	31 July 2012

Name	Date and place of incorporation/ establishment	Share capital[(1)]	Interest attributable to our Group after the Reorganisation	Principal business activities	Date of commencement of business
Tai Hing Worldwide Development Limited . . .	2 January 2001 in Hong Kong	10,000	100%	Operation of restaurants under the "Tai Hing" brand and our Hong Kong Food Factory	2 January 2001
TeaWood Taiwanese Dining Bar Limited	31 July 2012 in Hong Kong	100	100%	Operation of restaurants under the "TeaWood" brand in Hong Kong	31 July 2012
Tokyo Tsukiji Ramen Limited .	1 November 2010 in Hong Kong	100	100%	Operation of restaurants under the "Tokyo Tsukiji" brand in Hong Kong	1 November 2010
VIET Corner Limited	5 August 2016 in Hong Kong	100	100%	Operation of restaurants under the "Phở Lệ" brand in Hong Kong	5 August 2016
Tai Hing Catering Management (Macau) Limited.	11 April 2016 in Macau	MOP25,000	100%	Operation of restaurant under the "Tai Hing" brand in Macau	11 April 2016
東莞永富食品有限公司 Dongguan Yongfu Food Limited* [(2)]	13 May 1991 in the PRC	HK$101,350,000	100%	Operation of our Mainland China Food Factory	13 May 1991 [(2)]
太興飲食管理(中國)有限公司 Tai Hing Catering Management (China) Limited.	22 June 2009 in the PRC	HK$88,000,000	100%	Operation of restaurants under the "Tai Hing" brand in Mainland China	22 June 2009
青島太興餐飲管理有限公司 Qingdao Tai Hing Catering Management Limited* . . .	26 March 2015 in the PRC	RMB100,000	100%	Operation of restaurants under the "Tai Hing" brand in Mainland China	26 March 2015

* *For identification purposes only*

Name	Date and place of incorporation/ establishment	Share capital(1)	Interest attributable to our Group after the Reorganisation	Principal business activities	Date of commencement of business
廣州太興餐飲管理有限公司 Guangzhou Tai Hing Catering Management Limited*	18 January 2011 in the PRC	RMB1,000,000	100%	Operation of restaurants under the "Tai Hing" brand in Mainland China	18 January 2011
南寧太興餐飲管理有限公司 Nanning Tai Hing Catering Management Limited*	28 December 2012 in the PRC	RMB1,000,000	100%	Operation of restaurants under the "Tai Hing" brand in Mainland China	28 December 2012
瀋陽太興餐飲管理有限公司 Shenyang Tai Hing Catering Management Limited*	25 March 2011 in the PRC	RMB1,050,000	100%	Operation of restaurants under the "Tai Hing" brand in Mainland China	25 March 2011
鞍山太興餐飲管理有限公司 Anshan Tai Hing Catering Management Limited*	4 December 2018 in the PRC	RMB100,000	100%	Operation of restaurants under the "Tai Hing" brand in Mainland China	4 December 2018
濟南太興餐飲服務有限公司 Jinan Tai Hing Catering Services Limited*	24 June 2011 in the PRC	RMB2,050,000	100%	Operation of restaurants under the "Tai Hing" brand in Mainland China	24 June 2011
北京太興餐飲管理有限公司 Beijing Tai Hing Catering Management Limited*	17 June 2010 in the PRC	RMB1,000,000	100%	Operation of restaurants under the "Tai Hing" brand in Mainland China	17 June 2010
天津太興餐飲管理有限公司 Tianjin Tai Hing Catering Management Limited*	22 November 2011 in the PRC	RMB1,000,000	100%	Operation of restaurants under the "Tai Hing" brand in Mainland China	22 November 2011
惠州太興餐飲管理有限公司 Huizhou Tai Hing Catering Management Limited*	17 March 2017 in the PRC	RMB100,000	100%	Operation of restaurants under the "Tai Hing" brand in Mainland China	17 March 2017
上海太興餐飲管理有限公司 Shanghai Tai Hing Catering Management Limited*	18 May 2010 in the PRC	RMB1,000,000	100%	Operation of restaurants under the "Tai Hing" brand in Mainland China	18 May 2010

* *For identification purposes only*

Name	Date and place of incorporation/ establishment	Share capital[(1)]	Interest attributable to our Group after the Reorganisation	Principal business activities	Date of commencement of business
杭州太興餐飲管理有限公司 Hangzhou Tai Hing Catering Management Limited*	8 April 2013 in the PRC	RMB1,000,000	100%	Operation of restaurants under the "Tai Hing" brand in Mainland China	8 April 2013
無錫太興餐飲管理有限公司 Wuxi Tai Hing Catering Management Limited* . . .	10 October 2014 in the PRC	RMB1,000,000	100%	Operation of restaurants under the "Tai Hing" brand in Mainland China	10 October 2014
鄭州太興餐飲管理有限公司 Zhengzhou Tai Hing Catering Management Limited*	11 February 2014 in the PRC	RMB100,000	100%	Operation of restaurant under the "Tai Hing" brand in Mainland China	11 February 2014
廣州靠得住餐飲管理有限公司 Guangzhou CTC Congee Catering Management Limited*	3 January 2017 in the PRC	HK$1,000,000	100%	Operation of restaurant under the "Trusty Congee King" brand in Mainland China	3 January 2017
深圳靠得住餐飲管理有限公司 Shenzhen CTC Congee Catering Management Limited*	28 June 2017 in the PRC	RMB100,000	100%	Operation of restaurant under the "Trusty Congee King" brand in Mainland China	28 June 2017
上海靠得住餐飲管理有限公司 Shanghai CTC Congee Catering Management Limited*	14 June 2018 in the PRC	RMB100,000	100%	Operation of restaurant under the "Trusty Congee King" brand in Mainland China	14 June 2018
杭州靠得住餐飲管理有限公司 Hangzhou CTC Congee Catering Management Limited*	6 June 2018 in the PRC	RMB100,000	100%	Operation of restaurant under the "Trusty Congee King" brand in Mainland China	6 June 2018

* *For identification purposes only*

Name	Date and place of incorporation/ establishment	Share capital[(1)]	Interest attributable to our Group after the Reorganisation	Principal business activities	Date of commencement of business
北京靠得住餐飲管理有限公司 Beijing CTC Congee Catering Management Limited*	1 August 2018 in the PRC	RMB100,000	100%	Operation of restaurant under the "Trusty Congee King" brand in Mainland China	1 August 2018
錦麗餐飲管理(深圳)有限公司 PhoLe Catering Management (Shenzhen) Limited*	29 November 2017 in the PRC	HK$1,000,000	100%	Operation of restaurant under the "Phở Lệ" brand in Mainland China	29 November 2017
廣州錦麗餐飲管理有限公司 Guangzhou PhoLe Catering Management Limited*	11 July 2018 in the PRC	RMB100,000	100%	Operation of restaurant under the " Phở Lệ" brand in Mainland China	11 July 2018
新世代餐飲管理(深圳)有限公司 New Generation Catering Management (Shenzhen) Limited*	23 June 2010 in the PRC	HK$41,000,000	100%	Operation of restaurant under the "Tai Hing" brand in Mainland China	23 June 2010
茶木餐飲管理(深圳)有限公司 TeaWood Catering Management (Shenzhen) Limited*	17 October 2014 in the PRC	HK$14,000,000	100%	Operation of restaurant under the "TeaWood" brand in Mainland China	17 October 2014
廣州茶木餐飲有限公司 Guangzhou TeaWood Catering Management Limited*	15 December 2014 in the PRC	RMB100,000	100%	Operation of restaurant under the "TeaWood" brand in Mainland China	15 December 2014

Note:

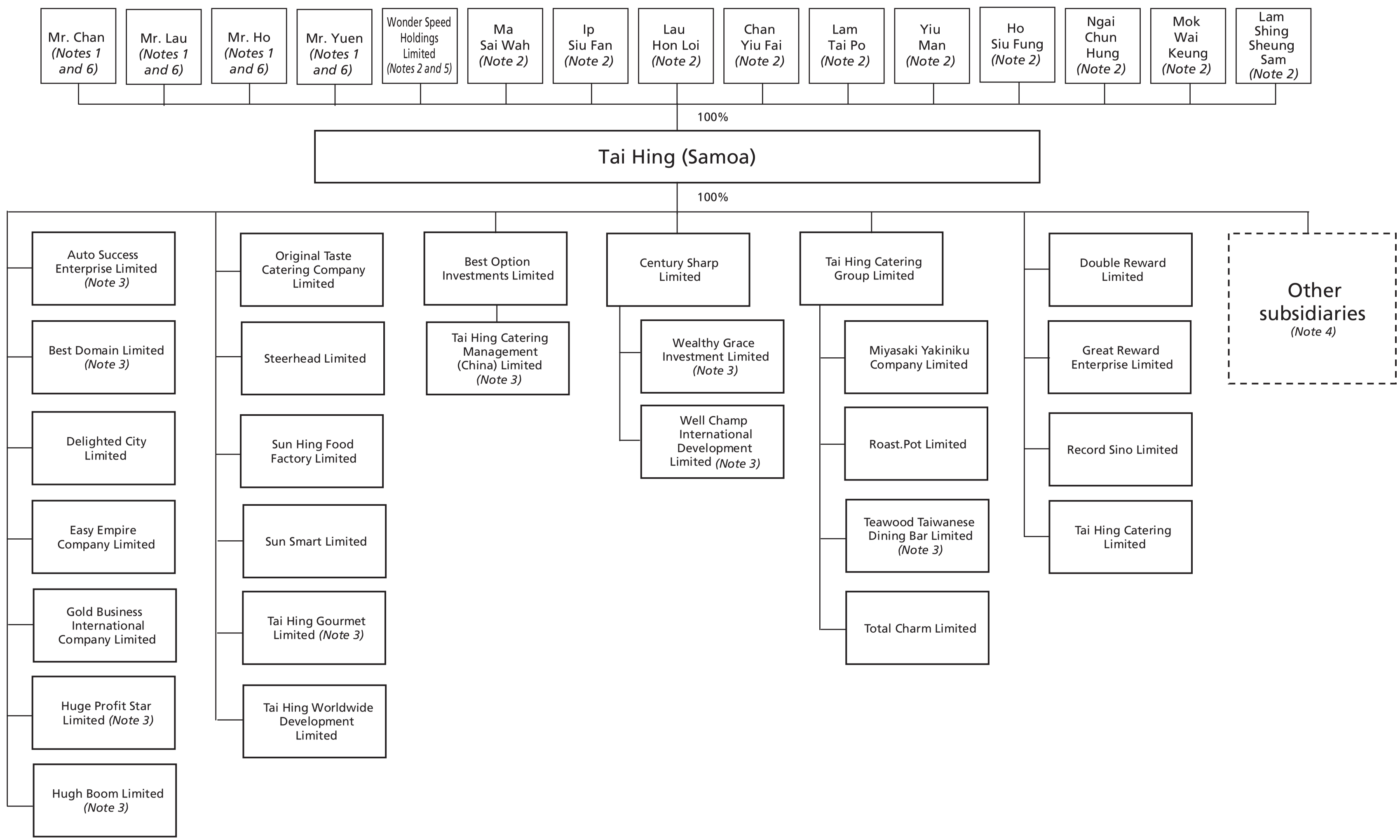
1. The share capital structure of our subsidiaries incorporated in the BVI or Hong Kong refer to their issued shares. The share capital structure of our subsidiaries incorporated in Macau or established in the PRC refer to their registered capital. As at the Latest Practicable Date, except for Anshan Tai Hing Catering Management Limited*, Shenzhen CTC Congee Catering Management Limited* and Guangzhou Phole Catering Management Limited* all shares or share capital under the "Share capital structure" column were fully paid-up.

2. On 30 November 2016, we acquired Bright Rich (China) Limited, a holding company of 東莞永富食品有限公司 Dongguan Yongfu Food Limited* from an Independent Third Party at consideration of HK$47.5 million.

REORGANISATION

Pre-Reorganisation corporate structure

Set out below is the shareholding and corporate structure of our Group immediately prior to the implementation of the Reorganisation:



Notes:

1. The shareholding of Mr. Chan, Mr. Lau, Mr. Ho and Mr. Yuen in Tai Hing (Samoa) is set out below:

Name	Shareholding
Mr. Chan	50.4%
Mr. Lau	9.0%
Mr. Ho	7.1%
Mr. Yuen	4.8%
Total	71.3%

2. The shareholding of other shareholders of Tai Hing (Samoa) is set out below:

Name	Shareholding
Wonder Speed Holdings Limited	6.8%
Ma Sai Wah	6.3%
Ip Siu Fan	4.3%
Lau Hon Loi	2.9%
Chan Yiu Fai	1.8%
Lam Tai Po	1.4%
Yiu Man	1.4%
Ho Siu Fung	1.4%
Ngai Chun Hung	0.9%
Mok Wai Keung	0.9%
Lam Shing Sheung Sam	0.6%
Total	28.7%

3. Wholly-owned subsidiaries held by each of the relevant subsidiaries are as follows:

Name of holding subsidiary	Name of wholly-owned subsidiary(ies)
Auto Success Enterprise Limited	Chance Spread Limited Tokyo Tsukiji Ramen Limited
Best Domain Limited	深圳得好勵投資諮詢有限公司 Shenzhen Dehaoli Investment Advisory Limited*
Huge Profit Star Limited	Auto Plus Limited Café 308 Company Limited Niceway International Enterprise Limited VIET Corner Limited 錦麗餐飲管理(深圳)有限公司 PhoLe Catering Management (Shenzhen) Limited* (established on 29 November 2017) 廣州錦麗餐飲管理有限公司 Guangzhou PhoLe Catering Management Limited* (established on 11 July 2018)
Hugh Boom Limited	CTC Congee Limited Gold Rainbow Limited Great Art Development Limited 廣州靠得住餐飲管理有限公司 Guangzhou CTC Congee Catering Management Limited*

* *For identification purposes only*

Name of holding subsidiary	Name of wholly-owned subsidiary(ies)
	深圳靠得住餐飲管理有限公司 Shenzhen CTC Congee Catering Management Limited* 杭州靠得住餐飲管理有限公司 Hangzhou CTC Congee Catering Management Limited* (established on 6 June 2018) 上海靠得住餐飲管理有限公司 Shanghai CTC Congee Catering Management Limited* (established on 14 June 2018) 北京靠得住餐飲管理有限公司 Beijing CTC Congee Catering Management Limited* (established on 1 August 2018)
Tai Hing Catering Management (China) Limited	太興飲食管理(中國)有限公司 Tai Hing Food and Beverage Management (China) Limited* 廣州太興餐飲管理有限公司 Guangzhou Tai Hing Catering Management Limited* 南寧太興餐飲管理有限公司 Nanning Tai Hing Catering Management Limited* 上海太興餐飲管理有限公司 Shanghai Tai Hing Catering Management Limited* 杭州太興餐飲管理有限公司 Hangzhou Tai Hing Catering Management Limited* 無錫太興餐飲管理有限公司 Wuxi Tai Hing Catering Management Limited* 鄭州太興餐飲管理有限公司 Zhengzhou Tai Hing Catering Management Limited* 北京太興餐飲管理有限公司 Beijing Tai Hing Catering Management Limited* 天津太興餐飲管理有限公司 Tianjin Tai Hing Catering Management Limited* 惠州太興餐飲管理有限公司 Huizhou Tai Hing Catering Management Limited* 濟南太興餐飲服務有限公司 Jinan Tai Hing Catering Services Limited* 青島太興餐飲管理有限公司 Qingdao Tai Hing Catering Management Limited* 瀋陽太興餐飲管理有限公司 Shenyang Tai Hing Catering Management Limited* 鞍山太興餐飲管理有限公司 Anshan Tai Hing Catering Management Limited* (established on 4 December 2018) Spring Market Investments Limited (disposed on 9 July 2018) 北京秀慧投資諮詢有限公司 Beijing Xiuhui Investment Consulting Limited* (disposed on 9 July 2018)
Tai Hing Gourmet Limited	新世代餐飲管理(深圳)有限公司 New Generation Catering Management (Shenzhen) Limited*
Teawood Taiwanese Dining Bar Limited	茶木餐飲管理(深圳)有限公司 TeaWood Catering Management (Shenzhen) Limited* 廣州茶木餐飲管理有限公司 Guangzhou TeaWood Catering Management Limited*
Wealthy Grace Investment Limited	Tai Hing Catering Management (Macau) Limited

Name of holding subsidiary	Name of wholly-owned subsidiary(ies)
Well Champ International Development Limited	Bright Rich (China) Limited 東莞永富食品有限公司 Dongguan Yongfu Food Limited*

4. These subsidiaries of Tai Hing (Samoa) were either inactive or used for investment holding purposes.

5. Wonder Speed Holdings Limited is wholly-owned by Chan Brian Hankin.

6. Mr. Chan, Mr. Lau, Mr. Ho, Mr. Yuen and Chun Fat executed the AIC Confirmation on 14 December 2018.

Our Reorganisation involved the following steps:

Incorporation of Tai Hing (BVI)

Tai Hing (BVI) was incorporated with limited liability in the BVI on 1 November 2017 and is authorised to issue 50,000 shares of a single class with a par value of US$1.00. On the same day, one share in Tai Hing (BVI) was allotted and issued, credited as fully-paid, to Tai Hing (Samoa).

Acquisition of shares in various subsidiaries by Tai Hing (BVI) in 2017

On 30 November 2017, the following transfers took place:

(a) Acquisition of 100 shares in Huge Profit Star Limited, 100 shares in Hugh Boom Limited, 100 shares in Auto Success Enterprise Limited, 100 shares in Delighted City Limited, 200,000 shares in Easy Empire Company Limited, 10,000 shares in Gold Business International Company Limited, 10,000 shares in Tai Hing Worldwide Development Limited, 100 shares in Original Taste Catering Company Limited, 100 shares in Steerhead Limited, 100 shares in Sun Hing Food Factory Limited, 100 shares in Best Domain Limited, 100,000 shares in Sun Smart Limited and 100 shares in Tai Hing Gourmet Limited from Tai Hing (Samoa), at a consideration of 13 shares in Tai Hing (BVI) allotted and issued to Tai Hing (Samoa).

(b) Acquisition of 100 shares in Well Champ International Development Limited from Century Sharp Limited, at a consideration of one share in Tai Hing (BVI) allotted and issued to Tai Hing (Samoa).

(c) Acquisition of 100 shares in TeaWood Taiwanese Dining Bar Limited, 100 shares in Roast.Pot Limited, 100 shares in Miyasaki Yakiniku Company Limited and 100 shares in Total Charm Limited from Tai Hing Catering Group Limited, at a consideration of 4 shares in Tai Hing (BVI) allotted and issued to Tai Hing (Samoa).

(d) Acquisition of 10 shares in Tai Hing Catering Management (China) Limited from Best Option Investments Limited, at a consideration of 2 shares in Tai Hing (BVI) allotted and issued to Tai Hing (Samoa).

* *For identification purposes only*

Consideration for shares in respect of the transfers set out above was determined with reference to nominal value. As a result of the above transfers, the relevant subsidiaries became wholly-owned subsidiaries of Tai Hing (BVI).

Incorporation of our Company

Our Company was incorporated with limited liability in the Cayman Islands on 11 December 2017 with an authorised share capital of HK$380,000 divided into 38,000,000 shares of HK$0.01 each. On the same day, one Share was allotted and issued, credited as fully-paid, to our initial subscriber, and was subsequently transferred to Chun Fat. On 18 December 2017, 71,275 Shares, 6,827 Shares, 6,274 Shares, 4,317 Shares, 2,900 Shares, 1,793 Shares, 1,446 Shares, 1,446 Shares, 1,446 Shares, 897 Shares, 896 Shares and 482 Shares, respectively, were allotted and issued to Chun Fat, Wonder Speed Holdings Limited, Mr. Ma Sai Wah, Ms. Ip Siu Fan, Mr. Lau Hon Loi, Mr. Chan Yiu Fai, Mr. Lam Tai Po, Mr. Yiu Man, Mr. Ho Siu Fung, Mr. Ngai Chun Hung, Mr. Mok Wai Keung and Mr. Lam Shing Sheung Sam, respectively.

Acquisition of Tai Hing (BVI) by our Company

On 28 December 2017, the entire issued share capital of Tai Hing (BVI) was transferred to our Company by Tai Hing (Samoa) at a nominal consideration of US$21.

Disposal of Spring Market Investments Limited by Tai Hing Catering Management (China) Limited

On 9 July 2018, Tai Hing Catering Management (China) Limited disposed of the entire issued share capital of Spring Market Investments Limited (and its wholly-owned subsidiary, 北京秀慧投資諮詢有限公司) at a consideration of RMB8,000,000 (with reference to the market valuation of the relevant property held by Spring Market Investments Limited) to an Independent Third Party for the purpose of transferring a property not intended to be included in our Group.

Acquisition of shares in various subsidiaries by Tai Hing (BVI) in 2018

On 4 September 2018, Tai Hing (BVI) acquired 100 shares in Double Reward Limited, 100 shares in Great Reward Enterprise Limited, 100 shares in Record Sino Limited and 10,000 shares in Tai Hing Catering Limited from Tai Hing (Samoa), and 100 shares in Wealthy Grace Investment Limited from Century Sharp Limited, at a nominal consideration of HK$5.00. As a result of these transfers, the relevant subsidiaries became wholly-owned subsidiaries of Tai Hing (BVI).

[**REDACTED**]

Acquisitions of Shares by Mr. Chan Ka Keung, Ms. Chan Shuk Fong, Mr. Ho Siu Fung, Mr. Lam Tai Po, Mr. Yiu Man, Mr. Sin Wai Hung, Ms. Yu Lin Ho, Ms. Tsun Tsz Wai and Ms. Tsun Tsz Yan Venice (the "*[**REDACTED**]*")

In November 2018, Mr. Chan Ka Keung, Ms. Chan Shuk Fong, Mr. Ho Siu Fung, Mr. Lam Tai Po, Mr. Yiu Man, Mr. Sin Wai Hung, Ms. Yu Lin Ho, Ms. Tsun Tsz Wai and Ms. Tsun Tsz Yan

Venice, through the following share transfers, acquired 6,876 Shares, representing approximately 6.9% interest in our Company immediately prior to the [**REDACTED**] and Capitalisation Issue:

[REDACTED]	Vendor	Date of transfer	Date of completion	Consideration	Shares being transferred	Percentage of Shareholding being transferred	Shareholding of the [REDACTED] in our Company immediately upon completion of the [REDACTED] and the Capitalisation Issue
				(HK$)		(%)	(%)
Chan Ka Keung . . .	Chun Fat	12 November 2018	27 November 2018	13,200,000	1,000	1.000	[REDACTED]
Chan Shuk Fong	Chun Fat	12 November 2018	27 November 2018	19,800,000	1,500	1.500	[REDACTED]
Ho Siu Fung .	Chun Fat	15 November 2018	27 November 2018	5,794,800	439	0.439	[REDACTED](Note1)
Lam Tai Po .	Wonder Speed Holdings Limited	15 November 2018	20 November 2018	3,735,600	283	0.283	
	Lau Hon Loi	15 November 2018	20 November 2018	1,584,000	120	0.120	
	Chan Yiu Fai	15 November 2018	20 November 2018	475,200	36	0.360	
	Subtotal:			5,794,800	439	0.439	[REDACTED](Note1)
Yiu Man . . .	Ma Sai Wah	12 November 2018	20 November 2018	3,432,000	260	0.260	
	Ip Siu Fan	12 November 2018	20 November 2018	2,362,800	179	0.179	
	Sub-total:			5,794,800	439	0.439	[REDACTED](Note1)
Sin Wai Hung	Chan Yiu Fai	12 November 2018	20 November 2018	501,600	38	0.038	
	Ngai Chun Hung	12 November 2018	20 November 2018	488,400	37	0.037	
	Mok Wai Keung	12 November 2018	20 November 2018	488,400	37	0.037	
	Lam Shing Sheung Sam	12 November 2018	20 November 2018	264,000	20	0.020	
	Chun Fat	12 November 2018	27 November 2018	237,600	18	0.018	
	Sub-total:			1,980,000	150	0.150	[REDACTED]
Yu Lin Ho . .	Ip Siu Fan	16 November 2018	21 November 2018	12,817,200	971	0.971	[REDACTED]
Tsun Tsz Wai	Ip Siu Fan	16 November 2018	20 November 2018	12,790,800	969	0.969	[REDACTED]
Tsun Tsz Yan Venice . . .	Ip Siu Fan	16 November 2018	20 November 2018	12,790,800	969	0.969	[REDACTED]
Total:				**90,763,200**	**6,876**	**6.876**	[REDACTED]

Notes:

1. Mr. Ho Siu Fung, Mr. Lam Tai Po and Mr. Yiu Man each held 1,446 Shares prior to the [**REDACTED**].

The consideration for the [**REDACTED**] was funded by the [**REDACTED**] set out above from their own resources.

Principal terms of the [**REDACTED**]

The principal terms of the [**REDACTED**] are set out in the table below:

Background of [**REDACTED**]	Ms. Chan Shuk Fong is our executive Director. Mr. Chan Ka Keung, Mr. Lam Tai Po, Mr. Ho Siu Fung, Mr. Yiu Man and Mr. Sin Wai Hung are members of the senior management of our Company Ms. Chan Shuk Fong is a cousin of Mr. Chan and the aunt of Mr. Chan Ka Keung. Mr. Chan Ka Keung is the son of Mr. Chan and the nephew of Ms. Chan Shuk Fong Ms. Yu Lin Ho, Ms. Tsun Tsz Wai and Ms. Tsun Tsz Yan Venice are Independent Third Parties
Dates of transfer	Please refer to the table under "— Reorganisation — [**REDACTED**]" in this section
Dates of completion	Please refer to the table under "— Reorganisation — [**REDACTED**] in this section
Consideration and payment date	Please refer to the table under "— Reorganisation — [**REDACTED**]" in this section for the consideration paid by each of the [**REDACTED**] Payments were made in full by the [**REDACTED**] on or before 27 November 2018
Basis of determination of the consideration	Consideration was determined after arm's length negotiation between the relevant vendor and [**REDACTED**] with reference to the fair value of the relevant Shares in a valuation report prepared by an independent valuer
Investment cost per Share	Approximately HK$13,200.00 before Capitalisation Issue or approximately HK$[**REDACTED**] taking into account the effect of Capitalisation and the [**REDACTED**] but assuming the [**REDACTED**] is not exercised
Discount over mid-point of the [**REDACTED**] Range	Approximately [**REDACTED**] (based on the mid-point of the [**REDACTED**] range of HK$[**REDACTED**])
Use of [**REDACTED**] and its utilisation by the vendor	None of the [**REDACTED**] are received by our Company as no new Shares are issued under the [**REDACTED**]

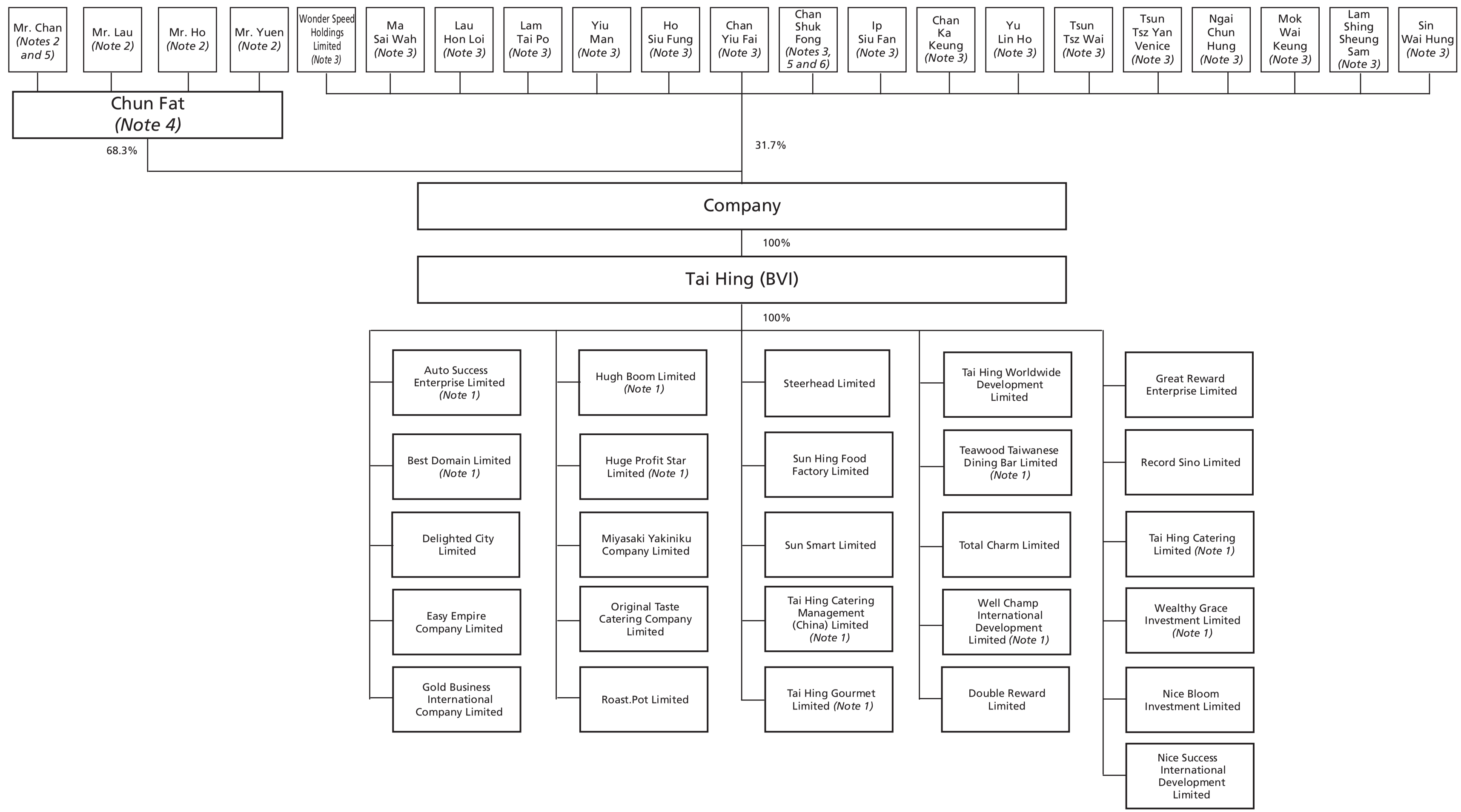
Special rights granted to the [**REDACTED**]	None was granted
Lock-up of the investment made as part of the terms of the [**REDACTED**]	None
Public float for the purposes of Rule 8.08 of the Listing Rules	Save for the Shares held by Ms. Chan Shuk Fong (being an executive Director and a core connected person of our Company), the relevant Shares will be considered part of our public float
Strategic benefits to our Company	None of the transfers were initiated by our Company by way of issuance of new shares. It is noted that transfers were initiated by the respective [**REDACTED**] and our Directors believe that the investment made by Ms. Chan Shuk Fong, Mr. Chan Ka Keung, Mr. Lam Tai Po, Mr. Ho Siu Fung, Mr. Yiu Man and Mr. Sin Wai Hung, who are our employees, will bring in synergy to the development of our Group by creating a sense of belonging and ownership to the investor in our Group
Share-based payments	The investments made did not result in any share-based payment expense as the consideration of the transfer was determined at arm's length basis with reference to the fair value of the relevant Shares at the time of the transfer

The Sole Sponsor's confirmation

After reviewing the terms of the [**REDACTED**], the Sole Sponsor has confirmed that each of the transactions under the [**REDACTED**] is in compliance with the Interim Guidance on [**REDACTED**] HKEx-GL29-12, the Guidance Letters HKEx-GL43-12 and HKEx-GL44-12 issued by the Stock Exchange.

Post-Reorganisation corporate structure

Set out below is the shareholding and corporate structure of our Group immediately after the implementation of the Reorganisation:



Notes:

1. Please refer to the table under "— Reorganisation — Pre-Reorganisation corporate structure — Notes: 3." in this section for the wholly-owned subsidiaries held by each of the relevant subsidiaries.

2. The shareholding of Chan Wing On, Lau Hon Kee, Ho Ping Kee and Yuen Chi Ming in Chun Fat is set out below:

Name	Shareholding
Mr. Chan	70.7%
Mr. Lau	12.6%
Mr. Ho	9.9%
Mr.Yuen	6.8%
Total	100.0%

3. The shareholding of our Shareholders other than Chun Fat in our Company is set out below:

Name	Shareholding
Wonder Speed Holdings Limited	6.5%
Ma Sai Wah	6.0%
Lau Hon Loi	2.8%
Lam Tai Po	1.9%
Yiu Man	1.9%
Ho Siu Fung	1.9%
Chan Yiu Fai	1.7%
Chan Shuk Fong	1.5%
Ip Siu Fan	1.2%
Chan Ka Keung	1.0%
Yu Lin Ho	1.0%
Tsun Tsz Wai	1.0%
Tsun Tsz Yan Venice	1.0%
Ngai Chun Hung	0.8%
Mok Wai Keung	0.8%
Lam Shing Sheung Sam	0.5%
Sin Wai Hung	0.2%
Total	31.7%

4. Mr. Chan, Mr. Lau, Mr. Ho, Mr. Yuen and Chun Fat executed the AIC Confirmation on 14 December 2018.

5. Mr. Chan is the cousin of Ms. Chan Shuk Fong and father of Mr. Chan Ka Keung.

6. Ms. Chan Shuk Fong is the aunt of Mr. Chan Ka Keung.

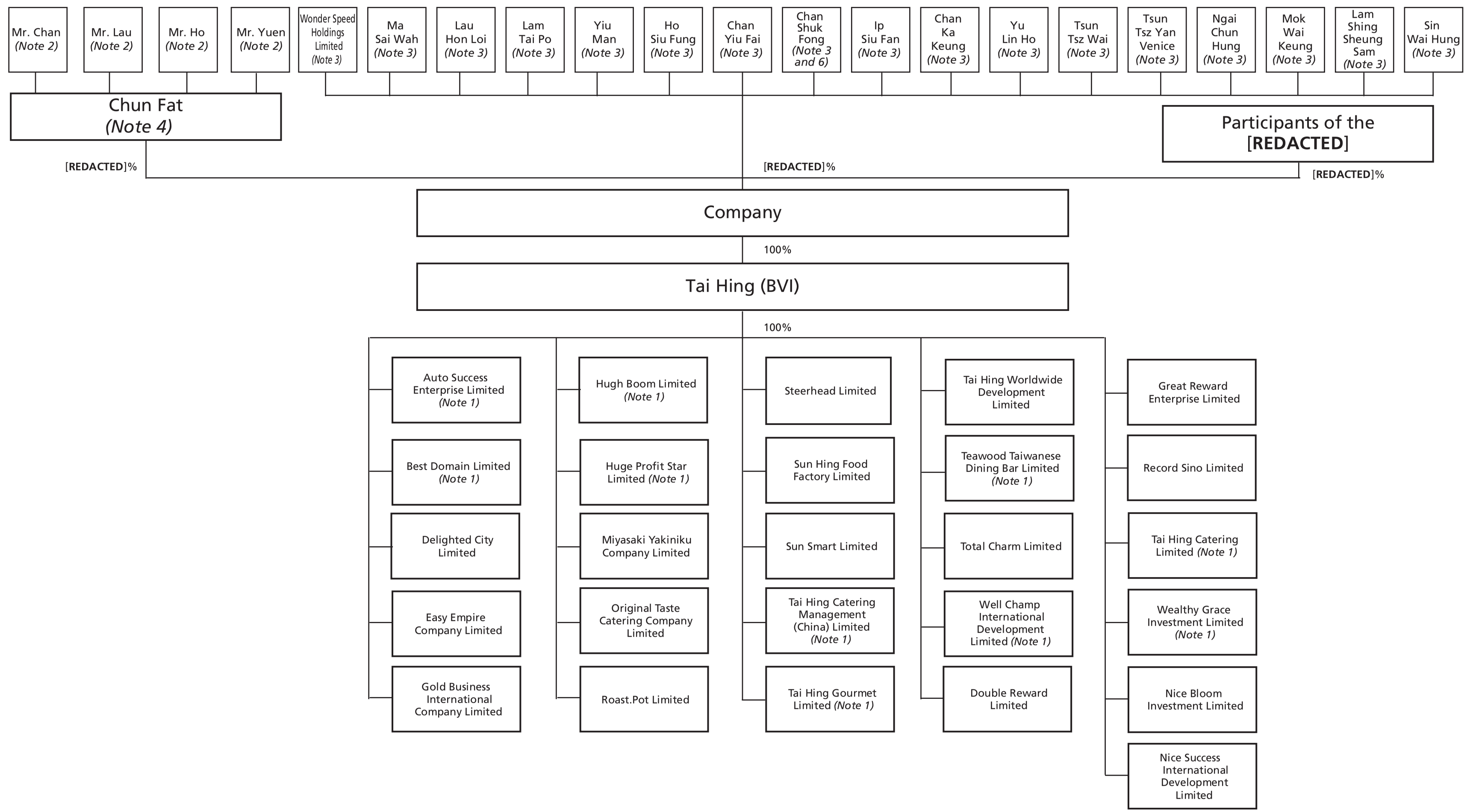
As at the date of this Document, except for the Capitalisation Issue and the [**REDACTED**] (which will take place on the Listing Date), all the steps of the Reorganisation have been properly and legally completed and settled, all relevant regulatory approvals for the Reorganisation have been obtained and the Reorganisation has complied with applicable laws and regulations. Save as disclosed in this section, we had not carried out any major disposals, acquisitions and mergers during the Track Record Period.

[**REDACTED**] AND CAPITALISATION ISSUE

Conditional upon the Listing Department granting the approval for the listing of and permission to deal in the Shares on the Main Board of the Stock Exchange, our Company will offer [**REDACTED**] Shares, being [**REDACTED**]% of total issued share capital of our Company (as enlarged by the Shares [**REDACTED**] under the [**REDACTED**] and issued under the Capitalisation Issue, excluding the Shares which may be issued upon exercise of the Share Options or the [**REDACTED**] in whole or in part) for subscription.

Conditional upon the share premium account of our Company being credited with the [**REDACTED**] of the [**REDACTED**], an appropriate sum will be capitalised and applied in paying up in full such number of shares in our Company to be allotted and issued to the then existing shareholders of our Company so that the number of Shares so allotted and issued, when aggregated with the number of Shares already owned by them, will constitute 75.0% of the issued share capital of our Company.

The following is the shareholding structure of our Group upon the completion of the Capitalisation Issue and the [**REDACTED**] (but not taking into account any Shares that may be allotted and issued upon the exercise of the Share Options or the [**REDACTED**]):



Notes:

1. Please refer to the table under "— Reorganisation — Pre-Reorganisation corporate structure — Notes: 3." in this section for the wholly-owned subsidiaries held by each of the relevant subsidiaries.

2. The shareholding of Chan Wing On, Lau Hon Kee, Ho Ping Kee and Yuen Chi Ming in Chun Fat Company Limited is set out below:

Name	Shareholding
Mr. Chan	70.7%
Mr. Lau	12.6%
Mr. Ho	9.9%
Mr. Yuen	6.8%
Total	100.0%

3. The shareholding of our Shareholders other than Chun Fat in our Company is set out below:

Name	Shareholding
Wonder Speed Holdings Limited	[**REDACTED**]%
Ma Sai Wah	[**REDACTED**]%
Lau Hon Loi	[**REDACTED**]%
Lam Tai Po	[**REDACTED**]%
Yiu Man	[**REDACTED**]%
Ho Siu Fung	[**REDACTED**]%
Chan Yiu Fai	[**REDACTED**]%
Chan Shuk Fong	[**REDACTED**]%
Ip Siu Fan	[**REDACTED**]%
Chan Ka Keung	[**REDACTED**]%
Yu Lin Ho	[**REDACTED**]%
Tsun Tsz Wai	[**REDACTED**]%
Tsun Tsz Yan Venice	[**REDACTED**]%
Ngai Chun Hung	[**REDACTED**]%
Mok Wai Keung	[**REDACTED**]%
Lam Shing Sheung Sam	[**REDACTED**]%
Sin Wai Hung	[**REDACTED**]%
Total	[**REDACTED**]%

4. Mr. Chan, Mr. Lau, Mr. Ho, Mr. Yuen and Chun Fat executed the AIC Confirmation on 14 December 2018.

5. Mr. Chan is the cousin of Ms. Chan Shuk Fong and father of Mr. Chan Ka Keung.

6. Ms. Chan Shuk Fong is the aunt of Mr. Chan Ka Keung.

OVERVIEW

We are a multi-brand casual dining restaurant group originated in Hong Kong. In addition to our flagship "Tai Hing" brand, we have successfully grown our brand portfolio (through in-house development, acquisitions and licensing), which now also comprises "TeaWood", "Trusty Congee King", "Men Wah Bing Teng", "Phở Lệ", "Tokyo Tsukiji", "Fisher & Farmer" and "Rice Rule". As at the Latest Practicable Date, we had 185 restaurants (comprising 178 restaurants operated by us and 7 restaurants operated by our franchisees) in our restaurant network, with 122 restaurants in Hong Kong, 62 restaurants in Mainland China and 1 restaurant in Macau.

We offer a wide range of cuisines in Hong Kong, Mainland China and Macau. When we introduce new cuisines from different countries and regions to our offering, we select representative dishes from that culinary culture with an aim of creating a distinctive dining experience to our customers under each brand.

According to the Frost & Sullivan Report, in 2017, we ranked: (i) first in terms of revenue in the self-operated casual dining restaurant market in Hong Kong; (ii) first in terms of the number of restaurants in the Taiwanese casual dining market in Hong Kong; and (iii) second in terms of revenue in the self-operated casual dining restaurant market in Mainland China.

Our management has always strived to offer customers with affordable and diversified choices of quality food, in a tasteful and comfortable dining environment. Leveraging on the knowledge and success of our management and operation of our Tai Hing Restaurants, we have gradually expanded our market by adopting the multi-brand business model to capture a wider spectrum of customers since 2008. As at the Latest Practicable Date, we had 185 restaurants in our restaurant network, comprising 122 in Hong Kong, 62 in Mainland China and one in Macau, under eight different brands. We believe that our multi-brand strategy has allowed us to attract customers with different dining preferences, seize opportunities to increase our market share and drive our sustainable growth.

Consistency in dining experience for each of our brands across all of such brand's restaurants is vital to the success of our operations. We adopt standardised operation processes for different brands and have implemented automated production processes in our restaurants as well as Food Factories. Food safety is crucial for maintaining consumers' confidence in our brands and we safeguard food safety, and thereby our brand value, through stringent quality control. These measures are key to ensuring consistent quality, allowing us to better replicate our tradition and success to new restaurants and brands, and contribute to our growth over the years. In FY2016, FY2017 and 9M2018, we opened 28, 32 and 23 new restaurants under different brands, most of which have achieved breakeven typically within two to three months. We believe that our replicable operation model and strong capabilities in expanding our brand portfolio by adapting to the ever-changing market condition and customer preference will continue to be one of the critical factors for our future success.

During the Track Record Period, we primarily generated our revenue by providing dining services through our restaurants and we also generated a small percentage of revenue from sales of canned food products and festive specialty products. For FY2016, FY2017 and 9M2018, our revenue was HK$2,513.0 million, HK$2,771.3 million and HK$2,348.9 million, and our profit for the year/period was HK$[196.9] million, HK$[209.6] million and HK$289.3 million, respectively.

The following table sets out the breakdown of our revenue and gross profit for FY2016, FY2017, 9M2017 and 9M2018:

	FY2016				FY2017				9M2017				9M2018			
	Total revenue	% of total revenue	Gross profit	Gross profit margin	Total revenue	% of total revenue	Gross profit	Gross profit margin	Total revenue	% of total revenue	Gross profit	Gross profit margin	Total revenue	% of total revenue	Gross profit	Gross profit margin
	(HK$'000)	(%)	(HK$'000)	(%)	(HK$'000)	(%)	(HK$'000)	(%)	(HK$'000) (unaudited)	(%)	(HK$'000) (unaudited)	(%)	(HK$'000)	(%)	(HK$'000)	(%)
Restaurant operations																
Tai Hing	1,868,481	74.4	1,299,762	69.6	1,900,924	68.6	1,349,979	71.0	1,409,736	69.0	999,229	70.9	1,539,795	65.6	1,097,838	71.3
TeaWood	392,094	15.6	294,258	75.0	536,509	19.4	401,296	74.8	401,161	19.6	300,558	74.9	419,938	17.9	315,075	75.0
Trusty Congee King	114,877	4.6	84,997	74.0	149,928	5.4	107,131	71.5	104,147	5.1	74,626	71.7	150,997	6.4	105,993	70.2
Men Wah Bing Teng	–	–	–	–	26,312	0.9	18,453	70.1	14,214	0.7	9,905	69.7	75,263	3.2	53,927	71.7
Phở Lệ	–	–	–	–	21,464	0.8	14,491	67.5	12,704	0.6	8,473	66.7	65,429	2.8	42,374	64.8
Tokyo Tsukiji	29,436	1.2	20,912	71.0	28,817	1.0	19,984	69.3	21,872	1.1	15,247	69.7	18,771	0.8	13,325	71.0
Fisher & Farmer	18,463	0.7	13,752	74.5	18,166	0.7	13,690	75.4	13,193	0.6	9,985	75.7	9,735	0.4	7,291	74.9
Rice Rule	–	–	–	–	–	–	–	–	–	–	–	–	741	—	429	57.9
Other brands (Note)	31,335	1.2	20,040	64.0	29,836	1.1	17,698	59.3	22,563	1.1	13,371	59.3	16,313	0.7	9,194	56.4
Sub-total	2,454,686	97.7	1,733,721	70.6	2,711,956	97.9	1,942,722	71.6	1,999,590	97.8	1,431,394	71.6	2,296,982	97.8	1,645,446	71.6
Sales of food products	58,284	2.3	44,087	75.6	59,321	2.1	41,525	70.0	44,846	2.2	31,392	70.0	51,960	2.2	35,742	68.8
Total	2,512,970	100.0	1,777,808	70.7	2,771,277	100.0	1,984,247	71.6	2,044,436	100.0	1,462,786	71.5	2,348,942	100.0	1,681,188	71.6

Note: This represents our brands that were discontinued during the Track Record Period and up to the Latest Practicable Date.

COMPETITIVE STRENGTHS

We are a leading market player in the Hong Kong catering service industry with strong brand recognition

According to the Frost & Sullivan Report, in 2017, we ranked: (i) first in terms of revenue in the self-operated casual dining restaurant market in Hong Kong; (ii) first in terms of the number of restaurants in the Taiwanese casual dining market in Hong Kong; and (iii) second in terms of revenue in the self-operated casual dining restaurant market in Mainland China. We believe that our brand is built on our dedication to providing our customers with quality dining experience at affordable prices. Together with our team of management, our founders, Mr. Chan and Mr. Yuen, together, with Mr. Lau and Mr. Ho, have developed our Group into a leading restaurant group through over 29 years of dedication and quality services. Our Directors believe that our brand "Tai Hing" gives our customers confidence in food safety, food quality, restaurant and food factory hygiene and enjoyable dining experiences, which differentiate us from our competitors. In recognition of our efforts, we have won numerous awards, such as Hong Kong Top Service Brand Ten Year Achievement Award in 2018 by Hong Kong Brand Development Council, Market Leadership in Casual Dining 2017/18 and Triple Crown Winner in 2018 by Hong Kong Institute of Marketing, Service and Courtesy Award in 2018 and Top 10 Outstanding Service Retail Brands in 2018 by Hong Kong Retail Management Association.

We believe that our strong brand recognition provides us with a number of competitive advantages, such as (i) stronger leverage in securing favourable terms in leasing desirable restaurant locations catering for our strategic needs, (ii) higher bargaining power with our suppliers and service providers for competitive prices, priority supply and customised ingredients and services, and (iii) easier recruitment and retention of experienced management and other staff. With our leading market position and ability to capitalize on our strong brand recognition, we believe we are well-positioned to capture new market opportunities for sustainable future growth.

Strong capability and track record in developing brands and growing our brand portfolio to capture a broad spectrum of customers

We recognise the importance of capturing a diverse range of customers in the catering service market, and we take pride in our ability to design and develop new brands. We believe that our success in running a multi-brand business model stems from our management's willingness to embrace innovative ideas, the use of automation in production and food preparation, as well as our strong capability in formulating and implementing standardised production processes and restaurant operation models which can be readily replicated across new restaurant brands and outlets for our expansion.

In addition to operating restaurants under our long standing original brand "Tai Hing", we were also operating 75 restaurants under seven other brands as at the Latest Practicable Date, namely, "TeaWood", "Trusty Congee King", "Men Wah Bing Teng", "Phở Lệ", "Tokyo Tsukiji", "Fisher & Farmer", and "Rice Rule", serving a variety of cuisines under different styles of dining environment. As detailed in the paragraph headed "— Our Restaurants — our brands" below, even though we developed most of our brands in-house, we would also look to cooperate or acquire other brands or businesses when opportunities arise. We have a proven track record in developing different types of brands. We have strong capabilities and management skills in expanding our brand portfolio and running our restaurants and are capable of catering to ever-changing market conditions and customer preferences. This is evidenced by the popularity of the self-developed "TeaWood" brand which ranked first in terms of the number of restaurants in the Taiwanese casual dining market in Hong Kong according to the Frost & Sullivan Report, the successful remodelling of "Men Wah Bing Teng" from a single and traditional stand-alone restaurant to a chain operation with 11 restaurants as at the Latest Practicable Date, the development of a chain of modern Vietnamese restaurants under the "Phở Lệ" brand originated from a local noodle store in Ho Chi Minh City, and the remodelling of the "Trusty Congee King" brand which was acquired by us in 2008 and subsequently being conferred the Bib Gourmand award in the Michelin Guide Hong Kong Macau for two consecutive years in 2018 and 2019.

With our multi-brand strategy, we offer Chinese (including Cantonese, Sichuan and Beijing and Taiwanese cuisines), Vietnamese and various Japanese cuisines. In support of this strategy, the interior decor and design of each of these brands have been carefully developed by our management. We aim to provide our customers with unique and fresh dining experiences when they dine at each of our restaurants under different brands. For example, the traditional old-fashioned "bing teng" (冰廳) setting in the old days of Hong Kong has been applied to our Men Wah Bing Teng Restaurants, while a carefree self-service canteen setting has been applied to our Rice Rule Restaurant. In our TeaWood Restaurants, different themes, such as circus, sea breeze and butterfly fairy, are adopted. Such settings allow our customers to have a taste of originality and local experience from where our cuisines stem from. These unique designs have also earned us the German Award Design, a prestigious design award presented by the German Ministry for Economics and Technology, in 2018. We strive to achieve diversity within a single brand, with our TeaWood brand evolving over the years to provide various dining experiences including full service restaurants, café style restaurants, as well as café offering bakery products under the same concept. The "T-Factory" mobile application launched under the TeaWood brand was awarded the "Hong Kong Digital Brand Award" by the Metro Broadcast Limited and The Chamber of Hong Kong Computer Industry in 2018.

Our history of opening and operating different styles of restaurants offering a variety of cuisines and services to a diversified customer base provides us with valuable experience and helps us develop an acumen for adjusting to the constantly changing and competitive catering service market, condition and consumer preferences. Our Directors believe that our ability to adapt to the tastes and preferences of customers in different market segments and different locations through our multi-brand strategy has broadened our customer base as well as capturing wider market segments and will continue to support our expansion in the future.

Highly standardised operation, automated production and food preparation processes and efficient management system as a systematic platform to sustain future growth

We believe our highly standardised operation and efficient management system have enabled us to maximise our profitability, control our operational costs, achieve economies of scale and establish a scalable business model, as evidenced by our growth to date. Our standardised and efficient operation primarily consist of the following aspects:

- *Extensive application of automated food processing machinery at restaurant level.* The catering service industry is a labour intensive industry and labour costs commonly constitute a substantial portion of the operating costs. For the purpose of ensuring high quality dishes, higher labour costs would typically be required for recruiting, training and retaining skilled and experienced chefs.

  To tackle the traditional heavy reliance on skilled labour, our management took the initiative and introduced different kinds of automated food processing machinery at our restaurants. This increased our operational efficiency, helped to ensure consistency in dish portion and quality, and created a safer and healthier working environment for our kitchen employees. These automated food processing machinery include automated woks with synchronised voice prompt for the kitchen staff, programmed barbecue pork sauce mixers, programmed chicken poaching machines and programmed poultry roasting ovens. The use of automated machines helps to reduce the skill level required of kitchen staff and minimise repetitive motions and heavy-lifting in cooking processes and thereby reduce common occupational diseases among kitchen employees. We have obtained three innovative application patents for our automated food processing machines.

  With the help of our automated food processing machinery, we are able to standardise the key production process of our dishes and maintain a uniformly high quality of our dishes. Thus, we enjoy more flexibility in recruiting and hiring employees with less skill and experience to carry out functions (e.g. cooking) which would otherwise be expected to be performed by skilled chefs. For the same reason, there are less restrictions on gender and age requirements which would otherwise be required for complicated and more physically demanding cooking steps. Our Directors believe that having implemented these systems, we are able to better control our labour costs and labour turnover rate and reduce our reliance on skilled chefs.

- *Food Factories*. Our Hong Kong Food Factory has an area of approximately 158,414 sq.ft.. For 9M2018, approximately 60% of the raw materials, semi-processed or processed food ingredients used in our restaurants in Hong Kong were supplied by our Hong Kong Food Factory. In October 2018, our Mainland China Food Factory, with an approximate gross floor area of 253,430 sq.ft., commenced operation and started to supply semi-processed and processed food ingredients to our restaurants in Hong Kong and Mainland China. We believe the key benefits from the use of a food factory include the ability to control costs efficiently by centralising purchasing and food processing functions, reducing wastage of food ingredients, whilst offering broader dish selection, as well as ensuring quality consistency across various restaurants by centralising quality control of food processing and storage. In addition, the use of a food factory (i) improves the space efficiency of our individual restaurants by reducing the kitchen space and storage space required, and (ii) reduces the workload of our restaurant-level chefs in respect of the initial stage of food ingredients processing so they are able to focus on the final stages of food preparation. We believe the use of our Food Factories has contributed to our success and will provide a platform for our expansion in the future. Our Directors also expect that our dish offerings at our restaurants could be further enhanced since our Food Factories will have the capacity to prepare and carry out most of the complicated preparation steps prior to their delivery to each restaurants.

- *Standardised process and quality control system*. We have implemented a standardised process and quality control system to ensure the high quality and safety of our food. Our Food Factories have adopted the Hazard Analysis Critical Control Point, known as HACCP, a comprehensive quality control standard. The *siu mei* (燒味) production unit of our Hong Kong Food Factory was awarded the ISO 22000 certification in 2013. In addition, we implement the ''5-S'' (五常法) management system throughout our entire operational process, starting from sourcing and processing of food ingredients, maintaining of hygiene standards, staff training and daily management of our individual restaurants.

  We have in-house testing laboratories in our Food Factories and we also engage third-party testing laboratories with relevant certification to monitor the personal hygiene of our employees, restaurant hygiene and food quality of all of our restaurants. Various testing, including, among others, food testing and water sampling and monitoring services covering multiple chemical, microbiological and sensory examinations regarding safety and quality of food, are conducted from time to time. We believe our standardised quality control system is an essential element of our operation and will contribute to our expansion in the future.

- *Systematic employee training and advancement programs*. We conduct a series of systematic training and advancement programs for all our employees, from serving staff, cashiers, floor managers, chefs to restaurant managers. These training programs are offered by our in-house training centres and are intended to ensure that all staff are equipped with the skills required for their positions and for their career advancement.

  We offer career prospects to our employees through participation in the qualifications framework schemes operated by the Hong Kong government, as well as through our own internal advancement programs. Under our internal advancement programs, selected employees with outstanding working performance could attend a different training path in order to provide him/her a faster route to attain a higher position in our Group. A number of supervisory and managerial positions in the frontline operation of our Group are taken up by internally promoted employees. Further, our employees are encouraged and allowed to self-nominate for assessments for taking advancement programs and nominations by their supervisors are not necessary. We believe our training and advancement programs provide our staff with clear advancement guidelines and promote good employee incentives.

Well positioned to capture the growth in the Mainland China catering service market to support future growth

We first set foot in the Mainland China market back in 2004. As at the Latest Practicable Date, we were operating 57 restaurants in Mainland China under the brands "Tai Hing", "TeaWood", "Trusty Congee King" and "Phở Lệ", with five other restaurants located in different airports in Mainland China being operated by our franchisees under franchise arrangement. As at the Latest Practicable Date, we operate in 13 cities in Mainland China, including Shenzhen, Beijing, Shanghai, Guangzhou, Shenyang, Hangzhou and Tianjin.

Through over 14 years of operation in Mainland China, our Directors believe that we have accumulated knowledge and experience in identifying business opportunities there, and have developed a restaurant operation model that suits the consumption pattern and habit of the Mainland China market. Leveraging on the success and reputation of our restaurant business in Hong Kong and our prior restaurant operation experience in Mainland China, we have succeeded in gradually deepening our market penetration in Mainland China by localising and adapting our "Tai Hing" brand as a leading Hong Kong-style restaurant chain. According to the Frost & Sullivan Report, we ranked second in terms of revenue in the self-operated casual dining market in Mainland China in 2017.

To maximise the benefits of the solid foundation which we established throughout our restaurant operations in Mainland China, we have recently set up and commenced the operation of our Mainland China Food Factory. With the support of our newly established Mainland China Food Factory, more ingredients, semi-processed food and processed food can be prepared centrally prior to delivery to our restaurants, and thereby ensuring consistency in food quality across our network of restaurants. Our Directors estimate that our Mainland China Food Factory can provide support to around 200 restaurants in Mainland China and the production of certain products for our restaurants in Hong Kong (depending on their scale of operation), enabling us to expand our operations in Mainland China and increase our productivity in products.

We strongly believe that our Mainland China Food Factory will synergise with our established restaurant network and enable us to capture the high food and beverage consumption demand in Mainland China.

Leadership under experienced and passionate restaurateurs and professional management team

Our management has continuously adhered to their vision and commitment to provide quality food and services to our customers. Mr. Chan, one of our founders, has over 30 years of experience in the food and beverage industry in Hong Kong. Mr. Chan currently holds the position of President at Hong Kong Federation of Restaurants and Related Trades (香港餐飲聯業協會) while Mr. Chan Ka Keung, the key driver of our original brand "TeaWood" is currently one of its vice presidents. Through their leadership, we have grown and endured both prosperity and difficult economic times in Hong Kong to become a thriving chain of over 180 restaurants in Hong Kong, Mainland China and Macau as at the Latest Practicable Date.

In addition, Mr. Ho Siu Fung, Mr. Yiu Man and Mr. Lam Tai Po, members of our senior management, have extensive industry experience and are long-serving employees of our Group. They have contributed to our success in frontline operations and network expansion. We have also built a professional senior management team that is highly experienced in corporate, financial, information technology, logistics, branding, retail management, tourism and business management. Our team of professional senior management is headed by Ms. Chan Shuk Fong, Mr. Sin Wai Hung and Mr. Wong Kin Pong Edmond, who are dedicated employees of our Group throughout our development history. Please refer to the section headed "Directors and Senior Management" in this document for the detailed experience of our senior management team.

We believe that the vision, industry experience and management capabilities of our executive Directors and senior management team will continue to help us to deliver sustainable growth in the future.

BUSINESS STRATEGIES

We intend to implement the following business strategies to expand our market share, profitability and brand recognition:

Continuous development of our brand portfolio and expansion of our restaurant network

We believe that our multi-brand strategy is crucial to our success and we intend to continue to expand in Hong Kong, Mainland China and Taiwan by (i) opening new restaurants under our existing brands; and/or (ii) developing new brands to launch new restaurants offering cuisines that differ from our existing offering.

- *Hong Kong*

  For new restaurants under our existing brands, we intend to open these restaurants primarily in major shopping malls or at street level with stable customer traffic. We expect to open 18, 19 and 20 new restaurants under our existing brand portfolio in FY2019, FY2020 and FY2021, respectively.

  We plan to introduce two new brands offering Asian cuisine. We expect to open two restaurants offering Asian cuisine in each of FY2019, FY2020 and FY2021. Our Directors believe that this expansion of cuisine offering will enable us to capture a wider spectrum of potential customers and provide our existing customers with a broader choice of cuisines at our restaurants.

The total planned capital expenditure for our restaurant network expansion in Hong Kong is expected to be approximately [**REDACTED**], [**REDACTED**] and [**REDACTED**] for FY2019, FY2020 and FY2021, respectively, which will be funded by the [**REDACTED**] from the [**REDACTED**].

- *Mainland China*

Leveraging on our success in restaurant operations, we intend to further expand our network of restaurants under our existing brand portfolio. As at the Latest Practicable Date, we had 52, 4, 4 and 2 restaurants in Mainland China under "Tai Hing", "TeaWood", "Trusty Congee King" and "Phở Lệ" brands, respectively, in various cities in Mainland China, including Shenzhen, Beijing, Shanghai and Guangzhou. Given the large population in these cities in Mainland China and in order to enhance our market penetration in these cities, we intend to open 11, 12 and 13 restaurants under our existing brand portfolio for FY2019, FY2020 and FY2021, respectively.

While our expansion plan in Mainland China focuses on cities in which we already have an established presence, we will also assess business opportunities from time to time to expand our restaurant operations to other cities in Mainland China.

The total planned capital expenditure for our restaurant network expansion in Mainland China is approximately HK$36.7 million, HK$40.6 million and HK$44.6 million for FY2019, FY2020 and FY2021, respectively, which will be funded partly by the [**REDACTED**] from the [**REDACTED**] and partly by our internal resources.

- *Taiwan*

According to the Frost & Sullivan Report, the catering service market in Taiwan has grown rapidly in recent years with revenue increased from NT$374.9 billion in 2013 to NT$516.3 billion in 2017, representing a CAGR of 8.3% for the same period. Furthermore, revenue of the catering service market in Taiwan is expected to keep such an upward trend in the future, with revenue likely to reach NT$759.4 billion by 2022, representing a CAGR of 8.0% from 2017 to 2022.

We have entered into the Taiwan Joint Venture Agreement to set up a joint venture company to open and operate restaurants under our "Tai Hing", "Trusty Congee King" and "Phở Lệ" brands in Taiwan. Please see "— Site Selection and New Restaurant Opening Process — Expansion into Taiwan" below for details.

We plan to open one, two and three new restaurants in Taiwan in FY2019, FY2020 and FY2021, respectively. The total planned capital expenditure for our restaurant network expansion in Taiwan is expected to be approximately HK$2.5 million, HK$5.0 million and HK$7.5 million for FY2019, FY2020 and FY2021, respectively, which will be funded by our internal resources.

In addition to the above, our Directors will also explore opportunities to expand into overseas market if and when our Directors identify appropriate opportunities.

Uplifting of our existing restaurants in Hong Kong and Mainland China

We place great emphasis on the up-keeping of the (i) dining environment of our customers at our restaurants, (ii) our automated kitchen equipment; (iii) working environment of our restaurant-level employees and (iv) our corporate brand image. We will renovate our restaurants from time to time as and when our management considers appropriate.

We plan to carry out renovation work for certain restaurants in Hong Kong and Mainland China with a view to enhancing their image and popularity. As part of such renovation, we may also replace, upgrade and acquire new equipment for our operations as appropriate. We plan to renovate 23, 23 and 23 restaurants in FY2019, FY2020 and FY2021, respectively.

The total planned capital expenditure for our restaurant renovation is approximately HK$30.0 million, HK$31.0 million and HK$32.1 million for FY2019, FY2020 and FY2021, respectively and will be funded partly by the [**REDACTED**] of the [**REDACTED**].

Enhancement and expansion of our Hong Kong Food Factory and expansion of our Mainland China Food Factory

Our Hong Kong Food Factory comprises 86 owned properties, which we acquired through a series of acquisitions, and eight leased properties. It currently has an aggregate area of approximately 158,414 sq.ft.. Currently, our Hong Kong Food Factory is supporting the supplies of around 120 restaurants and we are still looking to further enhance our restaurant network in Hong Kong. The utilisation rate of our Hong Kong Food Factory for FY2016, FY2017 and 9M2018 was 78%, 77% and 76%, respectively. The utilisation rate is calculated with reference to the actual production value.

Our management is in the process of identifying a suitable location in Hong Kong for the expansion or relocation of our Hong Kong Food Factory in FY2021. We intend to look for a site with a usable gross floor area of at least 150,000 sq.ft., which would allow the fitting of sizeable equipments including additional cold storage space and various roasting machines. Our Directors currently expect the acquisition to amount to approximately [**REDACTED**], which will be part of our capital expenditure for FY2021 and funded by the [**REDACTED**] from the [**REDACTED**].

In the meantime, in order to cope with our expansion plan in FY2019, FY2020 and FY2021, enhancement work will have to be carried out at our current Hong Kong Food Factory. In particular, some of our production lines and machines have been worn out due to intensive usage and require replacement and upgrading. Further, in anticipation of the continuous growth of restaurants under our "Tai Hing", "TeaWood", "Trusty Congee King", "Men Wah Bing Teng" and "Phở Lệ" brands, we intend to implement additional supporting production and storage facilities, including bread production lines, high-speed frosting machines, and cold storage and raw meat production lines. These production lines, equipment and storage facilities are intended to be transferred to the planned new food factory as and when appropriate. It is expected that the capital expenditure on the enhancement of our Hong Kong Food Factory will be approximately [**REDACTED**] and [**REDACTED**] in FY2019 and FY2020, respectively, which will be funded by the [**REDACTED**] from the [**REDACTED**].

We plan to deepen our penetration in the Mainland China market by expanding our restaurant network in various cities offering Asian cuisines under different brands. However, to maintain the consistency of food quality to be delivered to our customers under our newly developed brands, we believe that it is crucial for us to have control over the preparation of raw ingredients to be supplied to our new restaurants. Accordingly, we plan to expand our Mainland China Food Factory by implementing the two production lines to enhance our production capability. The expected capital expenditure for implementing these two production lines is approximately [**REDACTED**], which is expected to be incurred in FY2020 and to be funded by the [**REDACTED**] from the [**REDACTED**].

Enhancement and enrichment of our brand image, awareness and recognition for our future business growth

We believe successful branding and marketing is the key to our multi-brand strategy and business development.

We aim to associate our "Tai Hing" brand with authentic and great tasting food and have launched the "My Hero" advertising campaign to connect our brand values, food quality and the spirit of Hong Kong people. Our three successive waves of television commercials, including celebrity endorsements of Mr. Eric Kwok and Mr. Rex Tso, have received numerous marketing awards. We intend to solidify the market position of "Tai Hing" and increase public awareness through similar advertisement campaigns.

We plan to partner with international and well-known brands to further increase coverage and awareness of our brands. In 2014 and 2017, we collaborated with Cathay Dragon (previously known as Dragonair) to offer our Tai Hing Hong Kong-style milk tea on their flights to tourists from all over the world. We were also engaged by Hong Kong Airlines in 2015 to design 18 dishes to be served in business class.

In pursuit of long-term business growth, we will continue to strengthen promotion of our brands. We have successfully secured sponsorships and collaborations in the past and actively explore opportunities to utilise social media. In 2015, we sponsored the screening of a popular Taiwanese movie in Hong Kong to promote our "TeaWood" brand and coordinated with the plot of the movie to launch a special dish. We commissioned a mini movie in 2017 to promote our Phở Lệ brand, and launched our "T-Factory" mobile application in the same year. Our TeaWood Restaurants launched themed decorations, dishes and drinks, collectable items and a mobile game to leverage on the popularity of a Japanese cartoon character in 2018. Our marketing efforts on promoting our emerging brands have generated media coverage, increased customer traffic and raised brand awareness.

We will continue to develop and make use of innovative multi-media promotional channels such as mobile applications and social media, and seek out timely and popular sponsorships and collaborations in the future.

OUR BUSINESS MODEL

During the Track Record Period, we generated substantially all of our revenue from restaurant operations. To a lesser extent, we also generated revenue from our sales of food products.

Our restaurants are operated under two main business models — self-operated (under our owned brands and licensed brand) or franchised. During the Track Record Period, over 97% of our revenue was derived through our self-operated restaurants and we also generated royalty income from the franchised restaurants operated by our franchise under the Tai Hing Franchise Agreements.

The following table sets out the breakdown of our revenue and gross profit for our restaurant operation and sales of food products for FY2016, FY2017, 9M2017 and 9M2018:

	FY2016				FY2017				9M2017				9M2018			
	Revenue	% of total revenue	Gross profit	Gross profit margin	Revenue	% of total revenue	Gross profit	Gross profit margin	Revenue	% of total revenue	Gross profit	Gross profit margin	Revenue	% of total revenue	Gross profit	Gross profit margin
	(HK$'000)	(%)	(HK$'000)	(%)	(HK$'000)	(%)	(HK$'000)	(%)	(HK$'000) (unaudited)	(%)	(HK$'000) (unaudited)	(%)	(HK$'000)	(%)	(HK$'000)	(%)
Restaurant operation																
Self-operated under our own brands . .	2,423,351	96.5	1,713,681	70.7	2,660,656	96.0	1,910,533	71.8	1,964,323	96.1	1,409,550	71.8	2,215,240	94.3	1,593,878	72.0
Self-operated under licensed brand *(Note 1)*	–	0.0	–	0.0	21,464	0.8	14,491	67.5	12,704	0.6	8,473	66.7	65,429	2.8	42,374	64.8
Other brands *(Note 2)*	31,335	1.2	20,040	64.0	29,836	1.1	17,698	59.3	22,563	1.1	13,371	59.3	16,313	0.7	9,194	56.4
Sales of food products	58,284	2.3	44,087	75.6	59,321	2.1	41,525	70.0	44,846	2.2	31,392	70.0	51,960	2.2	35,742	68.8
Total *(Note 3)*	2,512,970	100.0	1,777,808	70.7	2,771,277	100.0	1,984,247	71.6	2,044,436	100.0	1,462,786	71.5	2,348,942	100.0	1,681,188	71.6

Notes:

1. As at the Latest Practicable Date, we operated 10 Phở Lệ Restaurants (consisting of eight in Hong Kong and two in Mainland China) pursuant to the Phở Lệ Cooperation Agreement.

2. This represents our brands that were discontinued during the Track Record Period and up to the Latest Practicable Date.

3. The total revenue of our Group does not include royalty income from restaurants operated by our franchisee.

OUR RESTAURANTS

As at the Latest Practicable Date, there were 185 restaurants operated by us or our franchisees (comprising 168 self-operated restaurants under our own brands and 10 self-operated restaurants under a licensed brand and seven Tai Hing Restaurants operated by our franchisees) under eight different brands, namely "Tai Hing", "TeaWood" "Trusty Congee King", "Men Wah Bing Teng", "Phở Lệ", "Tokyo Tsukiji", "Fisher & Farmer" and "Rice Rule" in Hong Kong, Mainland China and Macau. The following table sets out the number of restaurants under each such brand (including restaurants operated by us (under our owned brands and licensed brand) and our franchisees) during the periods indicated:

	Number of restaurants										
	FY2016				FY2017			9M2018			As at the Latest Practicable Date
Brand	As at 1 January	Opened	Closed [(1)]/ relocated	As at 31 December	Opened	Closed [(1)]/ relocated	As at 31 December	Opened	Closed [(1)]/ relocated	As at 30 September	
Tai Hing	98	15	6	107	17	12	112	3	6	109	110
TeaWood	18	9	1	26	8	2	32	1	2	31	32
Trusty Congee King	8	3	–	11	2	1	12	5	–	17	17
Men Wah Bing Teng	–	–	–	–	3	–	3	6	–	9	11
Phở Lệ	–	–	–	–	2	–	2	6	–	8	10
Tokyo Tsukiji	4	1	1	4	–	–	4	–	1	3	3
Fisher & Farmer	1	–	–	1	–	–	1	1	1	1	1
Rice Rule	–	–	–	–	–	–	–	1	–	1	1
Others[(2)]	3	–	–	3	–	1	2	–	1	1	–
Total	132	28	8	152	32	16	168	23	11	180	185

Notes:

(1) Closed restaurants include restaurants that have been rebranded during the periods indicated.

(2) "Others" represents brands that have been discontinued during the Track Record Period and up to the Latest Practicable Date.

The following table summarises the cuisine type, aggregate approximate floor area and seating as at the Latest Practicable Date, and the typical ranges of breakeven and investment payback periods during the Track Record Period and up to the Latest Practicable Date, in respect of existing restaurants operated by us according to different brands:

Brand	Cuisine type	Aggregate approximate floor area(1) (sq.ft.)	Seating	Typical range of breakeven period(2) (months)	Typical range of investment payback period(3) (months)
Tai Hing	Chinese	377,110	14,580	2-4	17-32
TeaWood	Taiwanese	72,710	3,019	2	9-14
Trusty Congee King	Chinese	30,334	1,410	2	14-36
Men Wah Bing Teng	Chinese	14,342	637	2	6-15
Phở Lệ	Vietnamese	12,210	509	2	7
Tokyo Tsukiji	Japanese	2,840	157	2-8	11-29
Fisher & Farmer	Chinese	6,592	152	–(4)	–(4)
Rice Rule	Chinese	3,172	100	– (4)	–(4)

Notes:

(1) Floor area information is based on the relevant licences.

(2) Breakeven period refers to the time required for a restaurant to achieve breakeven (i.e. the monthly revenue of the restaurant is at least equal to the monthly expense of that restaurant) for two consecutive months. Lower end and higher end of typical range refer to the time period within which 25% and 75% of the restaurants under the relevant brand achieved breakeven, respectively. This data does not cover the 15 restaurants that have not achieved breakeven as at the Latest Practicable Date.

(3) Investment payback period means the time it takes for the accumulated operating cash flow generated from a restaurant to equate the initial costs of opening that restaurant. The lower end and upper end of the typical range refer to the time within which 25% and 75% of the restaurants under the relevant brand achieve investment payback, respectively. This data does not cover the 55 restaurants that have not achieved investment payback as at the Latest Practicable Date.

(4) There is no available data for calculation as there is only one restaurant operated under this brand (which only opened during 9M2018) and it has not yet achieved investment payback nor breakeven.

Breakeven and investment payback period of our existing self-operated restaurants

As at the Latest Practicable Date, the typical range of breakeven period, generally ranged from two to three months. As at the Latest Practicable Date, 15 of our existing restaurants had not achieved a breakeven point because the majority of them were opened for less than three months. For our upcoming restaurants which we plan to open, as set out in the section headed "Future Plan and Use of [**REDACTED**]" in this document, our Directors estimate that these restaurants will breakeven in two to three months.

As at the Latest Practicable Date, 123 of our 178 self-operated restaurants had achieved investment payback, meaning that the accumulated operating cashflow generated from the restaurant equals the initial cost of opening that restaurant. Depending on the size, location, brand, cuisine, operating performance and initial investment costs being offered by the restaurant, the typical range of investment payback period of our restaurants is 11 to 26 months. For our upcoming new restaurants which we plan to open as set out in the section headed "Future Plan and Use of [**REDACTED**]" in this document, our Directors currently estimate that the majority of these restaurants will take not more than 24 months to achieve that investment payback.

Our Brands

Our Directors believe that our multi-brand strategy helps to increase our market share and allows our customers to enjoy a more diversified choice of dishes. Through each brand's own signature dishes and interior decor, we offer our customers a taste of local culture of the originating country of that cuisine.

We develop our brands in-house and we also acquire or obtain licenses for other signature brands or businesses when such opportunities arise. We have a proven track record in our brand development, such as the development of our popular in-house developed "TeaWood" brand, successful remodelling of "Men Wah Bing Teng" from a single standalone restaurant to a chain operation, development of a chain of modern Vietnamese restaurants in Hong Kong under a licensed "Phở Lệ" brand that had originated from a local noodles stores in Ho Chi Minh City, and having our restaurant under the acquired "Trusty Congee King" brand featured on the list of Bib Gourmand restaurants in the Michelin Guide Hong Kong Macau.

We set out below the summary of steps involved in our brand development:

Identifying market opportunities

↓

Assessing the compatability of the potential new brand concept with our Group

↓

Exploring different channels for brand development

↓

Decision making on the brand development channels

↓

Strategic planning

↓

Execution on preparation work

↓

Launch new brand

Identifying market opportunities — Our Directors and senior management will meet regularly to identify market opportunities and brainstorm new brand concepts. Consideration will be given to latest market food trends, cuisines identified by Directors and senior management on their cuisine study trips from time to time as well as requests from certain landlords.

Assessing the compatibility of the potential new brand concept with our Group — We will assess the compatibility and synergy of the new brand concept with our existing business by taking into account the target customer group and the new cuisine offerings by such brand concept to supplement our existing portfolio. A project leader will be assigned to take lead on the following steps.

Exploring different channels for brand development	—	Our project leader will prepare analysis on costs and benefits required for developing the new brand in-house and actively seek for potential acquisition or license target(s) for commencement of initial negotiation of major terms and conditions.
Decision making on the brand development channels	—	Balancing the pros and cons of developing the new brand in-house or through acquisition or co-operation, our management will make a final decision on the brand development method.
Strategic planning	—	Management will form strategies on various aspects, including, brand positioning, target customer, target average spending per customer and seating capacity.
Execute preparation work	—	Subsequent to the final decision of the management, various departments will follow through the execution work, including restaurant design, product development and site selection.
Launch new brand	—	Upon completion of the execution plan, the new brand will be rolled out accordingly.

"Tai Hing" (太興)

Our Tai Hing Restaurants offer signature dishes which carry the flavour of Hong Kong style quick and easy comfort food for casual diners. "Tai Hing" is the first brand developed by us. To cater for the changing trends and customer preferences, we have carried out a series of renovations to provide a modern dining environment to our customers, as well as various marketing campaigns to enhance the image of "Tai Hing" to attract the younger generation. As at the Latest Practicable Date, our "Tai Hing" brand comprised 103 restaurants operated by us (including 55, 47 and one restaurant(s) in Hong Kong, Mainland China and Macau, respectively) and seven restaurants located at various airports operated by our franchisees. Our signature "Tai Hing" dishes include Chilled Milk Tea, 5-Star Roast Pork, Sweet and Sour Pork, Barbecued and Marinated Platter, Tai Hing Supreme Roast Goose, Luncheon Meat and Scrambled Egg Instant Noodles, Rice Noodles with Beef in Swiss Sauce and Spicy Fried Rice Vermicelli. We place great emphasis on the production of various *siu mei*, such as roast pork, roast goose, BBQ pork and sliced chicken. Our Tai Hing Restaurants are generally equipped with various automated machines to prepare these *siu mei* daily on-site, while our 5-star roast pork is prepared in our Hong Kong Food Factory three times a day and promptly delivered to our Tai Hing Restaurants based on demand.

Our Tai Hing Restaurants in Mainland China serve more stir-fry dishes on top of the Hong Kong style comfort food that we offer in our Tai Hing Restaurants in Hong Kong. This is because, in Mainland China, we target customers with relatively high spending power who will choose our Tai Hing Restaurants for their business events and family and friends gatherings.

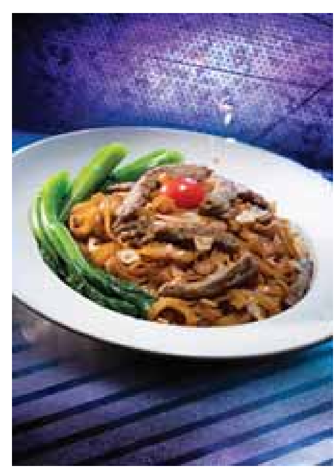
Our Tai Hing Restaurant in Macau is located in a luxury hotel and casino resort targeting tourists, casino visitors and hotel staff.

Interior Design

Dishes

5-Star Roast Pork
(五星級燒肉)

Chilled Milk Tea
(冰鎮奶茶)



Rice Noodles with Beef in Swiss Sauce
(牛柳絲瑞士汁炒濕河)

"TeaWood" (茶木)

We established our Taiwanese-themed "TeaWood" brand in 2012. Our TeaWood Restaurants serve Taiwanese style cuisine and desserts in a modern and comfortable environment suitable for couples and friend gatherings. As our target customers for TeaWood Restaurants are relatively young, we constantly work to provide a sense of fresh appeal. We also deploy various marketing and promotion strategies catered for such target market, including various celebrity endorsements.

Currently, we operate our TeaWood Restaurants under two sub-lines, namely, TeaWood Café & Restaurant and TeaWood Café. Each of our TeaWood Restaurants has its own customised and unique interior design and decor. As at the Latest Practicable Date, we operated 31 TeaWood Café & Restaurants and one TeaWood Café.

Our TeaWood Café & Restaurants are relatively large, with a floor area ranging from approximately 1,030 sq.ft. to 5,390 sq.ft. and a seating capacity of 56 to 148. The menu offering of TeaWood Café & Restaurants is more extensive as it targets customers looking for full meal consumption. Its signature dishes include TeaWood Noodles with Stewed Beef, Mixed Fruit Tea and Strawberry Ice Cream Honey Toast.

On the other hand, our TeaWood Café line generally has a café style interior design and a relatively smaller restaurant size, with a floor area ranging from approximately 500 sq.ft. to 600 sq.ft. and a seating capacity of approximately 25. We focus on providing café style food and beverages and target customers looking for lighter meals or tea time snacks and drinks.

As at the Latest Practicable Date, we operated 28 and four TeaWood Restaurants in Hong Kong and Mainland China, respectively.

Interior Design

Dishes

TeaWood Noodles with Stewed Beef
(茶木紅燒牛肉麵)

Mixed Fruit Tea
(綜合鮮果茶)

Strawberry Ice Cream Honey Toast
(草莓香草蜜糖磚塊)

"Trusty Congee King" (靠得住)

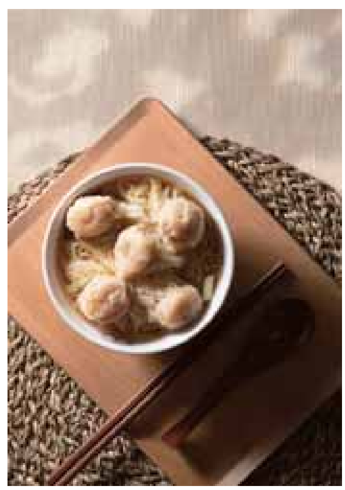
Our first Trusty Congee King Restaurant was located in Wanchai, Hong Kong and was acquired by us from an Independent Third Party in 2008. After our acquisition and through our remodelling, it has been a "Michelin Recommended Restaurant" for seven consecutive years since 2011. In 2018, it also became the first ever congee restaurant to feature on the list of Bib Gourmand restaurants in the Michelin Guide Hong Kong Macau. It has been conferred the Michelin Guide Bib Gourmand award for two consecutive years. Our Trusty Congee King Restaurants serve traditional Chinese cuisine including various types of congee, noodles and rice dumplings. As at the Latest Practicable Date, we operated 13 and four Trusty Congee King Restaurants in Hong Kong and Mainland China, respectively.

Signature dishes of our Trusty Congee King Restaurants include Pig Liver and Scallop Congee, Rice Dumpling Stuffed with Salted Meat and Shrimp Wonton Soup Noodles.

Interior Design

Dishes

Pig Liver and Scallop Congee
(心肝寶貝粥)



Shrimp Wonton Soup Noodles
(招牌雲吞麵)

Rice Dumpling Stuffed with Salted Meat
(靠得住鹹肉粽)

"Men Wah Bing Teng"

Our "Men Wah Bing Teng" brand originated from a standalone "bing sutt" (冰室) named Man Wah Bing Teng (文華冰廳) in Kowloon, Hong Kong with a long history dating back to the 1970's. In order to pursue our initiative to expand into the bing sutt market, we acquired this Man Wah Bing Teng brand in 2016 from an Independent Third Party and have expanded our Chinese cuisine offering to cover traditional style quick bites and small dishes with a hint of western influence which are typically served in these "bing sutt" (冰室) in the old days of Hong Kong. In order to provide our customers with a nostalgic dining environment, we have adopted the typical layout and decor of a "bing sutt" (冰室) back in the 1960's and 1970's. To create a more distinct brand, we have recently rebranded it to "Men Wah Bing Teng" (敏華冰廳). Our Men Wah Bing Teng Restaurants serve signature dishes such as Men Wah BBQ Pork with Egg and Rice, Egg in Boiling Water and Sa Cha Beef Noodles, which we believe allows our customers to reminisce on such earlier years of Hong Kong.

As at the Latest Practicable Date, we operated 11 Men Wah Bing Teng Restaurants in Hong Kong.

Interior Design

Dishes

Men Wah BBQ Pork with Egg and Rice (敏華黯然銷魂飯)

Egg in Boiling Water (滾水雞蛋)

Sa Cha Beef Noodles (沙茶牛肉麵)

"Phở Lệ" (錦麗)

"Phở Lệ" is a brand which originated from a standalone family-run noodle stall in Ho Chi Minh City, Vietnam. The Wall Street Journal described it as "the best pho in Ho Chi Minh City, Vietnam" and it was ranked 23rd out of over 2,000 restaurants in 2014 restaurants in Ho Chi Minh City by TripAdvisor.

On 6 September 2016, we entered into the Phở Lệ Cooperation Agreement with the owner of the Phở Lệ noodle stores in Vietnam, which is an Independent Third Party, to become the exclusive business owner of Phở Lệ Restaurants and trademark owner of the "Phở Lệ" brand in Hong Kong, Mainland China, Macau and Taiwan, the material terms of which are summarised below.

Consideration payable by us

Fixed fee in installments, which will be increased by a fix rate per year from the 11th year of the agreement, payable on a quarterly basis

Roles and obligations of the licensor

The licensor transfer to us all technology, skill, knowledge, cooking technique, recipe, menu and other information relating to the operation of Phở Lệ restaurant in Vietnam; and (iv) provide training and support to us (including annual on-site training, on-going operational and technical support and skill transfer) for our operation of Phở Lệ Restaurants in the abovementioned regions.

Our roles and obligations

We shall maintain the reputation of the "Phở Lệ" trademark in Hong Kong, Mainland China, Macau and Taiwan; and (ii) arrange for two persons designated by the licensor to travel from Vietnam to Hong Kong annually to provide training and support to us.

Non-competition

The licensor shall not during the term of the agreement and for one year after its termination engage in, be concerned with or interested in, manage or operate any business, which might directly or indirectly compete with our Phở Lệ Restaurants in Hong Kong, Mainland China, Macau or Taiwan.

Term

From 6 September 2016 until such date as may be agreed in writing by the parties.

Building on the reputation of Phở Lệ, we have added contemporary elements in the restaurant setting of our Phở Lệ Restaurants to present our customers with a new image as compared to the original traditional street noodle stall in Vietnam. Our Phở Lệ Restaurants are dedicated in delivering the local Vietnamese flavour of beef noodles to customers.

As at the Latest Practicable Date, we operated eight and two Phở Lệ Restaurant(s) in Hong Kong and Mainland China, respectively.

Interior Design

Dishes

Phở with Medium Rare and well-done Beef and Meatball (錦麗綜合牛肉粉)

Shrimp and Vietnamese Sausage Rice Paper Roll (大蝦扎肉米紙卷)

French Style Butter Chicken Wings (法式牛油雞翼)

"Tokyo Tsukiji" (東京築地食堂)

Our Tokyo Tsukiji Restaurants offer Japanese cuisine with a focus on ramen, along with skewers and Japanese style dons. Our chefs adhere to the motto of "ramen making with sincerity, soup making with conscience". As at the Latest Practicable Date, we operated three Tokyo Tsukiji Restaurants in Hong Kong.

Interior Design

"Fisher & Farmer" (漁牧)

Having observed the rising market demand in certain specialty cuisines in Mainland China, namely Boiled Fish with Bean Sprouts in Hot Chili Oil, Peking Duck and Signature Chicken in Casserole, we developed the brand "Fisher & Farmer" to serve these signature dishes of Beijing and Sichuan. We believe that the combination of Beijing and Sichuan dishes is a unique mix of cuisine offering that is not common in Hong Kong which, coupled with special ingredients and our modern cooking technique, would attract customers looking for interesting fusion meals. Further, our Fisher & Farmer Restaurant provides a special setting to our customers.

As at the Latest Practicable Date, we operated one Fisher & Farmer Restaurant in Hong Kong.

Interior Design

Dishes

Boiled Fish with Bean Sprouts in Hot Chili Oil (漁牧沸騰魚)

Peking Duck (老北京烤鴨)

Signature Chicken in Casserole (招牌奇香雞煲)

"Rice Rule" (飯規)

Differing from our table service restaurants under our other brands, we developed our "Rice Rule" brand in 2018 to carry a line of restaurants that adopts the layout of a typical fast food canteen where customers are expected to self-serve. The setting of the restaurants seeks to create a very casual and carefree environment for customers to enjoy a quick meal. As at the Latest Practicable Date, we operated one factory canteen under the brand "Rice Rule" in Hong Kong.

Interior Design

Operational Performance of our Restaurants

The following table sets forth certain key performance indicators of our restaurants by brands for the periods indicated.

	FY2016	FY2017	9M2018
Approximate average spending per guest(Note 1) (HKD)			
Tai Hing	67.3	66.4	70.0
TeaWood	96.3	94.8	96.5
Trusty Congee King	68.7	60.3	61.5
Men Wah Bing Teng (Note 2)	–	38.5	42.1
Phở Lệ	–	84.7	85.2
Tokyo Tsukiji	84.9	76.6	76.6
Fisher & Farmer	214.9	195.8	176.5
Rice Rule	–	–	43.9
Overall	71.6	70.6	72.6
Approximate total number of guests served(Note 3) (thousands)			
Tai Hing	26,552	27,095	20,536
TeaWood	4,069	5,637	4,141
Trusty Congee King	1,563	2,271	2,257
Men Wah Bing Teng	–	571	1,165
Phở Lệ	–	249	747
Tokyo Tsukiji	347	376	243
Fisher & Farmer	86	93	53
Rice Rule	–	–	15
Overall	32,617	36,292	29,157
Approximate average guests per day per restaurant(Note 4)			
Tai Hing	722	708	735
TeaWood	528	525	498
Trusty Congee King	452	543	596
Men Wah Bing Teng	–	779	966
Phở Lệ	–	547	478
Tokyo Tsukiji	216	257	236
Fisher & Farmer	235	255	246
Rice Rule	–	–	250
Overall	653	646	661
Approximate average daily sales per restaurant (HKD)(Note 5)			
Tai Hing	50,785	49,687	55,134
TeaWood	50,908	49,931	50,473
Trusty Congee King	33,230	35,834	39,904
Men Wah Bing Teng	–	35,896	46,864
Phở Lệ	–	47,174	41,888
Tokyo Tsukiji	18,375	19,738	18,260
Fisher & Farmer	50,445	49,770	44,862
Rice Rule	–	–	12,148
Overall	48,546	47,725	51,710

	FY2016	FY2017	9M2018
Approximate seat turnover rate(Note 6)			
Tai Hing(Note 7)	5.0	5.1	5.2
TeaWood	5.2	5.3	5.0
Trusty Congee King(Note 7)	5.5	6.7	7.4
Men Wah Bing Teng	–	16.0	17.0
Phở Lệ	–	11.1	9.9
Tokyo Tsukiji	4.2	4.7	4.3
Fisher & Farmer	1.8	2.0	1.6
Rice Rule	–	–	2.5
Overall	5.0	5.2	5.1

Notes:

(1) Calculated by dividing gross revenue generated from restaurant operation (excluding takeaway orders) by total number of guests served.

(2) Four of our Men Wah Bing Teng Restaurants adopt self-service order machines and therefore we are unable to accurately calculate the number of guest served. These four restaurants have been excluded for the purpose of this table.

(3) This is based on our point-of-sale system used for most of our restaurants which captures and records the number of guests served (excluding takeaway orders).

(4) Calculated by dividing the total number of guests served (excluding takeaway orders) by the total restaurant operation days.

(5) Calculated by dividing the gross revenue from restaurant operation by the total restaurant operation days.

(6) Calculated by dividing the total number of guests served (excluding takeaway orders) by total seating capacity by average operating days.

(7) One of our Tai Hing Restaurants and one of our Trusty Congee King Restaurants were located in food court and shared seating area with other restaurants. As individual seating capacity is not available, seat turnover rate of these restaurants cannot be calculated and is excluded from the calculation.

Our key performance indicators have remained relatively stable during the Track Record Period. There was a decrease in average spending per guest in Trusty Congee King Restaurants for FY2017 and 9M2018 in comparison with FY2016, which was mainly because we started to offer breakfast during FY2017, which generally has lower prices than lunch and dinner dishes. The decrease in average spending per guest in Tokyo Tsukiji Restaurants for FY2017 and 9M2018 in comparison with FY2016 was due to promotions we offered starting in FY2017, while the decrease in average spending per guest in Fisher & Farmer Restaurants for FY2017 in comparison with FY2016 was due to relocation of the restaurant during FY2017 from Tsim Sha Tsui to Kowloon Bay.

SALES OF FOOD PRODUCTS

During the Track Record Period, we also generated revenue from the sales of canned products and festive products. Sales of food products accounted for approximately 2.3%, 2.1% and 2.2% of our revenue for FY2016, FY2017 and 9M2018, respectively.

Canned Products

We offer canned food and beverage products, including our signature Hong Kong-style milk tea, borsch soup, curry chicken, curry beef brisket and minced beef sauce. These products are available for purchase at most of our Tai Hing Restaurants, some supermarkets, convenient stores and online platforms. Before the establishment of our Mainland China Food Factory in 2018, we engaged an independent third party manufacturer to produce our canned products. Recently, we have commenced the production of some of our canned products in our Mainland China Food Factory.

Festive Products

Our Tai Hing Restaurants also offer Chinese festive products, such as "poon choi" (盆菜), "preserved chinese sausage" (臘腸) for Chinese New Year and rice dumplings for Tuen Ng festival. Regarding its manufacturing, similar arrangements as to the canned products have been adopted.

Cash Coupons

We offer cash coupons at our restaurants to promote our sales. Sales through the redemption of coupons contributed to 3.0%, 2.7% and 2.1% of our revenue in FY2016, FY2017 and 9M2018, respectively. Such coupons generally have a validity period of 24 months to 30 months from the date of purchase.

Sales of cash coupons are first recognised as contract liabilities in our consolidated statements of financial position, and revenue is recognised when our customers redeem the coupons. Such contract liabilities were HK$52.5 million, HK$62.7 million and HK$24.4 million as at 31 December 2016, 2017 and 30 September 2018, respectively. We implement a contractual expiry policy for these coupons under which any unutilised coupon are fully recognised in our consolidated statement of profit or loss and other comprehensive income. For FY2016, FY2017 and 9M2018, other income recognised upon their forfeiture were HK$1.9 million, HK$2.0 million and HK$1.1 million, respectively.

Our Directors confirm that there has been no legal claim against us during the Track Record Period in relation to the sales of cash coupons to our customers.

RESTAURANT NETWORK

We leased all of the properties on which our restaurants operate as at the Latest Practicable Date and all of our restaurants are strategically located in densely populated residential and commercial areas in Hong Kong, Mainland China and Macau. We had a restaurant network of 152, 168, 180 and 185 restaurants operated by us or our franchisees as at 31 December 2016, 31 December 2017, 30 September 2018 and the Latest Practicable Date, respectively. As at the Latest Practicable Date, there were 178 self-operated restaurants (which included 10 restaurants operated by us under a licensed brand) and seven restaurants operated by our franchisees.

The following maps show the location of our restaurants in Hong Kong and Mainland China as at the Latest Practicable Date.

Location	No. of restaurants
Hong Kong Island	25
Kowloon	45
New Territories	52
Total	122

Location	No. of restaurants
Hong Kong	122
Shenzhen	16
Beijing	10
Shanghai	4
Guangzhou	11
Shenyang	5
Hangzhou	7
Tianjin	3
Other cities in Mainland China	6
Macau	1
Total	185

The following table sets forth a breakdown of our restaurants by brand and by location as at the Latest Practicable Date:

	Number of restaurants in each location												
	Hong Kong			Mainland China								Macau	Total
	Hong Kong Island	Kowloon	New Territories	Shenzhen	Beijing	Shanghai	Guangzhou	Shenyang	Hangzhou	Tianjin	Other cities		
Tai Hing	12	22	23	11	10	4	6	5	7	3	6	1	110
TeaWood	7	10	11	2	–	–	2	–	–	–	–	–	32
Trusty Congee King	2	5	6	1	–	–	3	–	–	–	–	–	17
Men Wah Bing Teng	3	4	4	–	–	–	–	–	–	–	–	–	11
Phở Lệ	1	2	5	2	–	–	–	–	–	–	–	–	10
Tokyo Tsukiji	–	1	2	–	–	–	–	–	–	–	–	–	3
Fisher & Farmer	–	1	–	–	–	–	–	–	–	–	–	–	1
Rice Rule	–	–	1	–	–	–	–	–	–	–	–	–	1
Total	25	45	52	16	10	4	11	5	7	3	6	1	185

For the operation of seven Tai Hing restaurants located in the international airports in Hong Kong, Beijing, Shanghai and Haikou, we have entered into the Tai Hing Franchise Agreements with the Tai Hing Franchise Partner as franchisee, which has significant experience in operating restaurants in international airports. We grant the franchisee exclusive right to operate Tai Hing restaurants in the relevant international airports for renewable terms of five years, terminable by either party's notice in certain circumstances, e.g. insolvency or material breach of the agreement. We receive fixed franchise fee and royalty fees equivalent to a fixed percentage of the franchised restaurant's monthly net sales. We are responsible for providing technical and design support for the franchisee's tender submission, providing training, operation manuals and standards, advertising, and conducting quality audits; and the franchisee shall bear the construction costs for the franchised restaurants, purchase designated products from us or our approved suppliers, protect and promote the franchised restaurant's reputation, and comply with our manuals. We have undertaken not to operate or grant right to operate Tai Hing restaurant in the relevant airports, and the franchisee has undertaken not to be directly or indirectly engaged or interested in the management or operation of any business in the relevant airports which is similar to ours during the term of the agreements and for one year thereafter.

We have adopted various measures to ensure that the franchised Tai Hing Restaurants are operated in accordance with our standards and requirements. During the Track Record Period, there had been no material breach of the franchise agreements we have entered into by us or the relevant counterparty.

SITE SELECTION AND NEW RESTAURANT OPENING PROCESS

Site Selection Process

We consider that a restaurant's location is crucial to its success. Most of our existing restaurants are strategically located in densely populated residential and commercial areas. We carefully identify potential new sites by considering, among others, (i) customers' demand, spending power and demographics; (ii) accessibility of its location; (iii) competition with restaurants in the area; and (iv) the relevant lease terms and regulatory or other restrictions on the premises. We conduct site visits to assess the relevant factors above, and normally set up restaurants under different brands in the same geographical area to attract different customer segments and minimise the dilution of guest traffic among our own restaurants.

New Restaurant Opening Process

Our restaurant opening process from site selection to restaurant opening generally requires six months and primarily consists of (i) approval of restaurant sites by an executive Director, lease negotiations and approval by an executive Director; (ii) designing the restaurant; (iii) renovation (generally taking 1 to 2 months) by our engineering team together with external contractors in accordance with our interior design which is approved by our general manager (property and project development); and (iv) obtaining all required licences and permits, relocation of store management and other staff to a new site, training of new staff and other pre-operating preparations.

Expansion into Taiwan

As part of our strategy to expand into Taiwan, on 13 September 2018, we entered into a joint venture agreement with a company incorporated in Taiwan engaging in the operation of restaurants ("**Taiwan JV Partner**") in respect of the formation of a joint venture company to open and operate new restaurants under our "Tai Hing", "Trusty Congee King" and "Phở Lệ" brands in Taiwan. Principal terms of the joint venture agreement are set out below:

Incorporation	The parties will incorporate a closed company (閉鎖性股份有限公司) in Taiwan in the name of Tai Hing Catering Management (Taiwan) Limited (台灣太興餐飲股份有限公司) ("**JV Company**").
Business activity	To open and operate restaurants under the brands "Tai Hing", "Trusty Congee King" and "Phở Lệ" in Taiwan and any other business as to be agreed by its board of directors.
Share capital	The JV Company shall have total share capital of NTD50 million and shall be owned by us and Taiwan JV Partner as to 51% and 49%, respectively.

Additional funding	Any additional funding for the JV Company shall be approved by the board and the shareholders of the JV Company
Board of directors	We have the right to nominate directors constituting majority of the board of directors
Rights and responsibilities	We shall, among others, procure that the brands "Tai Hing", "Trusty Congee King" and "Phở Lệ" be licensed to the JV Company as franchisee to operate restaurants under these brands in Taiwan. In return, we shall receive a licence fee. Taiwan JV Partner shall be responsible for matters such as preparation of business proposal, financial budget and financial report, day-to-day management (including financial, human resources, administration and rental matters) in compliance with applicable laws and regulations in Taiwan. In return, Taiwan JV Partner shall receive administration fee
Reserved matters	The following matters, among others, shall require unanimous approval of the shareholders: (a) reorganisation or restructuring of the JV company in any manner; (b) any acquisition or disposal of assets in excess of the agreed threshold by the JV Company; (c) any resolutions causing spin-off, merger or amalgamation, cessation of business, winding up, appointment of receiver, or the entering into of any settlement agreements or arrangements with creditors of the JV Company; (d) undertaking of any liability, borrowing or provision of guarantee in excess of the agreed threshold; (e) any fund raising from existing shareholders or any other third parties in excess of the agreed threshold; and (f) offering or accepting a settlement amount in any mediation or arbitration in relation to any legal proceedings.

Transfer of shares	Without the prior written consent of the other shareholder(s) of the JV Company, any shareholder of the JV Company shall not: (a) transfer any of its interest (including shares or shareholders' loan) in the JV Company to any third party; or (b) create or permit to exist any encumbrances over any of its interest (including shares or shareholders' loan) in the JV Company.
Non-competition	Taiwan JV Partner undertakes not to: (1) operate or hold interest in, whether directly or through third parties, food and beverage business in Taiwan of a nature that is identical or similar to that of the JV Company; or (2) sell, whether directly or through third parties, products of the JV Company or products related or similar to those of "Tai Hing", "Trusty Congee King" or "Phở Lệ" brands in restaurants of Taiwan JV Partner or its shareholder(s).
Termination	The agreement shall terminate upon any of the following events ("**Event of Default**"): (1) the JV Company recorded loss in two consecutive years and its board of directors resolved to terminate this agreement; (2) where a shareholder committed a material breach of the agreement and where such breach is remediable, the non-breaching shareholder has served a notice requiring remediation, and the shareholder in breach fails to remedy the breach within 14 working days (or such time limit as specified by the non-breaching shareholder) of such notice; (3) a shareholder (or its holding company or subsidiaries) fails to satisfy its debt in its business operations; (4) a shareholder ceases, or threatens to cease, the business operation of the JV Company;

(5) the taking of possession by rights owner, or appointment of receiver or trustee in respect of all or any material business, property or assets of a shareholder; or

(6) the making of any order or resolution in respect of the winding up of a shareholder.

In the event the agreement is terminated, the non-breaching shareholder shall have the right to acquire the interest of the breaching shareholder at a price determined based on the net asset value of the JV Company as at the last day of the month immediately preceding the Event of Default.

Our Directors expect that we will enter into a franchise agreement with the JV Company at an appropriate time prior to its commencement of business.

In addition to the above agreements, we may from time to time enter into new business arrangements to expand our operations if we identify other appropriate franchisees or business partners in the future.

Seasonality

Our business is subject to seasonality. During the Track Record Period, we generally recorded higher monthly revenue during major holidays, such as Christmas, Chinese New Year and summer, with lower monthly revenues during the period after these major holidays.

FOOD FACTORIES

As at the Latest Practicable Date, we had two food factories, namely the Hong Kong Food Factory and the Mainland China Food Factory. In order to support our expansion in Hong Kong, we established a food factory in Fo Tan, Hong Kong in 2008. In 2016, to improve the standardisation and effectiveness of our operations in Mainland China, we commenced construction of our Mainland China Food Factory, which commenced operation in October 2018.

Our current Hong Kong Food Factory has an area of approximately 155,679 sq.ft.. Our Hong Kong Food Factory is currently supporting all of our restaurants in Hong Kong and, with appropriate expansion, will be able to support an additional 50 to 60 restaurants in Hong Kong, while our Mainland China Food Factory is able to support about 200 restaurants in Mainland China and the production of certain products for our restaurants in Hong Kong. Our Food Factories enable us to centralise our food ingredients and supplies purchasing, food processing, quality control of raw materials, semi-processed or processed food ingredients, as well as packaging, warehousing and distribution functions.

The food processing functions currently assumed by our Food Factories primarily include preparing processed and semi-processed meat, noodles, bread and sauces, seasonings and spices used in our dishes. For 9M2018, approximately 60% of our raw materials, semi-processed and processed food ingredients used in our restaurants in Hong Kong are supplied by our Hong Kong Food Factory.

Raw materials and food ingredients are processed into semi-processed or processed products at our Food Factories and are then delivered to each of our restaurants. This promotes standardisation in the food preparation process and quality control, and also assists us in negotiating for bulk purchase discounts in our food ingredient purchases. With our Food Factories, we are able to reduce part of the food preparation functions in our restaurants.

Food hygiene and safety is one of our key success factors. We have implemented a comprehensive set of procedural guidelines on the entire production cycle from procurement of food ingredients and supplies, to preparation and processing, quality control and distribution of food.

We believe the key benefits from the use of our Food Factories include:

- *Standardisation across our restaurant network.* Our Food Factories allow us to standardise a significant portion of our food preparation process to ensure food quality consistency across various restaurants. Our centralised inventory storage facility also enables us to achieve a significant degree of centralisation of quality inspection to ensure consistent quality of food ingredients.

- *Economies of scale.* We benefit from greater food production efficiency through economies of scale in production, such as economic use of food ingredients and specialisation of labor in our Food Factories. Our Food Factories allow us to control costs efficiently by centralising purchasing and food processing functions and reducing wastage of food ingredients.

- *Better utilisation of space and labour.* Our centralised storage facilities improve the space utilisation of our individual restaurants by reducing the kitchen space and storage space required at our individual restaurants, as well as reducing the workload of our restaurant-level chefs in respect of the initial stages of food ingredients processing so they are able to focus their attention on the final stages of food preparation.

- *Reduced inventory management expense.* The use of centralised storage facilities helps us to reduce inventory management expenses by consolidating the inventory storage, monitoring and logistics functions.

We primarily use our self-owned and self-operated refrigerated trucks to deliver semi-processed and processed food from our Hong Kong Food Factory to our restaurants. We also use Independent Third Party logistic service providers. Deliveries from our Mainland China Food Factory to our restaurants are undertaken by Independent Third Party logistic service providers. During the Track Record Period, we did not experience any material vehicle malfunction that hindered food delivery.

OUR CUSTOMERS

Revenue generated by our restaurant business accounted for over 97% of our total revenue during the Track Record Period. Due to the nature of our business, all customers of our restaurants are retail customers from the general public while customers of our food products are retail customers and corporate customers. None of our customers accounted for 5% or more of our total revenue for FY2016, FY2017 and 9M2018 and we did not rely on any single customer during the Track Record Period. During the Track Record Period and up to the Latest Practicable Date, we did not enter into any long-term contracts with our customers.

OUR SUPPLIERS

Our suppliers mainly consisted of food ingredients and beverage suppliers.

Top five suppliers

The following table sets forth the details of our top five suppliers based on our total purchases attributable to them during the Track Record Period:

FY2016

Rank	Our supplier	Principal business activities	Approximate years of business with our Group as at the Latest Practicable Date	Purchase amount	Approximate % of our total purchases attributable to the supplier	Products supplied	Credit term	Settlement method
1	Supplier A	Importing and distributing meats	Over 7 years	HK$84.3 million	11.4%	Meat	30 days after month end	Bank transfer
2	Supplier B	Distributing processed food	Over 7 years	HK$42.6 million	5.7%	Processed food	20 days after invoice date	Bank transfer
3	Supplier C	Importing and wholesaling food ingredients	Over 7 years	HK$28.3 million	3.8%	Groceries	30 days after month end	Bank transfer
4	Supplier D	Importing and distributing poultry products	Over 7 years	HK$20.9 million	2.8%	Poultry	15 days after month end	Bank transfer
5	Supplier E	Importing and wholesaling food ingredients	Over 7 years	HK$16.1 million	2.2%	Eggs	30 days after month end	Bank transfer

FY2017

Rank	Our supplier	Principal business activities	Approximate years of business with our Group as at the Latest Practicable Date	Purchase amount	Approximate % of our total purchases attributable to the supplier	Products supplied	Credit term	Settlement method
1	Supplier A	Importing and distributing meats	Over 7 years	HK$85.9 million	10.9%	Meat	30 days after month end	Bank transfer
2	Supplier B	Distributing processed food	Over 7 years	HK$47.8 million	6.1%	Processed food	20 days after invoice date	Bank transfer
3	Supplier C	Importing and wholesaling food ingredients	Over 7 years	HK$33.4 million	4.2%	Groceries	30 days after month end	Bank transfer
4	Supplier D	Importing and distributing poultry products	Over 7 years	HK$26.5 million	3.4%	Poultry	15 days after month end	Bank transfer
5	Supplier E	Importing and wholesaling food ingredients	Over 7 years	HK$20.0 million	2.5%	Eggs	30 days after month end	Bank transfer

9M2018

Rank	Our supplier	Principal business activities	Approximate years of business with our Group as at the Latest Practicable Date	Purchase amount	Approximate % of our total purchases attributable to the supplier	Products supplied	Credit term	Settlement method
1	Supplier A	Importing and distributing meats	Over 7 years	HK$62.8 million	9.4%	Meat	30 days after month end	Bank transfer
2	Supplier B	Distributing processed food	Over 7 years	HK$32.1 million	4.8%	Processed food	20 days after invoice date	Bank transfer
3	Supplier C	Importing and wholesaling food ingredients	Over 7 years	HK$28.4 million	4.2%	Groceries	30 days after month end	Bank transfer
4	Supplier D	Importing and distributing poultry products	Over 7 years	HK$24.4 million	3.6%	Poultry	15 days after month end	Bank transfer

Rank	Our supplier	Principal business activities	Approximate years of business with our Group as at the Latest Practicable Date	Purchase amount	Approximate % of our total purchases attributable to the supplier	Products supplied	Credit term	Settlement method
5	Supplier E	Importing and wholesaling food ingredients	Over 7 years	HK$16.9 million	2.5%	Eggs	30 days after month end	Bank transfer

We have established business relationship with all of our five largest suppliers for more than seven years. During the Track Record Period, the total amount of purchases from our five largest suppliers in aggregate was approximately HK$192.2 million, HK$213.6 million and HK$164.6 million, representing 25.9%, 27.1% and 24.5% of our total amount of purchases, while the total purchases from our largest supplier was approximately HK$84.3 million, HK$85.9 million and HK$62.8 million, representing 11.4%, 10.9% and 9.4% of our total amount of purchases, for FY2016, FY2017 and 9M2018, respectively.

During the Track Record Period and up to the Latest Practicable Date, we had not entered into any long-term contracts with our suppliers. Our Directors believe that this allows us to have greater bargaining power and flexibility to negotiate more favourable terms based on market conditions. We have established stable business relationships with our top five suppliers during the Track Record Period and we did not experience any significant interruptions in securing the supply and sufficient quantities of our required food ingredients that had any material adverse impact on our business or results of operations. Given our established relationships with our existing suppliers and our internal policy, our Directors believe that we will not experience any difficulty in securing supply of ingredients from our existing suppliers.

None of our Directors or any of their respective associates or, to the knowledge of our Directors, shareholders who own more than 5% of the issued share capital of our Company as at the Latest Practicable Date, had any interest in any of our five largest suppliers during the Track Record Period.

Credit terms

Our suppliers generally grant us a credit period of 15 days to 55 days after the last day of the relevant month. We will only arrange payment after the invoices and monthly statements from our suppliers have been reconciled to ensure that there are no unrecognisable items. Such documents are checked by our finance department. During the Track Record Period, most of the purchases made by our Group was settled and denominated in HKD and RMB.

PURCHASING

Our ability to maintain consistently high quality standards throughout our restaurants depends on our ability to procure high quality food ingredients in sufficient quantities from reliable sources. We have implemented a procurement process for food ingredients and supplies, including contingency plans for our major food ingredients and supplies, which is integrated with our food preparation processes at our Food Factories. During the Track Record Period, we did not experience any interruption of our food ingredients supply, early termination of supply agreements, or failure to secure sufficient quantities of irreplaceable food ingredients that had any material adverse impact on our business or results of operations.

Supplier Selection and Management

Our purchasing team provides the necessary information, including detailed specifications of the food ingredients, to our suppliers and obtain samples of the food ingredients to ensure the food and supplies delivered meet the specified standards.

We purchased food and supplies from more than 500 suppliers during the Track Record Period. Generally, we prefer to purchase from larger suppliers with whom we have established relationships over the years. As at the Latest Practicable Date, we had over seven years of business relationship with our major suppliers.

Our major suppliers were generally engaged in the business of supplying pork, poultry and vegetables. We have purchased food and supplies for over seven years from all of our five largest suppliers. Frozen meat, fresh meat and vegetables sourced by us usually have a shelf life of approximately six to 12 months, one week and two days, respectively. We cleared out all such perishable supplies before the expiry of their shelf lives.

Our Directors consider that it is generally not difficult to replace our existing suppliers given that there are a variety of alternative suppliers for the food ingredients required by us. During the Track Record Period, none of our major suppliers ceased or indicated that it would cease supply of food ingredients to us, and we did not experience any material delays or interruptions in securing the supply of food ingredients from our major suppliers.

We believe the increases in prices of our major food ingredients during the Track Record Period were reasonable and did not have a material adverse effect on our business, financial condition and results of operations.

Our purchasing team comprises about over 25 staff. Both of the heads of our purchasing teams in Hong Kong and Mainland China have around 15 years of experience in food ingredients purchasing. Other staff in our purchasing team generally have over seven years of experience in food ingredients purchasing. We follow a fair and open competitive process to select our suppliers. Our purchasing team selects a supplier of food ingredients and supplies based on (i) quality and stability of the products or services offered by the potential supplier and overall reputation of the potential supplier, (ii) pricing of the products or services, (iii) capacity and business operations of the potential supplier and variety of the products or services offered by the potential supplier, and (iv) general supply terms and conditions, such as payment terms, delivery schedule and discount.

Our purchasing team generally conducts site visits of the potential supplier of our major ingredients and conducts sample reviews and trial orders from the potential supplier when considering whether to include a potential supplier in our supplier list. Any decision in relation to inclusion of a new supplier requires approval by our general manager. Our purchasing team also conducts evaluations of our suppliers annually. Suppliers that fail to meet our standards in the annual evaluation are removed from our supplier list.

Our five largest suppliers also confirmed to us that they are independent from, and do not pay any kickbacks to, members of our purchasing team.

We believe these standards and restrictions imposed by us are able to effectively prevent us from entering into kickback arrangements or bribery schemes with our suppliers.

Purchasing Procedures

We have established purchase procedures for all purchase orders of food ingredients and other supplies, including the centralised purchases. Our operations team is required to provide food specifications to our purchasing team, which solicit samples and commence negotiation on price and terms with our suppliers. Purchasing requests raised from our restaurants are consolidated by our computerised procurement system and sent to our Hong Kong Food Factory or our suppliers every day. For details, please refer to the paragraph headed "— Information Technology" below.

Inventory Management

Leveraging on our centralised purchasing function, our purchasing team negotiates buying terms with our suppliers while the users places daily replenishment orders. Bulk purchase items are delivered and stored in our Food Factories to reduce inventory management expenses by consolidating inventory storage, monitoring and logistics functions. Perishables such as vegetables and fresh poultry are delivered to our restaurants directly by our suppliers.

Our restaurants in Hong Kong place orders to either our Hong Kong Food Factory or our approved suppliers. To keep the food ingredients and supplies fresh and reduce wastage, we keep a minimal level of fresh and perishable food ingredients on hand and generally for not more than one to two days. For non-perishable food ingredients, which mainly include frozen meats, we ensure that an adequate level of stock is maintained in both our Hong Kong Food Factory and our restaurants based on operational needs. We seek to minimise the amount of food that we store in our Hong Kong Food Factory by utilising our inventory auto-replenishment system which use historical data to project future demand.

If prices of certain food ingredients decrease significantly, we may consider using such food ingredients to develop promotional dishes for our customers. We may place bulk orders to secure sufficient food ingredients for our promotional dishes. During the Track Record Period, our restaurants in Mainland China placed orders only to our approved suppliers. Since our Mainland China Food Factory commenced operation in October 2018, we have started placing orders with our Mainland China Food Factory and such orders will increase as we ramp up the operations of such Food Factory. Without the full support of a central kitchen or food factory, our Mainland China restaurants generally keep perishable food ingredients for a slightly longer period as compared to Hong Kong restaurants while non-perishable goods will be kept at an adequate level based on the restaurant's operational needs. In the event that prices of food ingredients increase significantly, we may adjust menu prices or items to pass on the increase in purchase cost to our customers.

QUALITY CONTROL

We have implemented a standardized quality control system to ensure the high quality and safety of our food in our restaurants through training and supervision of personnel and the establishment of standards relating to food preparation, maintenance of facilities and conduct of personnel. We implemented the "5-S (五常法)" management system throughout our entire operational process, including sourcing and processing of food ingredients, maintaining hygiene standards, staff training and daily management of our individual restaurants. Our quality control systems primarily comprise quality controls in the supply chain, at our Food Factories, logistics and our restaurants.

Supply Chain Quality Control

We require all our suppliers to comply with quality standards imposed by regulatory authorities and our own internal quality standards covering food packaging, labeling, transportation and storage of food ingredients and other supplies. To ensure the quality of our supply chain, we annually evaluate the quality and quantity of purchases from our suppliers.

We carry out on-site inspections of our major food processing suppliers once every year. During the on-site inspections, our quality control team inspect the storage facilities, hygiene conditions and food handling procedures of our suppliers. For the procedures we adopt in selecting suppliers, see "— Purchasing — Supplier selection and management" above.

Food Factories Quality Control

Food safety and quality are our highest priorities. We apply the food safety and quality management principles embodied in various quality standards issued by the ISO in our Food Factories quality control system.

Our Food Factories have quality assurance personnel implementing quality control policies and procedures, primarily including:

- *Food ingredients inspection.* The quality assurance personnel inspects the quality of all food ingredients received by the Food Factories based on our formulated quality inspection procedures and standards.

- *Operation quality control.* The quality assurance personnel and production personnel jointly oversee the quality control at each stage of food processing. Food that is not compliant with our formulated food processing procedures and requirements will be either re-processed or destroyed.

- *Finished goods quality control.* The quality assurance personnel conduct laboratory sample testing of the processed food. Processed food ingredients that pass both tests are then delivered to our restaurants.

The *siu mei* production unit of our Hong Kong Food Factory has obtained ISO 22000 accreditation for our food safety and quality management system in 2013, which is valid till 2021. We adopted specific food preparation, packaging, storage and distribution standards with respect to our semi-processed and processed food ingredients, in accordance with the Hazard Analysis Critical Control Point (HACCP). The HACCP is a food safety process that has been established for minimizing and preventing the occurrence of identified hazards and risks during food processing.

Our Food Factories have specialized quality inspection teams which are responsible for quality control of food ingredients. As of the Latest Practicable Date, the quality inspection team at our Hong Kong Food Factory comprised our general manager and director of central production and product development, Mr. Yiu Man, and seven other members, while the quality inspection team at our Mainland China Food Factory comprised five members, all of whom are responsible for inspecting our food ingredients and supplies. Our quality control team oversees quality control at each stage of food processing in accordance with our formulated food processing procedures and HACCP standard. Our quality control manager has over ten years of experience in food quality control. Our general manager has over 30 years of experience in food quality control. We provide internal HACCP training for food safety management systems to our quality inspection teams at our Food Factories. Our quality inspection team is well trained and well equipped with the knowledge and skills to inspect the quality of all food ingredients prepared in our Food Factories.

The food samples are tested at laboratories located in the Food Factories and/or external laboratories with relevant certification on a regular basis. During the Track Record Period, there were no material deficiencies in our food samples identified during the reviews and inspections.

We have adopted hygiene standards both for Food Factories as well as our restaurants. The hygiene standards are implemented and closely monitored by our trained personnel.

Logistics Quality Control

We established our own delivery team to deliver raw, semi-processed and processed food ingredients from our Hong Kong Logistics Centre to our restaurants in Hong Kong. As of the Latest Practicable Date, our delivery team owned and were operating 13 refrigerated trucks. We have formulated strict procedures and requirements with respect to the hygiene and temperature of the refrigerated trucks we use for transportation. Some deliveries are carried out by Independent Third Party logistic service providers. Upon delivery of the food ingredients to the restaurants, restaurant staff stores the food ingredients under appropriate temperature and storage conditions in accordance with our formulated procedures.

Restaurant Quality Control

To keep a high standard in restaurant quality control, we adopt the same quality control standards for our restaurants as that in our Food Factories. While inspecting food ingredients and supplies, our restaurant-level staff will check all food delivery and supplies on site and report to the purchasing director through our in-house developed food quality reporting system. Any deviation or irregularity in the quality of food ingredients. Food ingredients and supplies which do not meet our standard will be rejected.

We have established operating procedures and quality standards to regulate the stages of food preparation done at our restaurants. We require our restaurant staff to strictly adhere to the procedures and standards to ensure the consistent taste and quality of our dishes. We utilise automated food processing machines in our restaurants to process ingredients and prepare dishes in order to avoid inconsistency in food standard and ensure food quality. We believe consistent taste and quality of our food across various restaurants can help us to retain existing customers and attract new customers by ensuring customer satisfaction.

Our restaurants' quality control policies and procedure primarily include the following aspects:

- *Surprise checks.* Our quality control team routinely conduct surprise checks and laboratory testing of our ingredients and equipment at our restaurants to ensure they adhere to the health and safety standards prescribed by the FEHD.

- *Training programs.* We continually provide training programs to our restaurant staff on the operating procedures and quality standards.

- *Food safety and hygiene.* We implement a hygiene protocol for the overall hygiene and cleanliness of our restaurants. Our district managers routinely inspect our restaurants to monitor strict compliance of the operating procedures and quality standards to ensure food safety and hygiene, as well as work safety, at our restaurants.

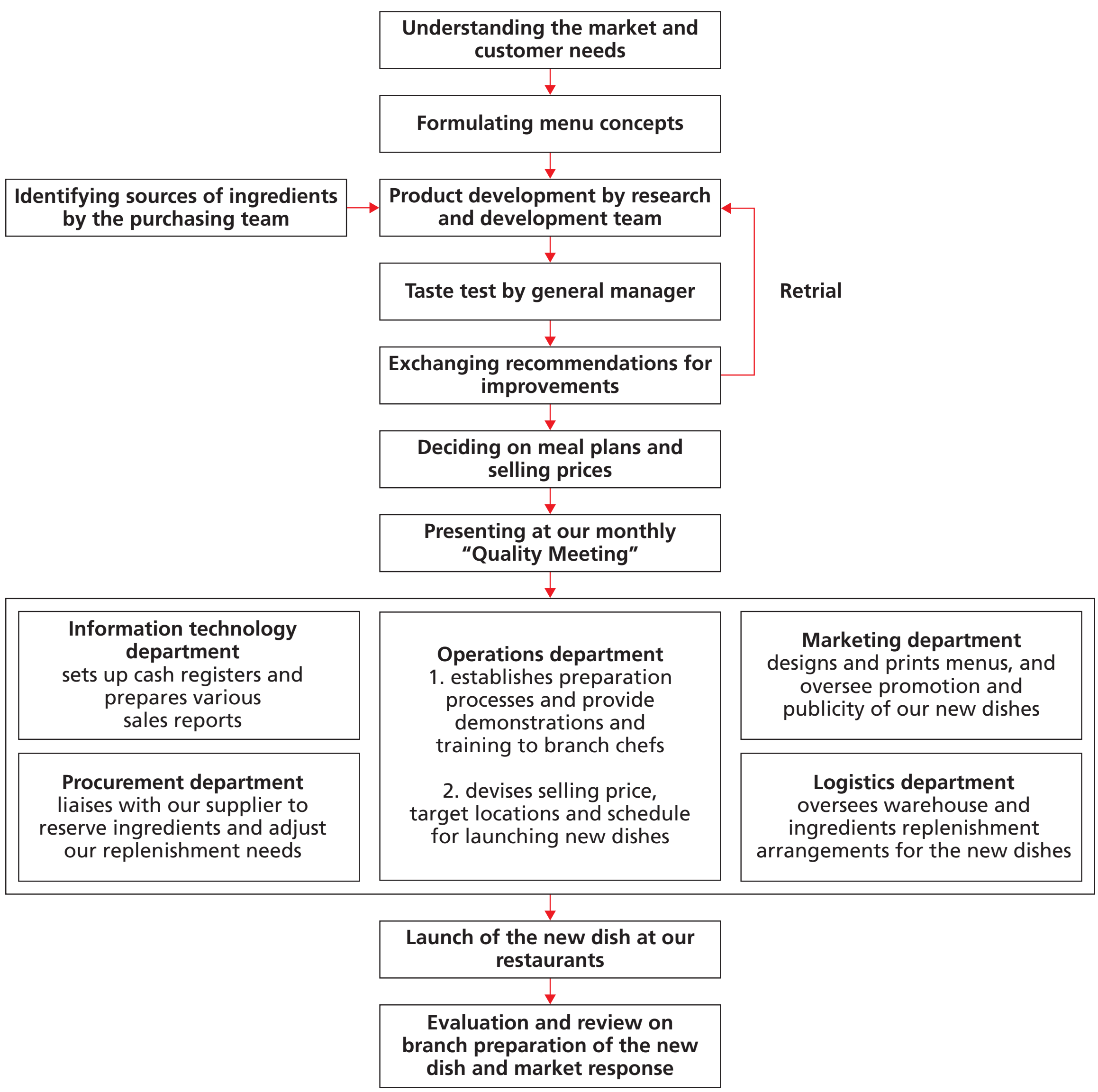
- *Secret customers.* We have engaged a third-party independent consulting company to conduct regular spot-checks of our restaurants to identify and rectify potential issues with respect to service quality and areas of improvement for our restaurant-level employees.

- *District chef inspection.* We have a team of more than 30 district chefs to conduct quality checks at their respective assigned restaurants on a daily basis. Checks will be performed against the quality of supplies, the cooking techniques of the restaurant kitchen staff and food tasting.

DISH DEVELOPMENT

As we target a wide range of customers, we update our menus regularly in response to taste preferences of customers, food trends, nutrition needs, seasonality and customer feedback. We continuously refine our signature dishes to attract frequent visits by our target customers and strive to exceed our customers' expectations. Other than standard menus, restaurants under certain brands offer "special dishes for the month/season" or themed dishes from time to time. New and seasonal menus are reviewed, revised and approved by our general manager of operations. To ensure consistency and standardization, our general manager of operations is responsible for the final approval of these new dishes, including the ingredients used and the selling prices. In order to keep our chefs abreast of the development in cooking techniques, they are encouraged to create new dishes and present them in our monthly quality meetings.

The following diagram illustrates our project-based dish development process of our menus:



CUSTOMER'S COMPLAINTS

Customers may occasionally give feedback or complain about food quality or services of our restaurant staff. Generally, we receive feedback or complaints from customer at our restaurants, through our customer service hotline, email, online suggestion form or Facebook page. Our restaurant managers handle complaints received at our restaurants immediately. Complaints made through other channels are handled by designated officers of our customer service department, who will investigate the complaints and send out replies to the relevant customers or organisations as appropriate.

During the Track Record Period, we recorded approximately 314, 199 and 131 customer complaints for FY2016, FY2017 and 9M2018, respectively. There were also eight and nil complaints filed by our customers to the Consumer Council and Hong Kong Tourism Board, respectively. The complaints were generally regarding food quality or service of our restaurant staff. We are not aware of any incidence of customer complaint claiming material compensation that could have a material adverse effect on our business, results of operations or financial condition during the Track Record Period and up to the Latest Practicable Date. As soon as we receive a customer complaint referred from the Consumer Council or Hong Kong Tourism Board (if any), our customer service department will investigate the incident and send out replies to the relevant customer, Consumer Council or Tourism Board as appropriate.

During the Track Record Period, there were 87 and 18 complaints filed by our customers to the FEHD (the "**HK Complaints**") and the relevant authorities in Mainland China (the "**PRC Complaints**"), respectively. 70 of the HK Complaints were found by the FEHD to be unjustified, 16 of the HK Complaints were related to our food being contaminated by small foreign substances such as insects or debris, for which we were fined an aggregate amount of HK$21,640, and the remaining one of the HK Complaints was under investigation by the FEHD as at the Latest Practicable Date. 12 of the PRC Complaints were found to be unjustified, and the remaining 6 PRC Complaints, relating to food quality, were fully settled with the relevant customers. None of the incidents caused any personal injury, and no compensation has been claimed or paid. As the amount fined was insignificant, our Directors believe that the financial impact of such fines is immaterial to our Group. Further, the Company has carried out internal reviews after each incident in an effort to minimize the number of similar incidents.

RESTAURANT KITCHEN AUTOMATION TECHNOLOGY

We seek to distinguish ourselves in the restaurant industry partly by implementing technology to support our development. Our management team had taken the initiative to actively implement different kinds of automated food processing machines at restaurant level in order to increase operational efficiency, ensure consistency in dish portion and quality, as well as create a safer and healthier working environment for our kitchen employees. These automated food processing machines include automated woks, programmed barbecue pork sauce mixers, programmed chicken poaching machines, programmed poultry roasting ovens with programmed voice prompt. These machines serve to reduce the skill level required of kitchen staff, avoid repetitive motion and heavy-lifting in cooking tasks to reduce commonly seen occupational diseases in kitchen employees. We actively work with manufacturers to develop tailor made programmes and have obtained three innovative application patents for our automated food processing machines. Our automated woks in particular are programmed to make more than 300 Chinese stir-fry dishes.

Further, with the help of all these automated food processing machines, we are able to standardise the key production process of our dishes and maintain a uniformly high quality in our dishes. Thus, we enjoy more flexibility in recruiting and hiring employees with less experience to perform the cooking steps which are traditionally performed only by skilled chefs and enjoy less restrictions on gender and age requirements which would otherwise be required should we have high reliance on the skilled chefs. Our Directors believe that having implemented these systems, we will be able to better control our labour cost and labour turnover rate and reduce our reliance on skilled chefs.

INFORMATION TECHNOLOGY

We have implemented a computerized POS (point-of-sale) system at all our restaurants which captures extensive consumer data, including sales revenue, ticket size and method of payment etc.. Our senior management selects certain key performance indicators, such as sales revenue per square foot, seat or staff, effectiveness of promotional activities, average customer spend, seat turnover rate and food costs, and closely monitors and analyzes the data on a regular basis. Accordingly, we are able to make swift management decisions to respond to fluctuations on these key performance indicators on a regular basis.

We have also developed and implemented our own inventory auto-replenishment system at our Hong Kong Logistics Centre. The system analyses data such as historical demand, current stock level, upcoming holidays, delivery schedule of our suppliers to generate a daily purchase order recommendation for our goods replenishing team. This allows us to keep a low but sufficient inventory level at our Hong Kong Logistics Centre, which in turn reduce working capital, ensure freshness of our ingredients and reduce hard labour for the handling of raw materials. We have also adopted an ERP (enterprise resource planning) system to integrate buying, production, logistic and accounting functions. A user friendly intranet application is installed at our restaurants for managers to raise daily replenishment orders which are then consolidated and sent to our Hong Kong Logistics Centre or our suppliers. The system collects data such as food price movement, order quantities on a daily basis for our district management team to better control food costs.

PRICING POLICY AND SETTLEMENT

Pricing policy

In determining prices of our menu items in all our restaurants, we take into account the following factors:

- cost of food ingredients of menu items;
- cost structure of restaurants and target profit margins;
- geographical location and profile of the specific brand;

- extent of services provided;
- anticipated market trends and target consumers' spending habits; and
- prices of similar products set by competitors.

We review the menus of our restaurants under the same brand on a quarterly basis. Based on our review, we adjust prices in accordance with factors such as costs of our food ingredients, the location of our restaurants, the general market trend and prices set by our competitors. Our restaurants under different brands introduce their own special and seasonal menu from time to time. For example, our restaurants under the "Tai Hing" brand offer seasonal specials to our customers. Prices and items of such special and seasonal menu are approved by our management in accordance with the same factors mentioned above.

Settlement and cash management

A substantial majority of our guests pay by cash or credit card at the time of sale. The table below sets forth the breakdown of the revenues of our self-operated restaurants by type of settlement during the Track Record Period:

	FY2016	FY2017	9M2017	9M2018
	(HK$'000)	(HK$'000)	(HK$'000) (Unaudited)	(HK$'000)
Settlement by way of *(Note 1)*:				
Cash	1,465,317	1,409,891	1,059,570	1,108,020
Credit card	449,974	448,552	341,456	319,148
Others *(Note 2)*	539,395	853,513	598,564	869,814
Total	2,454,686	2,711,956	1,999,590	2,296,982

Note:

1. Mainly derived from our point-of-sale system which captures and records the settlement method of each bill.
2. Others mainly include payment by Octopus and electronic payment means such as Alipay and WeChat Payment, etc.

To ensure the accuracy of guest check amounts, we designate only a selected group of trained staff at each restaurant to access and operate the point-of-sale system. We have implemented cash handling procedures for our point-of-sale system as specified in our cash management system internal control manual which illustrates in detail the logistics with respect to collection of payment by way of cash. We conduct reconciliations between the cash receipts as recorded in our point-of-sale system against the cash kept in the safe on a daily basis at each of our restaurants. Our internal audit team conducts surprise cash check in the restaurant on regular basis.

To prevent misappropriation and illegal uses of cash, we have implemented a cash management and delivery process. Cash in the cash register, cash received at a restaurant pending delivery to the banks and service tips are kept separately in each restaurant. Cash received from the previous day's operations in respect of each restaurant is delivered to our banks by the restaurant staff every day (excluding Saturday, Sunday and public holiday). We maintain employee fidelity insurance and insurance in respect of cash kept at our restaurants as well as cash in transit to the banks delivered by our restaurant manager.

During the Track Record Period, we experienced one incident of burglary that took place in December 2016 which involved approximately HK$240,000. We reported the incident to the police and we have fully recovered such amount from the insurance company. Since then, we have ceased using any automatic cash depository machine provided by the subject bank. Having considered the above, our Directors confirm that we did not encounter any material misappropriation or theft of cash by our staff, customers or other relevant third parties during the Track Record Period.

MARKETING AND PROMOTION

We are constantly promoting our restaurant brands to differentiate ourselves from our competitors in the casual restaurant market. We aim to expand customer traffic and, in turn, sales by attracting new customers, increasing visits of existing customers, assisting new restaurants in achieving financial targets and promoting our corporate and brand images. In addition to our in-house marketing teams, we also retain advertising agencies to assist us in launching thematic advertising and promotional campaigns.

Television commercials

Inspired by the wave of superhero movies, we first launched our "My Hero" television commercial in 2014 casting our celebrity endorsement, Hong Kong songwriter Mr. Eric Kwok. The advertising campaign was a success in the catering service industry, and can be found on major newspapers, public vehicles, mobile applications and social media websites. In 2016, we launched our "My Hero II" commercial, introducing our chef teams who were behind the Hong Kong-style favours we seek to offer. We invited Mr. Rex Tso, Hong Kong professional boxer, to join our "My Hero: Fight for Hong Kong" advertising campaign in 2017, further promoting our "Tai Hing" brand across multiple platforms.

Our series of commercials and related advertising were awarded, among others, the "TVB Most Popular TV Commercial Awards - Dining, Food and Beverage Category" by TVB and the "Merit Awards for Marketing Excellence" by the Hong Kong Management Association and TVB, in 2014, and the "TVB Most Popular Commercial Awards – Most Popular TV Commercial" by TVB and the "Bronze Award for Marketing Excellence" by the Hong Kong Management Association and TVB in 2016.

Cooperation with airlines

We actively seek out partnerships with international and well-known brands to increase coverage and awareness of our restaurants. In 2014, we collaborated with Cathay Dragon (previously known as Dragonair) to offer Tai Hing Hong Kong-style milk tea on board their flights, enabling tourists from all over the world to experience this unique beverage from Hong Kong. We were invited by Hong Kong Airlines in 2015 to design 18 dishes to be served in business class. In addition to our signature *siu mei* dish, the menu also includes 3 dishes which were conferred the "Best of the Best Culinary Awards" by the Hong Kong Tourism Board. In 2017, we partnered with Cathay Dragon again to serve our Tai Hing Hong Kong-style milk tea on the majority of their flight routes.

We believe our collaborations with major airlines in Hong Kong attract media coverage, increase brand awareness and promote our corporate and brand image.

Mini movies, sponsorships and collaborations

In 2017, we commissioned a mini movie in 2017, directed by Hong Kong film director Mr. Yip Lim Sum (also known as Mr. Patrick Kong), to promote our "Phở Lê" brand. The mini movie was premiered at the opening of our new Phở Lê restaurant in February 2017, which generated media coverage and raised brand awareness.

In 2015, we sponsored the screening of a popular Taiwanese movie in Hong Kong to promote our "TeaWood" brand. Our TeaWood Restaurants coordinated with the plot of the movie to launch a special sesame sauce noodle dish, which led to an increase in customer traffic and sales of our TeaWood Restaurants. Leveraging on the popularity of a well-known Japanese cartoon character, we launched themed decorations, dishes and drinks, collectable items and a mobile game under the "TeaWood" brand in 2018 to generate media coverage and increase brand acclaim.

In order to target younger customers of our brands, we have developed and launched a "T-Factory" mobile application in 2017 for our "TeaWood", "Phở Lê" , "Fisher & Farmer" and "Tokyo Tsukiji" brands. The application introduced a loyalty programme to incentivise customers and promote cross-selling between brands, and utilises AR (augmented reality) technology to enhance customer dining experience. In 2018, user registration for our "T-Factory" application exceeds 70,000 and the application was awarded the "Hong Kong Digital Brand Award" by the Metro Broadcast Limited and The Chamber of Hong Kong Computer Industry in August 2018.

EMPLOYEES

We had a total of approximately 5,474, 5,968 and 6,543 employees (both full-time and part-time) as of 31 December 2016, 2017 and 30 September 2018, respectively. As of 30 September 2018, approximately 365 of them were headquarters personnel, and approximately 6,178 of them were staff at our restaurants and Food Factories.

The table below shows the number of our employees by business functions as at 30 September 2018:

	Hong Kong	Macau	Mainland China
Director, senior management and heads of various departments	35		16
Accounting and Finance	22		45
Human Resources, Administration, Customer Service and Information Technology	36	1	54
Training and 5S Management	8		17
Marketing, Branding and Design	25		32
Purchasing	9		19
Leasing and Maintenance	15		27
Sales and Business Development	4		–
Logistics	83		16
Factory Operations	113		45
Operational Management	63		30
Restaurant Staff	2,094	29	1,122
Kitchen Staff	1,598	27	958
Sub-total:	4,105	57	2,381
Total:		6,543	

We seek to create a distinct corporate culture that promotes responsibility, achievement, cooperation, team work and career development of employees. We advocate a fair, healthy, caring and balanced corporate culture that will inadvertently create a synergistic result to facilitate employee retention and improve productivity. We are also committed to promoting employee engagement to improve the efficiency and sustainability of our organization. We intend to continue assessing our employees' engagement and creating a responsive environment to create a high engagement workplace within our Group.

The salary level of employees in the restaurant industry in Hong Kong has been steadily increasing in recent years due to changes in labor law and local labor market trends. We offer competitive wages and other benefits to our restaurant staff, and make salary adjustments in response to the local labor market conditions. The starting salaries offered by our restaurants to our restaurant staff in Hong Kong steadily rose upward during the Track Record Period, and were higher than the then applicable minimum wage requirements in Hong Kong. The staff costs of our Group represented 29.6%, 31.0% and 32.7% of our revenue in FY2016, FY2017 and 9M2018, respectively. We expect our labor costs to continue to increase as inflationary pressures in Hong Kong drive up wages. We believe the resulting upward pressure on our total labor costs as a percentage of total revenue could be partially mitigated by (i) further consolidating food preparation processes into our Food Factories to reduce our reliance on restaurant-level staff, and (ii) increasing implementation of automated cooking machines to minimize our need to hire chefs externally at high costs.

During the Track Record Period, we did not receive or experience material labor disputes with our employees.

Employee Safety

We are committed to providing a safe working environment to our employees. We have established an occupational safety and health committee to develop and implement safety procedures and guidelines which set out our work safety policies and promote safety on work sites. In addition, our kitchen operation manual provides clear guidance on various occupational and restaurant safety matters which our restaurant-level staff are required to follow. We encourage our staff in the restaurants to follow our work safety policies. We believe these measures help reduce the number and severity of work-related injuries of our employees, and are adequate and effective in preventing serious work injuries.

When an accident occurs in our restaurant or our Food Factories, we will report the accident to our headquarters immediately. Our Directors confirm that there was no material accident at our restaurants or Food Factories during the Track Record Period. Based on our internal record, we have recorded three work-related injuries of our employees during the Track Record Period. The total compensation expenses incurred for these worked-related injuries was approximately HK$0.44 million in aggregate during the Track Record Period. As at the Latest Practicable Date, such compensation payment has been fully settled.

Training Programs

Our training department and human resources department oversee our employee training. Our training department develops and provides operation training programmes for all frontline staff at our restaurants while our human resources department provides management training to staff at our headquarters and management personnel. To better monitor the learning progress and manage the learning records of all of our employees, we have developed an in-house training course administration software. Through such system, we believe it will be more efficient for us in identifying suitable trainings for our employees in order to ensure they have acquired all skill sets specific to his/her area of works. Restaurant staff are required to successfully complete the relevant training programme to be eligible for promotion and career advancement at each level. We believe our training programmes help to promote internal upward movement, which in turn increases our employee retention rate and produces management personnel needed for our rapidly expanding restaurant network. Our training programme provides specific training and career guidance to our current restaurant staff in order to identify promising candidates as future managers. Under our internal advancement programs, selected employees with outstanding working performance could attend a different training path in order to provide him/her a faster route to attain a higher position in our Group. For instance, one of our restaurant trainee waiters has been promoted through the ranks to become shop manager through a mixture of personal diligence and progressive capability building fostered by our training programs.

Another fundamental objective of our training programs is to ensure the quality of our employees at all levels and to secure a stable supply of well-trained employees for newly opened restaurants. Generally, we relocate restaurant managers from existing restaurants to new restaurants, allowing quick transfer of skills and knowledge in our corporate culture to new restaurant staff. Our training department provides orientation programmes to introduce company standards, safety procedures and corporate culture to new restaurant staff. We also offer a mentoring programme which gives guidance and support to our new restaurant staff.

Recruiting

The recruiting market is highly competitive in the catering service industry. We believe we are able to hire the best available candidates in the market by offering competitive wages and benefits with rewards for performance, growth opportunities, ongoing training and internal promotion opportunities. We actively facilitate the recruitment of our restaurant staff by adopting a variety of initiatives, such as listing job advertisements online, participating in job fairs, communicating with local colleges and non-governmental organisations periodically, encouraging current employees to refer suitable candidates and approaching ex-employees to return when new opportunities arise.

We believe our continuous efforts will help us attract suitable personnel. For details, see "Risk Factors — Risks Relating to Our Business — Our business could be adversely affected by difficulties in recruitment and retention of our employees".

Employee Retention

We review and compare industry information regularly and have implemented a number of tactics for employee retention, including (i) offering a competitive benefits package that fits the needs of our employees; (ii) establishing an employee orientation and mentoring programme to instil our corporate values and culture in new employees; (iii) conducting employee training programmes to improve their skills with the goal of upward movement within our Group; and (iv) helping and fully sponsoring our experienced frontline staff to enrol in the "Recognition of Prior Learning" mechanism under the Hong Kong Qualifications Framework, in order to support and recognise the achievement and effort of our employees.

See "Risk Factors — Risks Relating to Our Business — Our business could be adversely affected by difficulties in recruitment and retention of our employees".

HONOURS AND AWARDS

Our achievements over the years have been recognized by numerous awards, including the following:

Award	Year(s)	Brand/Group	Issuer of Award
Featured on the list of Bib Gourmand restaurants in the Michelin Guide Hong Kong Macau	2019, 2018	Trusty Congee King	Michelin Guide
Hong Kong Top Service Brand Ten Year Achievement Award	2018	Group	Hong Kong Brand Development Council
Service and Courtesy Award	2018, 2017	Group	Hong Kong Retail Management Association
Market Leadership in Casual Dining 2017/18 and Triple Crown Winner	2018	Tai Hing	Hong Kong Institute of Marketing
Top 10 Outstanding Service Retail Brands	2018	Tai Hing	Hong Kong Retail Management Association
My Favourite Classic Brand Award	2018	Tai Hing	U Magazine
Best OpenRice Beijing, Sichuan, Shanghai Restaurant	2018, 2017	Fisher & Farmer	OpenRice
Hong Kong Famous Brands	2018	Tai Hing	Asia Brand Development Association
Bronze A' Interior Space, Retail and Exhibition Design Award	2018	TeaWood	A'Design Award & Competition
Market Leadership Award	2018	TeaWood	Hong Kong Institute of Marketing
Hong Kong Excellent Digital Brand Award	2018	TeaWood	Metro Broadcast Corporation and the Chamber of Hong Kong Computer Industry
BOCHK Corporate Environmental Leadership Awards: 3 year+ Eco Pioneer	2018	Group	Bank of China & Federation of Hong Kong Industries

Award	Year(s)	Brand/Group	Issuer of Award
China's Top 50 Quality Chain Brand	2017	Tai Hing	China's Chain Brand Development Conference Committee
Best Hong Kong Style Restaurant	2017	Tai Hing	Dayoo Guangzhou Daily
Food Safety Excellence Award	2017	Group	International Food Safety Association
Shenzhen's Top 10 Chain Restaurants	2017	Tai Hing	Shenzhen Chain Operation Association
Guangdong's Top 100 Catering Enterprises	2017	Tai Hing	Guangdong Catering Service Industry Association
Hangzhou Quan Zi – Most Popular Hong Kong Style Restaurant	2017	Tai Hing	Hangzhou Quan Zi
Annual Popular Business	2017	TeaWood	Dazhong Dianping
Outstanding QTS Merchant Service Staff Award	2017	Group	Quality Tourism Services Association
The Bronze Award for Marketing Excellence	2016	Tai Hing	Hong Kong Management Association and TVB
TVB Most Popular TV Commercial Awards – Most Popular TV Commercial	2016	Tai Hing	TVB
The Citation for Outstanding TV Campaign	2016, 2014	Tai Hing	Hong Kong Management Association and TVB
Creative Culture Development Award	2015	TeaWood	The Fifth Golden Flower Awards Short Films Festival
OpenRice Best Restaurant — Best South East Asian Restaurant	2015	TeaWood	OpenRice
The Merit Award for Marketing Excellence	2014	Tai Hing	Hong Kong Management Association and TVB
Marketing Excellence Awards — Excellence in Advertising	2014	Tai Hing	Marketing Magazine

Award	Year(s)	Brand/Group	Issuer of Award
TVB Most Popular TV Commercial Awards – Audience Choice Award	2014	Tai Hing	TVB
TVB Most Popular TV Commercial Awards – Dining, Food & Beverage.	2014	Tai Hing	TVB

INTELLECTUAL PROPERTY

We believe that the success of our business and our competitive position depend on our brands and customer awareness of our brands. We recognize the importance of protecting and enforcing our intellectual property rights. We take appropriate steps to protect our intellectual property rights. Details of our intellectual property rights which we consider material to our business operation are more particularly set out under the paragraph headed "Statutory and General Information — B. Further Information about our Business — 2. Material intellectual property rights of our Group" in Appendix V to this document. We may take necessary legal action if any infringement of our Group's trademarks and/or business names or any misappropriation of our Group's intellectual property rights, brand names and/or goodwill is found. As at the Latest Practicable Date, we are not aware of any disputes or infringement of trademarks and patents that resulted in any material adverse effect on our Group.

PROPERTIES

We own and lease certain properties in Hong Kong, Mainland China and Macau in connection with our business operations.

Owned Properties

As of the Latest Practicable Date, we owned 86 and 19 properties in Hong Kong and Mainland China with aggregate gross floor areas of approximately 147,773 sq.ft. and 266,998 sq.ft., respectively. These properties were principally used as (i) warehouses, carparks, offices and the operating premises of our Food Factories; (ii) office premises in Mainland China; and (iii) staff accommodation in Mainland China.

Our Hong Kong Food Factory comprises 86 owned properties and eight leased properties scattered on different floors in two industrial buildings (the "**Two Industrial Buildings**") located in Fo Tan, Hong Kong. As at 30 September 2018, 80 owned properties located in one of the Two Industrial Buildings, in aggregate, had a carrying amount of 15% or more of our total assets. Please see "Property Valuation" in Appendix III to this document for such properties valued by Jones Lang LaSalle Limited, our property valuer (the "**Valued Properties**"). Save and except for the Valued Properties, our Directors confirmed that as at 30 September 2018, no single property interest of ours had a carrying amount of 15% or more of our total assets.

Building orders registered against our owned properties

As at the Latest Practicable Date, there were 19 unreleased building orders (the "**Building Orders**") issued by the Building Authority under section 24(1) of the Buildings Ordinance (Chapter 123 of the Laws of Hong Kong) against our owned properties used to operate our Hong Kong Food Factory.

Under section 40 of the Buildings Ordinance, any person who does not comply with a building order on whom such building order is served is liable to a maximum penalty of (a) a fine of HK$200,000 and to imprisonment for 1 year; and (b) a fine of HK$20,000 for each day during the non-compliance until it is proved to the satisfaction of the court that the offence has discontinued.

The Building Orders were a result of our Group's unapproved removal or alterations carried out at the relevant premises, including door openings and replacement of doors of inadequate fire rating. As at the Latest Practicable Date, we have removed all relevant unauthorised building works and/or reinstated the conditions of these premises as required by the Building Orders. All relevant certificates of completion prepared by authorised persons as required under the Buildings Ordinance have been filed with the Buildings Department. As at the Latest Practicable Date, the Buildings Department has inspected the premises, approved the rectification works and issued a letter of compliance in relation to 17 of the Building Orders. Rectification works for the remaining two Building Orders have been completed and our Directors expect the Buildings Department to issue the relevant letters of compliance upon inspection. As advised by the authorised person instructed by us, it will generally take three to six months after submission of the certificate of completion for the Building Authority to release a building order.

Our Controlling Shareholders, collectively as indemnifiers, have entered into a Deed of Indemnity in favour of us, whereby they jointly and severally covenant and undertake with our Company to indemnify our Group from and against losses and cost incurred by our Group for (among others) any further removal or reinforcement work in relation to unreleased Building Orders upon request of the Building Department. Further details of the Deed of Indemnity are set out in "Appendix V Statutory and General Information — F. Other Information — 3. Indemnities given by our Controlling Shareholders" of this document.

Leased Properties

Save and except for the rights of use of the restaurant premises, an office and a storage room located in a hotel in Macau, we leased all of our restaurant sites and headquarters as at the Latest Practicable Date. We believe this leasing strategy reduces our capital investment requirements and allows more flexibility for our restaurant network. Our property rentals and related expenses (including license fee for our rights of use of properties located in Macau) amounted to HK$345.0 million, HK$399.7 million and HK$339.6 million for the FY2016, FY2017 and 9M2018, respectively.

Our leases typically have an initial term of three to four years in Hong Kong, and six to eight years in Mainland China. Where the terms and conditions of the option period could be accepted by us, such leases will contain an option to renew. Most of our restaurant leases provide for a fixed rent. Some of our restaurant leases require the rent to be determined as a sum of a specified fixed amount and a contingent amount calculated based on a certain percentage of the monthly turnover if it exceeds a fixed amount, depending on the specific terms of the relevant lease agreements. Our current restaurant leases have expiration dates ranging from February 2019 to April 2024.

As at Latest Practicable Date, we leased 153 properties in Hong Kong and 86 properties in Mainland China. 112 of these properties in Hong Kong and 53 of these properties in Mainland China were used as restaurant sites. Other properties are used as office for our headquarters, exhibition area, staff accommodation, warehouse and carpark.

Title in relation to Leased Properties in Mainland China

Lessors of 16 leased properties in Mainland China (with an aggregate gross floor area of approximately 54,616.7 sq.ft., representing approximately 16.3% of our total leased gross floor area in Mainland China) did not provide valid title certifications. Our PRC legal advisers have advised us that we would not be subject to any fines or penalties with respect to our leases of these properties but the validity of our leases may be affected if the title or the lessor's right to lease is challenged by a third-party rights holder.

The current usage of one of our leased properties in Mainland China is inconsistent with its permitted usage. We currently use this premise as one of our offices while its permitted usage under the relevant title certificate is residential. Our PRC legal advisers have advised us that the validity of our lease agreement will not be affected and we would not be subject to any fines or penalties. However, should the relevant PRC regulatory authorities take enforcement against our lessor, we may be subject to the risk of cessation of use.

Our PRC legal advisers concur with our Directors' view that the likelihood that our business and results of operations would be materially and adversely affected by these title defects is remote, considering that (i) we have not received any material claim of rights by any third parties in relation to such title defects during the Track Record Period and up to the Latest Practicable Date; (ii) it is unlikely that we would be subject to claim of rights from third parties or be required by authorities to relocate with respect to a significant number of these leased properties at the same time, considering that these properties are geographically dispersed and under the jurisdiction of different authorities, and are leased from different counterparties; (iii) we maintain a pool of restaurant site candidates and we would be able to relocate to a different site relatively easily should we be required to do so; (iv) we may raise a claim against such lessors based on relevant PRC laws and regulations in respect of our losses in the event that we cannot legally occupy and use such leased properties; and (v) we have obtained an indemnity from our Controlling Shareholders to indemnify our Group against any claims, fines and other liabilities arising from such property title defects.

Non-registration of Lease Agreements in Mainland China

As at the Latest Practicable Date, 22 lease agreements (six of which did not provide valid title certificate and one of which is in inconsistent use with its permitted usage) had not been registered with relevant authorities. Our PRC legal advisers are of the view that the non-registration of lease agreements will not affect the validity of the lease agreements, but the relevant local housing administrative authorities can require us to complete registrations within a specified timeframe and we may be subject to a fine of between RMB1,000 and RMB10,000 for any delay in making registration for each of these leased properties. Therefore, we have the right to use such properties in accordance with the lease agreement but we may be subject to the risks of fines if the lease registration is not completed as required by the relevant local housing administrative authorities. Our PRC legal advisers concur with our Directors' view that it is unlikely that our operations would be materially and adversely affected by the non-registration of our lease agreements, considering that (i) during the Track Record Period, we were not subject to administrative penalties by the relevant housing administrative authorities for non-registration of lease agreements; and (ii) the amount of potential penalties accounts for a minimal portion of our total revenue in FY2017 and 9M2018. We have obtained an indemnity from our Controlling Shareholders to indemnify our Group against any claims, fines and other liabilities from such non- registration of lease agreements.

Inconsistency with permitted use

The current usage of 1 of our leased properties in the PRC is inconsistent with its permitted usage. We currently use this premises as one of our offices while its permitted usage under the relevant title certificate is residential. Our PRC legal advisers have advised us that the validity of our lease agreement will not be affected and we would not be subject to any fines or penalties. However, should the relevant PRC regulatory authorities take enforcement against our lessor, we may be subject to the risk of cessation of use.

Internal Control Measures

Starting in 2019, we will (i) request lessors to provide the necessary documentation and valid title certificates before we enter into lease agreements with them; and (ii) require our lessors to register our lease agreements with the relevant housing administrative authorities. We will give priority to renting properties from lessors that are willing to comply with our request.

LICENCE AND APPROVALS

As at the Latest Practicable Date, save as disclosed in "— Legal Proceedings and Compliance — Non-compliance of our Group" below, we had been in compliance in all material aspects with the applicable laws and regulations in Hong Kong and have obtained all necessary approvals, permits, license and certificates that are material to our business operations from the relevant government authorities.

In accordance with the laws and regulations of Hong Kong and Mainland China, our Group is required to maintain various licences in order to operate our business. These licences are obtained upon satisfactory compliance with, amongst others, the applicable laws and regulations in relation to food safety, hygiene, and the sale of liquor. All of such licences are subject to periodic examinations and verifications by the relevant authorities and are valid only for a fixed period of time subject to renewal. For further details concerning licensing requirements, please refer to the section headed "Regulatory Overview" in this document. The numbers of licences obtained by our Group for the operation of our restaurants as at the Latest Practicable Date are as follows:

Types of licence	Number of licences and their remaining period of validity from the Latest Practicable Date	
	Within one year	More than one year
Hong Kong		
General restaurant licence or provisional general restaurant licence	104(Note 1)	–
Light refreshment restaurant licence	3	–
Siu mei and lo mei shop licence	1	–
Factory canteen licence	1	–
Food factory licence	6	–
Bakery licence	6	–
Liquor licence	2	1
Water pollution control licence	–	98(Note 2)
PRC		
Food operation licence	–	57
Food production licence	–	1

Notes:

1. Nine of our general restaurant licences or provisional general restaurant licences cover two or more restaurant premises.

2. Water pollution control licence is not required for our restaurants located within premises which adopt a central discharge system.

LEGAL PROCEEDINGS AND COMPLIANCE

Legal proceedings

From time to time we have been, and may in the future be occasionally, involved in routine legal proceedings or disputes in the ordinary course of business that are common for our industry, including minor employment disputes, customer complaints regarding food quality or foreign objects found and contract disputes with our suppliers or service providers. During the Track Record Period and up to the Latest Practicable Date, we were not involved in any litigation or arbitration proceedings pending or, to our knowledge, threatened against us or any of our Directors that could have a material adverse effect on our business, reputation, financial condition or results of operations.

As at the Latest Practicable Date, as advised by our Hong Kong legal advisers, PRC legal advisers and Macau legal advisers, save as disclosed in "— Non-compliance of our Group" below in this section, we had obtained all material licences, approvals certificates and permits necessary to conduct our operations in Hong Kong, Mainland China and Macau and there is no legal impediment to renew such licences.

Non-compliance of our Group

Non-compliance Incident	Reasons for the non-compliance and responsible personnel	Legal consequence and potential maximum penalties	Enhanced internal control measures, actions taken and current status
During the Track Record Period, 19 of our PRC subsidiaries ("**Relevant PRC Subsidiaries**") failed to make adequate social security insurance and housing provident fund contributions for employees as required by the relevant PRC laws and regulations. The Company had made relevant provision in respect of the underpaid amount ("**Outstanding Amount**") in respect of the social security insurance and the housing provident fund in full. As of 30 September 2018, the total provision in respect of the outstanding social security insurance and housing provident fund recognised in our consolidated statement of the financial position amounted to approximately HKD27.2 million.	(i) Inconsistent implementation of the PRC laws and regulations by local authorities; and (ii) Incomplete understanding of the relevant PRC laws and regulations by the relevant human resources and accounting employees of the Relevant PRC Subsidiaries.	Our PRC legal advisers advised us that further to the shortfall amount, a daily rate payment at the rate of 0.05% of the outstanding amount of social security insurance from the due date may be imposed. If we receive an order and fail to pay such amount within the prescribed time limit as stipulated in such order, a fine of one to three times the Outstanding Amount may be imposed. During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any such order or penalty and no action had been taken by the governmental authorities in relation to the Outstanding Amount. As advised by our PRC legal advisers, based on the confirmation and interview results from the relevant competent authorities, and the confirmation from our Company that it will, if required, pay the Outstanding Amount, the legal risk of us being subject to administrative penalties as a result of our failure to fully pay social security insurance and housing provident fund for those employees is remote.	We have dedicated the group human resources department and finance department to monitor and review the payment of PRC social security insurance and housing provident fund of all our PRC subsidiaries. To the extent permissible under the relevant PRC laws and regulations, we have started to make social security insurance and housing provident fund contributions in accordance with relevant PRC legal and regulatory requirements. We have provided training regarding social security insurance and housing provident fund to relevant PRC employees to keep them abreast of latest development in relevant PRC laws and regulations. We have also distributed an updated employee handbook to all employees whereby the requirement to contribute the social security insurance in accordance with the relevant laws and regulations has been updated and defined in the employee handbook. Based on the confirmation and interview results from the relevant competent authorities and the advice of our PRC legal advisers, our Directors are of the view that such non-compliances will not have a material impact on the business operation of our Group since the legal risk of us being subject to administrative penalties is remote, adequate provision has been made and will be applied towards payment of the Outstanding Amount (and any additional daily rate) if requested by relevant authorities in the PRC.

Non-compliance Incident	Reasons for the non-compliance and responsible personnel	Legal consequence and potential maximum penalties	Enhanced internal control measures, actions taken and current status
During the Track Record Period, we failed to file Form 56E under section 52(4) of the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong) (the "**IRO**") for all new hires ("**Subject Forms**").	The failure to file was due to the misunderstanding of our human resources department that the filing of Form 56B and Form 56F would be sufficient to satisfy our obligation as an employer as it was believed to be the market norm. Form 56E is not directly related to tax assessment. These incidents were not wilful, and were due to the inadvertence of our human resources personnel.	We are advised that under section 52(4) of the IRO, where any person who is an employer commences to employ in Hong Kong an individual who is likely to be chargeable to tax, he shall give notice thereof in writing to the Commissioner not later than 3 months after the date of commencement of such employment, stating the full name and address of the individual, the date of commencement and the terms of employment. Section 80(1) of the IRO states that any person who without reasonable excuse fails to comply with the requirement under section 52(4) of the IRO commits an offence and is liable on conviction a fine at HK$10,000 and the court may order the person convicted within a time specified in the order to do the act which he has failed to do. Our Tax Adviser has advised that the maximum penalty that we may be subject to due to this non-compliance incident during the Track Record Period is HK$230,000. Our Tax Adviser has further advised that, based on certain publications of the IRD and that the failure was due to inadvertence, the estimated penalty imposed on our Group (if any) for such incidents would be HK$69,000.	We have fully complied with section 52(4) of the IRO commencing from 1 April 2018. Training session on the latest IRO requirements has been conducted for relevant staff from our human resources department by an external training provider. Based on the IRD Phone Enquiry and the advice of our Tax Adviser and our HK Counsel, our Directors are of the view that such non-compliances will not have a material impact on the business operation of our Group and the legal risk of us being subject to any penalty as a result of such Form 56E non-compliances is remote. Our director of human resources department will regularly review the incoming employees list to ensure that Form 56E will be filed going forward.

Non-compliance Incident	Reasons for the non-compliance and responsible personnel	Legal consequence and potential maximum penalties	Enhanced internal control measures, actions taken and current status
		Further, we have conducted an enquiry phone call with the responsible officer of our Group in the Inland Revenue Department of Hong Kong ("**IRD Phone Enquiry**") and was given the understanding that there will be no legal consequence as to such past non-compliances. The responsible officer also further instructed us not to re-file all Subject Forms and requested us to comply fully with section 52(4) of the IRO in the future. Based on among others, the aforesaid, Chan Chung, barrister-at-law, ("**HK Counsel**") is of the view that (i) the risk of prosecution against our Group is very low; and (ii) even if we are prosecuted, the chance of our Group being imposed with the maximum penalty under the IRO is also very low.	

Non-compliance Incident	Reasons for the non-compliance and responsible personnel	Legal consequence and potential maximum penalties	Enhanced internal control measures, actions taken and current status
As at the Latest Practicable Date, we had two Mainland China restaurants of which we had not obtained the relevant fire safety inspection approvals from the fire safety authority when we commenced operations ("**Fire Safety Non-compliance Incidents**"). These two restaurants are located in Shenzhen ("**2 Shenzhen Restaurants**"), one of which we have submitted all relevant application materials and we were actively engaged in the application process. Regarding the remaining one, our landlord was actively engaged in its application process and we were actively preparing the relevant application materials.	(i) Inconsistent application of PRC laws and regulations by local authorities; and (ii) Inadvertence in monitoring the PRC restaurant's compliance status by our PRC operations team; and (iii) Pending landlord's completion of the required fire safety approvals.	Our PRC legal advisers have advised us that, under the relevant PRC laws and regulations, we maybe subject to a maximum potential legal penalty of RMB ranges from RMB30,000 to RMB300,000 per Fire Safety Non-compliance Incident and closure order of such restaurant. Our Directors confirmed that we have not received any notice or order from any relevant government authorities demanding any fine or closure of restaurant in respect of such non-compliances. Our PRC legal advisers advised that if our sites comply with relevant PRC laws and regulations and requirements of the relevant fire safety authorities, and we submit all of the necessary application materials in accordance with the requirements of the relevant fire safety authorities, (i) there would be no legal impediment in obtaining the relevant fire safety inspection approval, and (ii) upon obtaining such approvals, the risk that the relevant fire safety authorities would impose administrative penalties against us for operating these restaurants without such approval would be low.	We have adopted a revised checklist to identify the applicable licenses for our restaurants and the checklist will be submitted to the compliance committee for review on a monthly basis. Our compliance committee will review fire safety compliance matters at our restaurants regularly and ensure that we will obtain all of the requisite permits and approvals before our new restaurants commence operations going forward. Training session on general fire safety awareness and laws and regulations has been conducted for our operations teams by our PRC legal advisers. The revenue contribution of the 2 Shenzhen Restaurants for FY2016, FY2017 and 9M2018 amounted to RMB38.4 million, RMB36.6 million and RMB15.5 million, representing 1.5%, 1.3% and 0.7% of our total revenue, respectively.

Non-compliance Incident	Reasons for the non-compliance and responsible personnel	Legal consequence and potential maximum penalties	Enhanced internal control measures, actions taken and current status
			We have also engaged a fire safety consultant to assess our 2 Shenzhen Restaurants. The fire safety consultant confirmed that (i) we have established and implemented fire safety internal control policies in accordance with relevant laws and regulations, including those related to fire safety procedures and emergency evacuation procedures; (ii) these restaurants are equipped with proper fire safety facilities, equipment and safety signs, all of which are in good condition; and (iii) these restaurants are in compliance with building fire protection and safety requirements. Taking into account (i) the revenue contribution of the two restaurants; (ii) the relocation costs of the 2 Shenzhen Restaurants; (iii) the maximum penalty amount under the relevant restaurants; (iv) we maintain a list of potential lease premises for relocation purposes; and (v) we have obtained an indemnity from the Controlling Shareholders to indemnify our Group against any claims, fines and other liabilities arising from such non-compliances, our Directors are of the view that these non-compliances would not have a material adverse effect on our financial performance and business operations.

Non-compliance Incident	Reasons for the non-compliance and responsible personnel	Legal consequence and potential maximum penalties	Enhanced internal control measures, actions taken and current status
Our Macau restaurant has commenced operation prior to obtaining a restaurant license ("**Macau Non-compliance**"). In May 2018, we received a letter ("**MGTO Letter**") from the Macau Government Tourism Office ("**MGTO**") alleging that we had been operating without a restaurant license and required us to file our submission/ defence within 10 days ("**MGTO Incident**").	Our Macau restaurant is located within a hotel and our Directors have relied on the license consultant designated by the hotel operator for our license application. Our Directors have been informed by the license consultant that it is common for license applications for restaurants located in hotels to have a longer processing time. Our license application responsible personnel had commenced the application process on 27 July 2017, upon which the MGTO had on various occasions requested supplemental information. We have been providing all requested documents in an as soon as possible manner.	As advised by our Macau Legal Adviser, under the relevant Macau laws and regulations, restaurants can only be open to the public after the issuance of a license obtained from the MGTO. The maximum potential liability to such contravention of law may lead to an immediate closure order and a fine of up to MOP 30,000, and where such order or penalty are not duly complied with, the maximum amount of fine may increase up to MOP 60,000 ("**Maximum Penalties**"). Any person who does not close the relevant restaurant within 24 hours of receiving the immediate closure order is subject to criminal liability for disobeying the legitimate mandate of the public authority. Further, we had duly submitted a defence in June 2018 upon receipt of the MGTO Letter, and no further step had been taken by MGTO up till the Latest Practicable Date. Based on physical interview with MGTO on 16 January 2019, our Directors estimate that we will be able to obtain the restaurant licence in around six months and our Macau legal advisers are of the view that the maximum penalty against our Group is likely to be MOP30,000 and unlikely to attract any criminal liability.	Our compliance committee will continue to closely monitor the license application process of the license required and is prepared to comply with any MGTO's request and instruction. Our compliance committee will ensure relevant licence is obtained prior to the opening of any other restaurants in Macau in the future and to engage experts with relevant experience to advise as and when appropriate. The revenue contribution of our Macau operations for FY2016, FY2017 and 9M2018 was nil, HK$6.5 million and HK$24 million, representing nil, 0.2% and 1.0% of our total revenue, respectively. Taking into consideration the Maximum Penalties and the revenue contribution of our Macau operations to our Group, our Directors are of the view that the Macau Non-compliance will not have a material impact on our Group as a whole.

INSURANCE

We maintain (i) physical damage insurance; (ii) business interruption insurance to cover loss in the event of damage; (iii) cash in transit insurance for loss of money in transit or due to damage of safes; (iv) employee fidelity guarantee; (v) general liability insurance for personal injury and property damages; (vi) employees compensation to protect employees from work injury; (vii) public liability insurance; (viii) contractor all risk insurance for renovation or maintenance work; (ix) car insurance for our vehicles; and (x) product liability insurance for our food products (not consumed in restaurants). For more information, see "Risk Factors — Risks relating to our business — Our insurance policies may not provide adequate coverage for all claims associated with our business operations".

Our Directors are of the view that our insurance coverage is customary for businesses of its size and type and in line with the standard industry practice in Hong Kong and Mainland China.

ENVIRONMENTAL MATTERS

We are subject to environmental protection laws and regulations promulgated by the government of Hong Kong, Mainland China and Macau. We devote operating and financial resources to environmental compliance whenever we are required by Hong Kong, PRC or Macau laws to do so.

During the Track Record Period, we recorded insignificant amounts of expenses in compliance with applicable rules and regulations for environmental matters, including water sampling expenses. Our Directors expect the cost of compliance with such rules and regulations to be approximately HK$1 million for FY2019. We also engaged third-party independent companies to collect garbage, including, among others, food waste, used cooking oil and kitchen grease, from our restaurants and our Food Factories.

INTERNAL CONTROL AND CORPORATE GOVERNANCE

Internal Control and Risk Management Measures

Our Directors are responsible for formulating and overseeing the implementation of the internal control measures and effectiveness of risk management system, which is designed to provide reasonable assurance regarding the achievement of objectives relating to operations, reporting and compliance.

In order to manage our external and internal risks and to ensure the smooth running of our business, we have engaged an independent internal control reviewer (the "[**REDACTED**] **Internal Control Reviewer**") in 2018 to assist our Group and the Sole Sponsor to review our internal control system and provide recommendations for improving our internal control system. The [**REDACTED**] Internal Control Reviewer provides a wide range of professional services including corporate governance assessment and design, enterprise risk assessment, internal audit and compliance consultancy and advisory services and is experienced in providing consultancy services in internal controls and performing independent reviews on internal control and risk management systems. The [**REDACTED**] Internal Control Reviewer has conducted certain agreed-upon review procedures on our internal control system in certain aspects, including revenue, purchases, fixed assets management, human resources, financial reporting process and information technology. Based on its review, the [**REDACTED**] Internal Control Reviewer has not identified any material deficiencies regarding our Group's internal control system.

We have adopted the following measures to ensure on-going compliance with all applicable laws and regulations after the Listing and to strengthen our internal controls:

(i) we established our Audit Committee on [●] which comprises three independent non-executive Directors, namely [Dr. Sat Chui Wan (chairman)], [Mr. Mak Ping Leung (alias: Mak Wah Cheung)] and [Mr. Wong Shiu Hoi], all of whom possess extensive experience in financial and general management. Our Audit Committee has also adopted written terms of reference which clearly set out its duties and obligations for ensuring compliance with the relevant regulatory requirements. In particular, our Audit Committee is empowered to review any arrangement which may raise concerns about possible improprieties in financial reporting, internal controls or other matters;

(ii) our Directors and members of our senior management attended a training session in December 2018, which was conducted by our Company's Hong Kong legal advisers, on the on-going obligations, duties and responsibilities of directors of publicly listed companies under the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures Ordinance and the Listing Rules; and

(iii) we established in September 2018 a compliance committee, comprising Ms. Chan Shuk Fong, Mr. Sin Wai Hung, Ms. Zhou Yue Wu, Mr. Wong Kin Pong Edmond, Mr. Law Chi Kin and Ms. Chen Shao Zheng, to oversee, among others, compliance status of our restaurants and any new restaurants of our Group.

Based on the above, our Directors are of the view that the Company has taken reasonable steps to establish an internal control system and procedures to enhance the control environment at both the working and management levels, and hence, our Directors and the Sole Sponsor are of the view that the enhanced internal control measures adopted by our Group are adequate and effective for the Group's business operations.

Corporate Governance

We continually strive to strengthen the role of our Board as a body responsible for decision-making concerning our Company's fundamental policies and upper-level management issues, and supervising the execution of business. Our Board includes three independent non-executive Directors to ensure transparency in management and fairness in business decisions and operations. The independent non-executive Directors contribute to the enhancement of corporate value by providing advice and oversight based on their extensive administrative experience and specialized knowledge.

COMPETITION

According to Frost & Sullivan, there were approximately 5,000 casual dining restaurants in Hong Kong in 2017. The casual dining market in Hong Kong is highly fragmented with top three players (including our Group) contributing approximately 8.4% of revenue generated by casual dining restaurants in 2017.

In Hong Kong, leading players in casual dining market embrace multi-brand strategy to provide customers with various types of cuisines under different brands in prime locations, such as major shopping malls and areas with high customer traffic flow. They target middle to mass market, especially customers with mid to high spending power, and develop diversified customers base. In addition, multiple chain stores enable the top players to benefit from economies of scale through sharing cost of marketing, staff training and procurement. The key competitive factors in the industry lie in value for money, operational efficiency, food offerings and quality of services. In general, leading casual dining restaurants groups increase value for money by offering high quality of food and services at competitive prices. They standardize workflow to achieve operational efficiency and reduce costs. To address the shifting market trends and customer demands, leading casual dining restaurants operators continue to develop new dishes and incorporate regional and international elements into menus. They also pay attention to the quality of services as attentive staff and hygiene are important to restaurants operations. Entry barriers to casual dining market in Hong Kong include high initial start-up cost, lack of established relationship with reliable suppliers, lack of central kitchen or food factory for further expansion and product standardisation and low brand awareness.

According to Frost & Sullivan, in Mainland China, self-operated casual dining market is highly competitive and fragmented with top five players contributing approximately 0.7% of revenue generated by all self-operated casual dining restaurants in 2017. The multi-brand casual dining market in Mainland China is relatively fragmented with a large number of operators. The top five players (including the Group) with multi-brand in casual dining account for approximately 0.45% market share in terms of revenue, including a wide range of Chinese cuisine, Asian cuisine and Western cuisine. Hong Kong originated dining groups generally aim at mid-to-high end positioning, explore digital sales channel in view of the popularity of catering O2O (online-to-offline) delivery platforms and aim to build up a young and diversified brand image to target young customers, which are one of the main customers of casual dining restaurant in Mainland China.

OVERVIEW

Upon Listing, our Board will consist of eight Directors, comprising four executive Directors, one non-executive Director and three independent non-executive Directors. The powers and duties of our Board include convening general meetings and reporting our Board's work at our Shareholders' meetings, determining our business and investment plans, preparing our annual financial budgets and final reports, formulating proposals for profit distributions and for the increase or reduction of our registered capital as well as exercising other powers, functions and duties as conferred by our Articles of Association. We have entered into a service contract with each of our executive and non-executive Directors. We have also entered into a letter of appointment with each of our independent non-executive Directors. The following table sets out certain information of our Directors and senior management:

Name	Age	Position	Date of appointment as Director/senior management	Date of joining our Group	Roles and responsibilities in our Group	Relationship with other Directors and senior management
Executive Directors						
Mr. Chan Wing On (陳永安先生)	[60]	Executive Director and chairman	11 December 2017	5 July 1989	Overall strategic planning and major decision making	Cousin of Ms. Chan Shuk Fong Father of Mr. Chan Ka Keung
Mr. Yuen Chi Ming (袁志明先生)	[64]	Executive Director	14 December 2018	5 July 1989	Overall strategic planning and implementing the 5-S method and overseeing food safety and occupational safety standards	Nil
Mr. Lau Hon Kee (劉漢基先生)	[61]	Executive Director	14 December 2018	1 April 1990	Overall strategic planning and overseeing project management	Nil
Ms. Chan Shuk Fong (陳淑芳女士)	[54]	Executive Director	14 December 2018	1 October 2012	Overall strategic planning, including capital financing, branding, marketing, talent management and corporate compliance	Cousin of Mr. Chan Aunt of Mr. Chan Ka Keung
Non-executive Director						
Mr. Ho Ping Kee (何炳基先生)	[61]	Non-executive Director	14 December 2018	13 December 2001	Overall strategic planning and supervising the management of our Group	Nil

Name	Age	Position	Date of appointment as Director/senior management	Date of joining our Group	Roles and responsibilities in our Group	Relationship with other Directors and senior management
Independent non-executive Directors						
Mr. Mak Ping Leung (alias: Mak Wah Cheung) (麥炳良先生，又名麥華章)	[69]	Independent non-executive Director	[●]	[●]	Supervising the management of our Group and providing independent advice to the Board	Nil
Mr. Wong Shiu Hoi Peter (黃紹開先生)	[77]	Independent non-executive Director	[●]	[●]	Supervising the management of our Group and providing independent advice to the Board	Nil
Dr. Sat Chui Wan (薩翠雲博士)	[50]	Independent non-executive Director	[●]	[●]	Supervising the management of our Group and providing independent advice to the Board	Nil
Senior management						
Mr. Ho Siu Fung (何小鋒先生)	[56]	General manager and director of Chinese gourmet	1 September 2018	5 November 1999	Overseeing the operations and overall development of Chinese cuisine catering and brand management	Nil
Mr. Yiu Man (姚敏先生)	[60]	General manager and director of central production and product development	1 September 2018	1 June 2002	Overseeing overall management and development of the Food Factories, product development and food safety	Nil
Mr. Lam Tai Po (林大寶先生)	[53]	General manager and director of Mainland China	1 March 2017	1 October 2002	Overseeing overall management and business development in Mainland China	Nil
Mr. Sin Wai Hung (冼偉洪先生)	[61]	General manager and director of corporate management	1 January 2016	18 January 2010	Overseeing information technology, logistics and purchasing	Nil

Name	Age	Position	Date of appointment as Director/senior management	Date of joining our Group	Roles and responsibilities in our Group	Relationship with other Directors and senior management
Mr. Chan Ka Keung (陳家強先生)	[38]	General manager (casual dining)	1 January 2019	7 August 2009	Overseeing the operations of casual dining, development of new product and brands, sales and marketing and promotion strategies	Son of Mr. Chan Nephew of Ms. Chan Shuk Fong
Mr. Chan Shing Shun Dominic (陳承信先生)	[53]	General manager (property and project development)	5 April 2017	5 April 2017	Managing leasing, project planning and development and maintenance	Nil
Mr. Wong Kin Pong Edmond (黃建邦先生)	[43]	Senior director of the group finance department and company secretary	1 January 2019	24 February 2014	Overseeing the financial management and company secretarial matters	Nil

The business address of each member of our senior management is 13/F, Chinachem Exchange Square, 1 Hoi Wan Street, Quarry Bay, Hong Kong.

DIRECTORS

Executive Directors

Mr. Chan Wing On (陳永安先生), aged [60], was appointed as our executive Director on 11 December 2017 and has acted as the chairman of our Group since July 1989. Mr. Chan is one of the founders of our Group and is primarily responsible for the overall strategic planning and major decision making of our Group. Mr. Chan is the chairman of our Nomination Committee and a member of our Remuneration Committee.

Mr. Chan has over 30 years of experience in the food and beverage industry. He founded our Group and opened our first restaurant in 1989 in Sai Wan Ho, Hong Kong. Mr. Chan is instrumental in our business expansion and has successfully implemented a multi-brand strategy to develop our Group from a *siu mei* style restaurant under the "Tai Hing" brand to a multi-brand restaurant group with presence in Hong Kong, Mainland China and Macau offering Chinese (including Cantonese, Sichuan, Beijing and Taiwanese), Japanese and Vietnamese cuisines. Mr. Chan strongly believes in maintaining high food quality while ensuring our food and services offer good value for money, as well as providing a pleasant and hygienic environment for customers. Under Mr. Chan's leadership, our Group is constantly creating new and innovative dishes, often incorporating different ingredients and cooking methods, striving to offer an enjoyable dining experience to diners at our restaurants. Prior to establishing our Group, Mr. Chan worked in the meat trading industry in Hong Kong.

Mr. Chan obtained a Bachelor of Business Administration Management degree at the Macau Institute of Management in April 2006 and was admitted as an honorary fellow at the Professional Validation Centre of Hong Kong Business Sector in July 2017. He has been a fellow of the Hong Kong Institute of Marketing since November 2018.

Mr. Chan actively serves both the community and the catering service industry including, among others, currently serving as president of the Hong Kong Federation of Restaurants and Related Trades, chairman of the Governing Council of the Quality Tourism Services Association in Hong Kong, vice chairman of the Council of the Occupational Safety and Health Council in Hong Kong, chairman of the publicity committee of the Occupational Safety and Health Council in Hong Kong, chairman of the Catering Safety and Health Steering Committee of the Occupation Safety and Health Council in Hong Kong. He has been a member of the Election Committee of Hong Kong since 2006, having been elected in the 2006, 2011 and 2016 Election Committee subsector elections (Catering Subsector).

Mr. Chan is a cousin of Ms. Chan Shuk Fong (our executive Director) and the father of Mr. Chan Ka Keung (a member of our senior management).

Mr. Chan is currently a director of our various subsidiaries.

Mr. Yuen Chi Ming (袁志明先生), aged 64, was appointed as our executive Director on 14 December 2018. Mr. Yuen is mainly responsible for overall strategic planning and implementing the 5-S method and overseeing our Group's food safety and occupational safety standards.

Mr. Yuen has served our Group for over 29 years and has worked in various functional departments including operation of our restaurants and Food Factories. Under his leadership, our Group has adopted the 5-S (Structurise, Systematise, Sanitise, Standardise and Self-discipline) workplace management philosophy to enhance environmental hygiene, food quality and operational efficiency. Our Group has won many external safety-related recognitions with Mr. Yuen's guidance, including the 5-S Grand Prize Winner (Catering Group) awarded by the HK 5-S Association in November 2017, the Food Safety Excellence Award by the International Food Safety Association in November 2017 and the 2018/2019 Catering Industry Safety Award Scheme Group Safety Performance Gold Award in the Cha Chaan Teng Category by the Labour Department in November 2018.

Mr. Yuen obtained the 5-S Assessor Gold Belt and Black Belt Certificate by the HK 5-S Association in June 2008 and February 2005, respectively.

Mr. Yuen is currently a director of our various subsidiaries.

Mr. Lau Hon Kee (劉漢基先生), aged 61, was appointed as our executive Director on 14 December 2018. He is mainly responsible for overall strategic planning and overseeing the project management of our Group.

Mr. Lau joined our Group in April 1990 and worked in different departments including audit, operations and engineering. He has contributed to the upgrade of work facilities, improvement of work safety and various energy-saving projects in our Group. Under Mr. Lau's leadership, our Group has received numerous industry recognitions, including the Eco Challenger and 3 Year+ Eco Pioneer Award by the Bank of China and Federation of Hong Kong Industries and the 2017 Hong Kong Awards for Environmental Excellence Certificate of Merit and the Hong Kong Green Organisation Certification awarded by the Environmental Campaign Committee.

Mr. Lau obtained the 5-S Lead Auditor Certificate awarded by the HK 5-S Association in January 2003.

Mr. Lau is currently a director of our various subsidiaries.

Ms. Chan Shuk Fong (陳淑芳女士), aged 54, was appointed as our executive Director on 14 December 2018. She is mainly responsible for overall strategic planning, including capital financing, branding, marketing, talent management and corporate compliance. Ms. Chan is a member of our Remuneration Committee and Nomination Committee.

Ms. Chan joined our Group in October 2012 as a senior advisor and was promoted to general manager and director of branding and corporate development in January 2016. She is dedicated to enhancing our Group's brand image and has introduced various innovative ideas in marketing, leading to our Group's success in a number of industry awards, including the 2017 Hong Kong Top Service Brand Ten Year Achievement Award by the Hong Kong Brand Development Council and the Chinese Manufacturers' Association of Hong Kong, HKMA/TVB Bronze Awards for Marketing Excellence and Marketing Leadership in Casual Dining 2017/18 and Triple Crown Winner awarded by the Hong Kong Institute of Marketing.

Prior to joining our Group, Ms. Chan served as director and general manager of Hong Kong Wing On Travel Service Limited from December 1994 to February 2012. She was the personnel and administration manager of Universal Exchange Company Limited, a subsidiary of Emperor Group from February 1989 to May 1990. She left and returned in February 1992 to serve as the administration manager of Emperor Group until July 1994.

Ms. Chan obtained her master's degree in Business Administration from Asia International Open University (Macau) in November 1995 and a postgraduate diploma in Training from the Faculty of Social Sciences from the University of Leicester in the United Kingdom in July 2000. In September 2018, Ms. Chan was awarded an honorary doctorate of law from Lincoln University and fellow and title of FMBA, chartered manager from the Canadian Chartered Institution of Business Administration.

Ms. Chan was awarded Asian Outstanding Leaders Awards for Women by the Asian College of Knowledge Management in July 2018, 矚目非凡領袖大獎 2017 (Outstanding Leader Award 2017*) by Weekend Weekly and Economic Digest magazines in March 2018 and the Leaders of Excellence Award by Capital Magazine in 2014.

* *For identification purpose only*

Ms. Chan is currently a member of the board of directors of the Hong Kong Federation of Restaurants and Related Trades, a committee member of the Industry Advisory Committee on Long Term Business of the Insurance Authority in Hong Kong, a member of the Solicitors Disciplinary Tribunal Panel in Hong Kong and a member of the Advisory Board of Continuing and Professional Studies of The Chinese University of Hong Kong. She was previously a member of the Consumer Council in Hong Kong from January 2013 to December 2018, the Griffith Business School's Bachelor of Business (Hong Kong) Industry Advisory Committee from October 2013 to September 2016 and a member of the Advisory Committee on Cruise Industry in Hong Kong from August 2010 to January 2014.

Ms. Chan is a cousin of our chairman and an aunt of Mr. Chan Ka Keung (a member of our senior management).

Non-executive Director

Mr. Ho Ping Kee (何炳基先生), aged [61], was appointed as our non-executive Director on 14 December 2018. He joined our Group in 2001 and since then he has been mainly responsible for overall strategic planning, supervising the management of our Group and providing advices on site selection.

Mr. Ho has accumulated years of experience in the retail pharmacy industry, during which he gained substantial understanding of the market of retail business in Hong Kong and knowledge in site selection. Since September 1992, Mr. Ho has been the director of Target Spot Limited, which operates six pharmacies in Hong Kong.

Mr. Ho is currently supervisory chairman of the Hong Kong General Chamber of Pharmacy Limited, president of the Southern District Recreation and Sports Association, executive committee chairman of the Apleichau North District Women's Joint Association, vice president of the council of The Association of Industries and Commerce of N.E. New Territories Limited and life president of The Hong Kong Southern District Community Association Limited. He was also previously the president of the Southern District Arts and Culture Association Limited in 2016.

Independent non-executive Directors

Mr. Wong Shiu Hoi Peter (黃紹開先生), aged [77], was appointed as our independent non-executive Director on [●]. Mr. Wong is a member of our Audit Committee, Nomination Committee and Remuneration Committee.

Mr. Wong possesses over 40 years of experience in the financial services industry. He was an executive director, managing director, deputy chairman and chief executive officer of Haitong International Securities Company Limited (stock code: 0665) from May 1996 to April 2011. He has been a consultant of Halcyon Capital Limited since May 2013.

He is currently a council member and was the past chairman of the Hong Kong Institute of Directors from July 2006 to July 2009, and a former member of each of the Standing Committee of Company Law Reform from February 2000 to January 2006 and the Listing Committee of the Stock Exchange from November 1998 to May 2006.

Mr. Wong has served as an independent non-executive director of the following companies listed on the Main Board of the Stock Exchange in the past three years:

Company Name	Stock Code	Period
Target Insurance (Holdings) Limited	6161	Since 1 November 2014
Agile Group Holdings Limited	3383	Since 27 June 2014
Tianjin Development Holdings Limited	882	Since 21 December 2012
High Fashion International Limited	608	Since 19 July 2004

Mr. Wong obtained a Master of Business Administration degree from the University of East Asia (now known as the University of Macau) in October 1986.

Mr. Mak Ping Leung (alias: Mak Wah Cheung) (麥炳良先生，又名麥華章), aged [69], was appointed as our independent non-executive Director on [●]. Mr. Mak is the chairman of our Remuneration Committee and a member of our Audit Committee and Nomination Committee.

Mr. Mak is one of the founders of Hong Kong Economic Times Holdings Limited ("**HKET**"), publisher of the Hong Kong Economic Times and Sky Post and a company listed on the Main Board of the Stock Exchange (stock code: 423), and has been its managing director and an executive director since April 2005. He is responsible for formulating business strategies and oversees publishing, recruitment advertising and printing production at HKET. He was the Bureau Chief of the European Bureau of Wen Wei Po in London from October 1981 to October 1985, before being promoted to Deputy General Manager and Standing Committee Member of the Management Committee of the newspaper from November 1985 to November 1987.

In October 1988, Mr. Mak was elected as one of the Ten Outstanding Young Persons of Hong Kong organised by Junior Chamber International Hong Kong (formerly known as Hong Kong Junior Chamber). In August 2012, Mr. Mak won the Outstanding Entrepreneurship Award at the Asia Pacific Entrepreneurship Awards 2012 organised by Enterprise Asia. Mr. Mak was an honorary advisor of Hong Kong Institute of Marketing from 2014 to 2018.

Mr. Mak has been the managing director and an executive director of HKET (stock code: 423) since 29 April 2005 and an independent non-executive director of Clifford Modern Living Holdings Limited (stock code: 3686) since 21 October 2016, both listed companies on the Main Board of the Stock Exchange.

Mr. Mak obtained a Bachelor of Arts degree from the University of Hong Kong in November 1973.

Dr. Sat Chui Wan (薩翠雲博士), aged [50], was appointed as our independent non-executive Director on [●]. Dr. Sat is the chairman of our Audit Committee and a member of our Remuneration Committee and Nomination Committee.

Dr. Sat has been an executive director of Human Health Holdings Limited, a listed company on the Main Board of the Stock Exchange (stock code: 1419) ("**HHH**"), since 22 October 2015. She has also served as the chief financial officer of HHH since September 2013 and is responsible for overseeing the financial, compliance, risk and human resources management of HHH. Prior to joining HHH, she was the financial controller of Sun Fung Offset Binding Co., Ltd. from October 2004 to June 2007 and deputy chief executive officer from October 2005 to June 2007. She was an assistant accountant of The Wing On Department Stores (Hong Kong) Limited from September 1994 to December 1995 and later an accountant from January 1996 to April 1999.

Dr. Sat has been a member of the Hong Kong Institute of Certified Public Accountants since September 1996. She was admitted as an associate of the Association of Chartered Certified Accountants in July 1996 and has been a fellow of the Association of Chartered Certified Accountants since July 2001.

Dr. Sat obtained a Bachelor of Arts degree of Accountancy from the Hong Kong Polytechnic University in October 1992 and a Master's degree of Business Administration from the University of Lancaster in the United Kingdom in November 2000. She completed the International Study Program (ISP) at the University of St. Gallen in December 2000, the City University of Hong Kong Advanced Management Programme at the University of California, Berkeley in August 2010. In February 2018. Dr. Sat obtained a Doctor of Business Administration degree from the City University of Hong Kong.

General

Save as disclosed, none of our Directors:

(i) had any other relationship with any Directors, senior management or substantial Shareholders or Controlling Shareholders of our Company as at the Latest Practicable Date; and

(ii) has held any directorship in any other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the three years prior to the Latest Practicable Date.

Except for such interests disclosed in the paragraphs headed "Appendix V — Statutory and General Information — C. Further Information about our Directors and Substantial Shareholders — 3. Disclosure of Interests — (a) Interests and Short Position of our Directors and the chief executive in the Shares, underlying shares or debentures of our Company and the associated corporations" in this document, none of our Directors have any interest in the Shares within the meaning of Part XV of the SFO or is a director or an employee of a company which has an interest or short position in the Shares and underlying Shares of our Company. Each of our Directors has confirmed that none of them or their respective close associates are engaged in, or interested in any business (other than our Group) which, directly or indirectly, competes or may compete with our business or has or may have any conflict of interests with our Group.

Further, our Directors believe that each of our independent non-executive Directors (having taken into account each of their other commitments as set out in this section above) will be able to fulfil his roles and obligations as an independent non-executive Director because, as an independent non-executive Director, each of them is not expected to take any active and executive role in the management and operations of our Group. Each of their role is to supervise the management of our Group and will only be required to attend meetings (either physically present or by other means of communications) as and when required. Further, each of them has confirmed that he understands his duties and obligations as required by the relevant laws and regulations, including the Listing Rules, as an independent non-executive Director and confirmed that he will devote sufficient time to our Group to discharge his obligations as a Director.

Save as disclosed above, to the best of the knowledge, information and belief of our Directors after having made all reasonable enquiries, there was no other matter with respect to the appointment of our Directors that needs to be brought to the attention of our Shareholders and there was no information relating to our Directors that is required to be disclosed pursuant to Rule 13.51(2) and paragraph 47 of Appendix 1A to the Listing Rules as at the Latest Practicable Date.

SENIOR MANAGEMENT

Mr. Ho Siu Fung (何小鋒先生), aged [56], was appointed as our general manager and director of Chinese Gourmet in September 2018. He is mainly responsible for operations and overall development of our Group's Chinese cuisine catering and brand management of "Tai Hing", "Trusty Congee King" and "Men Wah Bing Teng".

Mr. Ho joined our Group as District Manager in November 1999 and was responsible for our Group's entire operations management. In recent years, he has been constantly enhancing operation management and strategies of our Group. He spearheaded the extensive implementation of automation systems for food production in the restaurant kitchen, the beverage bar and the *siu mei* department. Mr. Ho's valuable knowledge also contributed to his successful customisation of our automated wok which was subsequently patented by us. These efforts are instrumental as the systems provide a sustainable platform for the expansion of our business with standardised food quality and production efficiency. Mr. Ho also strived to modernise our frontline teams with new operation standards, set up our internal qualification framework to promote our employees' upward mobility and introduced talent pipelines with comprehensive training programmes.

Prior to joining our Group, Mr. Ho served in several catering groups, including serving various positions including operations manager at Fairwood Fast Food from February 1980 to January 1998.

Mr. Ho graduated from the Hong Kong Polytechnic (now known as The Hong Kong Polytechnic University) with a diploma in business management in September 1993. He obtained a Level 4 Award in Managing Food Safety in Catering at the Chartered Institute of Environmental Health in November 2008 and obtained a 5-S Lead Auditor Certificate from the HK 5-S Association in January 2003. Mr. Ho is active in sharing his industry knowledge with the community, and was a part-time instructor at the School of Continuing and Professional Education of the City University of Hong Kong from December 2009 to June 2011.

Mr. Yiu Man (姚敏先生), aged [60], was appointed as our general manager and director of central production and product development in September 2018. He is mainly responsible for the overall management and development of the Food Factories, product development, new business opportunities in casual dining and food safety. Since joining our Group, Mr. Yiu headed the entire design, construction and equipment planning of our Hong Kong Food Factory and Mainland China Food Factory to support the rapid expansion of our operations and the wide variety of new products for different cuisines. He set up our production quality control system and enforces more stringent control on food quality, including food safety monitoring and refinement through systematic taste trials. Further, Mr. Yiu also invented the smokeless cooking design which was contributed to our patented smokeless oven and such patented smokeless oven has subsequently been widely applied in our restaurants.

Mr. Yiu has been in the catering industry for over 40 years and joined our Group in 2002. Prior to joining our Group, he held managerial positions at various restaurants from the 1990s to 2001. He joined Café de Coral Holdings Limited (stock code: 0341) from September 1982 to August 1986, where he started off as chief cook (branch) and was subsequently promoted as assistant production manager. He also worked as cooks' supervisor from October 1976 to June 1982 at Trible Fast Food Shop.

Mr. Lam Tai Po (林大寶先生), aged [53], was promoted as our general manager and director of Mainland China in March 2017. He is primarily responsible for managing our Group's operations and business development in Mainland China, and, is a director of all subsidiaries of the Company established in Mainland China except for one Mainland China subsidiary.

Mr. Lam has over 25 years of experience in the food and beverage industry. He began to gain exposure to the market in Mainland China early in his career as managers of various eateries from the 1990s to 2002. Since joining in October 2002, Mr. Lam has spearheaded our Group's market development in Mainland China, expanding our portfolio to [57] restaurants as at the Latest Practicable Date. Our operations in Mainland China have won numerous industry awards under Mr. Lam's guidance, including 騰訊城市廚房推薦特色餐廳 (Tencent City Kitchen Recommended Specialty Cuisine Restaurant*) in August 2018, 上海美食攻略最具人氣粵菜獎 (Shanghai Gourmet Guide Favourite Cantonese Cuisine Award*) in March 2018 and 2017年度廣州日報大洋網星級品牌推薦最佳港式餐廳 (Guangzhou Daily Dayoo.com Star Brand Recommendation 2017 — Best Hong Kong Style Restaurant*) in March 2018.

Mr. Lam graduated from the Macau Institute of Management with a Bachelor of Business Administration degree in January 2005. He became a professional management honorary member of the Confrérie de la Chaîne des Rôtisseurs in 2008.

Mr. Sin Wai Hung (冼偉洪先生), aged [61], was promoted as general manager and director of corporate management in January 2016. He is mainly responsible for overseeing information technology, logistics and purchasing of our Group.

* *For identification purposes only*

Mr. Sin joined our Group in January 2010 with over 35 years of experience in both the catering and retail industries. Mr. Sin joined our Group in January 2010 as a senior advisor and was promoted to general manager and director of branding and corporate development in January 2016. Mr. Sin led the group to introduce our first staff attendance system and ERP (enterprise resource planning) system in December 2010. Utilising these platforms, our information technology team built different intranet applications that improved communication between restaurants and the back office. The applications also collect and analyse operating data, which in turn allows the Board and management team to make business decisions efficiently. He also established our inventory auto-replenishment system in our Hong Kong Logistics Centre and purchasing procedures and policies. Mr. Sin implemented cross-department processes and policy reviews to enhance overall management efficiency and effectiveness of our Company.

Prior to joining our Group, he served as managing director at Ho Ho Catering Limited from March 2005 to June 2009 and served as senior retail manager at the Ocean Park Corporation from September 2004 to February 2005. In January 1993, Mr. Sin joined Fortress Limited, a wholly-owned subsidiary of A.S. Watson & Company Limited as marketing director. In February 1995, he was transferred from marketing to operations and was appointed as operations director of Fortress Limited, until he left in August 2003. During March 1990 to December 1992, Mr. Sin was the general manager of Fornari International Limited and its related companies. He was responsible for building a new brand of jeans, "Fornari", which received a certificate of merit in the HKMA/TVB Award for Marketing Excellence 1991, and later headed a chain of 18 fashion shops. In June 1985, he was employed as marketing manager at Fotomax (F.E.) Limited and later promoted as manager (chain operations) in August 1987, where he worked until April 1990. From July 1981 to March 1985, he worked at Kodak (Far East) Limited as sales executive for the professional and photo finishing markets in the sales department.

He graduated from the Chinese University of Hong Kong with a bachelor of science degree in December 1981 and obtained a diploma in Management Studies and master's degree in Business Administration from the Hong Kong Polytechnic (now known as The Hong Kong Polytechnic University) in November 1987 and November 1993, respectively.

Mr. Chan Ka Keung (陳家強先生), aged 38, was promoted as our general manager (casual dining) in January 2019. He is mainly responsible for the operations of casual dining restaurants, business development, marketing, brand building and product development. He mainly manages operations under our "TeaWood", "Phở Lệ", "Tokyo Tsukiji", "Fisher & Farmer" and "Rice Rule" brands.

Mr. Chan joined our Group in August 2009. In recent years, he spearheaded the development of new brands for casual dining in our Group, targeting younger customers by offering them a pleasant dining experience. In particular, our "TeaWood" brand has won numerous industry awards, including Marketing Leadership Award in Emerging Brand Restaurant 2017/2018 awarded by the Hong Kong Institute of Marketing in April 2018, the 2018 Business Excellence Award by The Professional Validation Centre of Hong Kong Business Sector in June 2018 and the prestigious Bronze A'Design Award for Interior Space and Exhibition Design, awarded in April 2018 under his leadership.

Mr. Chan graduated from De Montfort University in Leicester in the United Kingdom with a bachelor's degree in Business Administration in June 2004.

Mr. Chan was awarded 全球華人傑出青年 (Global Outstanding Chinese Youth*) by the Global Outstanding Chinese Association in 2016. He is currently a member of the Environmental Campaign Committee, the vice president of the Hong Kong Federation of Restaurants and Related Trades Limited ("**HKFORT**"), president of the HKFORT Youth Committee and the chairman of the Hong Kong O2O E-commerce Federation.

Mr. Chan is the son of our chairman and a nephew of Ms. Chan Shuk Fong (our executive Director).

Mr. Chan Shing Shun Dominic (陳承信先生), aged 53, was appointed as our general manager (property and project development) in April 2017. He is mainly responsible for the overall supervision and management of leasing, project planning and development and maintenance.

Mr. Chan has over 28 years of experience in the property industry. He joined our Group in April 2017. Prior to joining our Group, he worked in several local and international corporations, accumulating a solid understanding of the Hong Kong property market. He served as director of the property and store development department of Maxim's Caterers Limited from March 2015 to February 2017. From January 2002 to March 2015, he was the general manager of the property investment department in Shun Tak Holdings Limited (stock code: 0242). Mr. Chan was the director of the investment department at Jones Lang LaSalle Limited (NYSE stock code: JLL) from September 2000 to February 2001 and departmental director of the investment department at CB Richard Ellis Limited from January 1992 to August 1999.

Mr. Chan graduated from the City University of Hong Kong with a bachelor of science degree in Building in November 1989 and obtained a master's degree in Urban Design and a postgraduate diploma in Surveying (Real Estate Development) from the University of Hong Kong in December 1992 and October 2002, respectively.

Mr. Chan is currently an estate agent recognised by the Estate Agents Authority, a fellow member of the Royal Institute of Chartered Surveyors and an associate of The Chartered Institute of Arbitrators.

Mr. Wong Kin Pong Edmond (黃建邦先生), aged 43, joined our Group as finance director in February 2014 and was promoted as senior director of the group finance department in January 2019. He has also been serving as company secretary since 14 December 2018. His responsibilities include overseeing the financial management and company secretarial matters of our Group.

Mr. Wong has over 15 years of experience in financial management. Prior to joining our Group, he was the financial controller at Select Service Partner Hong Kong Limited, a subsidiary of SSP Group PLC (LON: SSPG) from July 2013 to February 2014. He served as group financial controller at bma Management Limited from November 2011 to February

* *For identification purposes only*

2013, deputy director of the logistics, finance and account department and corporate sales department at Tao Heung Holdings Limited (stock code: 0573) from November 2004 to November 2011. During August 2002 to November 2004, he was employed as assistant accounting manager at Man Fai Tai Holdings Limited and was then audit supervisor at Ho and Ho & Company during November 2001 to August 2002. Mr. Wong also worked in international accounting firms as semi-senior accountant and senior associate during 1997 to 2001.

Mr. Wong graduated with a bachelor's degree in Business Administration (major in professional accountancy) from the Chinese University of Hong Kong in December 1997. In July 2014, he obtained a master's degree in Business Administration from the University of Wales in the United Kingdom through distance learning.

Mr. Wong is currently a fellow at the Hong Kong Institute of Certified Public Accountants and The Association of Chartered Certified Accountants and a chartered financial analyst at the CFA Institute.

During the three years immediately preceding the Latest Practicable Date, none of our senior management has held any directorship in any listed public companies in Hong Kong or overseas.

BOARD COMMITTEES

Audit Committee

We have established the Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The Audit Committee comprises three members, namely Dr. Sat Chui Wan, Mr. Mak Ping Leung (alias: Mak Wah Cheung), and Mr. Wong Shiu Hoi Peter, all of whom are our Independent Non-executive Directors. Dr. Sat Chui Wan is the chairman of the Audit Committee and is the Independent Non-executive Director who possesses the appropriate professional qualifications.

The primary duties of the Audit Committee include, among other things, considering issues relating to the appointment, re-appointment and removal of the external auditor, reviewing our financial information, overseeing our financial reporting system, risk management and internal control systems.

Remuneration Committee

We have established the Remuneration Committee with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The Remuneration Committee comprises five members, namely Mr. Mak Ping Leung (alias: Mak Wah Cheung), Mr. Wong Shiu Hoi Peter, Dr. Sat Chui Wan, Mr. Chan Wing On and Ms. Chan Shuk Fong. Mr. Mak Ping Leung (alias: Mak Wah Cheung) was appointed as the chairman of the Remuneration Committee.

The primary duties of the Remuneration Committee include, among other things, making recommendations to the Board on our policy and structure for all Directors' and senior management's remuneration, the establishment of a formal and transparent procedure for developing remuneration policy and the remuneration packages of our Directors and senior management.

Nomination Committee

We have established the Nomination Committee with written terms of reference in compliance with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The Nomination Committee comprises five members, namely, Mr. Chan Wing On, Ms. Chan Shuk Fong, Mr. Mak Ping Leung (alias: Mak Wah Cheung), Mr. Wong Shiu Hoi Peter and Dr. Sat Chui Wan. Mr. Chan Wing On has been appointed as the chairman of the Nomination Committee.

The primary duties of the Nomination Committee include, among other things, making recommendations on any proposed changes to the Board to complement our corporate strategy.

REMUNERATION OF DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS

Our Directors and senior management receive remuneration from our Group in the form of salaries, contributions to pension schemes, discretionary bonuses, housing and other allowances and other benefits in kind.

The aggregate amounts of remuneration (including fees, salaries, contributions to pension schemes, discretionary bonuses, housing and other allowances and other benefits in kind) paid to our Directors for FY2016, FY2017 and 9M2018 were HK$9.7 million, HK$12.7 million and HK$10.3 million respectively. None of our Directors had waived any remuneration during the same periods.

During the Track Record Period, two of the five highest paid individuals were our Directors. The aggregate amounts of remuneration (including fees, salaries, contributions to pension schemes, discretionary bonuses, housing and other allowances and other benefits in kind) paid to our remaining three highest paid individuals, for FY2016, FY2017 and 9M2018 were HK$6.2 million, HK$9.4 million and HK$7.4 million respectively.

No payment was made by us to our Directors or the five highest paid individuals as an inducement to join or upon joining us or as a compensation for loss of office in respect of the Track Record Period.

Save as disclosed above, no other payments have been made or are payable in respect of the Track Record Period by any member of our Group to any of our Directors.

Under the arrangements currently in force, we estimate the aggregate remuneration, excluding discretionary bonus, of our Directors for 9M2018 to be approximately HK$8.8 million.

See "Appendix IV — Statutory and General Information — C. Further Information About Our Directors and substantial shareholders — 1. Particulars of Directors' service agreements" for further information.

COMPANY SECRETARY

Pursuant to Rule 3.28 and Rule 8.17 of the Listing Rules, the secretary of the Company must be an individual who, by virtue of his or her academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of a company secretary. The Stock Exchange considers (a) an ordinary member of The Hong Kong Institute of Company Secretaries, (b) a solicitor or barrister as defined in the Legal Practitioners Ordinance (Chapter 159 of the Laws of Hong Kong) or (c) a certified public accountant as defined in the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong) as acceptable academic or professional qualifications.

We have appointed Mr. Wong Kin Pong Edmond as our company secretary on 14 December, 2018. See "— Senior Management" in this section above for his biographical details.

COMPLIANCE ADVISER

We have appointed BOCOM International (Asia) Limited as our compliance adviser in compliance with Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, we will consult with, and if necessary, seek advice from, our compliance adviser on a timely basis in the following circumstances:

(a) before the publication of any regulatory announcement, circular or financial report;

(b) where a transaction, which might be a notifiable or connected transaction under the Listing Rules, is contemplated, including share issues and share repurchases;

(c) where we propose to use the [**REDACTED**] of the [**REDACTED**] in a manner different from that detailed in this document or where our Group's business activities, developments or results of operation deviate from any forecast, estimate or other information in this document; and

(d) where the Hong Kong Stock Exchange makes an inquiry of our Company under Rule 13.10 of the Listing Rules.

The term of the appointment shall commence on the Listing Date and end on the date on which our Company distributes its annual report in respect of its financial results for the first full financial year commencing after the Listing Date.

OUR CONTROLLING SHAREHOLDERS

Immediately following completion of the [**REDACTED**] and Capitalisation Issue (without taking into account any Shares which may be issued upon the exercise of the share options that may be granted under the Share Option Scheme and the [**REDACTED**]), Chun Fat will hold [**REDACTED**]% of the Company. Chun Fat is an investment holding company owned by Mr. Chan, Mr. Lau, Mr. Ho and Mr. Yuen as to 70.7%, 12.6%, 9.9% and 6.8%, respectively. As such, Chun Fat, Mr. Chan, Mr. Lau, Mr. Ho and Mr. Yuen are the controlling shareholders of the Company and will continue to hold a controlling interest in our Company upon completion of the [**REDACTED**] and the Capitalisation Issue. Details of the background of our Mr. Chan, Mr. Lau, Mr. Ho and Mr. Yuen are set out in the section headed "Directors and Senior Management" in this document.

During the Track Record Period, save as disclosed in this document, we did not have any business dealings with the other companies associated with or controlled by our Controlling Shareholders and there was no overlapping business between our Group and our Controlling Shareholders.

As at the Latest Practicable Date, our Controlling Shareholders confirm that, apart from the business operated by us, they and their respective close associates and/or companies controlled by them do not hold or conduct any business which competes, or is likely to compete, either directly or indirectly, with our business, and would require disclosure pursuant to Rule 8.10 of the Listing Rules.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Our Directors do not expect that there will be any significant transactions between our Group and our Controlling Shareholders upon or shortly after the Listing, other than those set out in the subsection headed "— Operational Independence" below in this section. We are capable of carrying on our business independently from and does not place undue reliance on our Controlling Shareholders, taking into consideration the following factors:

Management independence

Our Board comprises four executive Directors, one non-executive Director and three independent non-executive Directors. Mr. Chan, Mr. Lau and Mr. Yuen are our executive Directors, while Mr. Ho is our non-executive Director. Each of Mr. Chan, Mr. Lau, Mr. Ho and Mr. Yuen is a Controlling Shareholder of our Company. Having considered the following factors, our Directors consider that our management is capable to operate independently free from the Controlling Shareholders after the Listing:

(a) each of our Directors is aware of his fiduciary duties as a Director which require, among other things, that he acts for the benefit and in the best interests of our Company and does not allow any conflict between his duties as a Director and his personal interest;

(b) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between us and our Directors or their respective close associates, the interested Director(s) shall abstain from voting at the relevant board meetings of our Company in respect of such transactions and shall not be counted in the quorum;

(c) we have established internal control procedures independent from our Controlling Shareholders to facilitate the effective operation of our business activities;

(d) save for our liquor licences, which are held by our employees, all our restaurant licences are held by our restaurant operating subsidiaries instead of our Controlling Shareholders;

(e) our senior management members are independent from our Controlling Shareholders and are responsible for our daily operations in relation to finance, human resources, sales and marketing, procurement, quality control and operations; and

(f) our independent non-executive Directors have sufficient knowledge, experience and competence, and will bring independent judgment to the decision making process of our Board, taking into account the advice of our senior management.

During the Track Record Period, certain entities controlled by our Controlling Shareholders entered into related party transactions with our Group in the ordinary course of our business. Such related party transactions are disclosed in Note 39 to the Accountants' Report set out as Appendix I to this document. Our Directors confirm that, save and except for fully exempt de minimus transactions as defined under the Listing Rules, all related party transactions with our Controlling Shareholders will be discontinued upon Listing. Our Directors (including our independent non-executive Directors) consider that such continuing connected transactions have been entered into in the ordinary and usual course of our business and are based on arm's length negotiation and on normal commercial terms that are in the interests of our Group and our Shareholders as a whole. These continuing connected transactions between us and entities controlled by our Controlling Shareholders are not material in value as far as we are concerned.

Financial independence

We have our its own financial management and accounting systems and the ability to operate independently from our Controlling Shareholders from the financial perspective. We are capable of making financial decisions according to our own business needs. Our Directors also believe that we have sufficient capital, internal resources and credit profile in the case of future external financing needs to support our daily operations independently from our Controlling Shareholders and their respective close associates.

All the non-trade amounts due to or from our Controlling Shareholders and companies controlled by our Controlling Shareholders, as well as all guarantees, indemnities and other securities provided by us for the benefit of our Controlling Shareholders, and companies controlled by our Controlling Shareholders, or vice versa, will be fully settled or released upon or before the Listing. There will be no financial assistance, security and/or guarantee provided by our Controlling Shareholders in favour of our Group or vice versa after the Listing.

Operational independence

We are capable of making business decisions independently. On the basis of the following factors, our Directors believe that we will continue to operate independently from our Controlling Shareholders and companies controlled by our Controlling Shareholders:

(a) we have established a set of internal control measures to facilitate the effective operations of our business;

(b) we have our own administrative and corporate governance infrastructure across each of our core functions;

(c) our customers and food and beverages suppliers are all independent from our Controlling Shareholders and we do not rely on our Controlling Shareholders or their respective close associates for any access to suppliers and customers;

(d) we have an independent management team to handle our day-to-day operations;

(e) Save for our liquor licences, which are held by our employees, we are in possession of all relevant licences and workforce necessary to carry on and operate our business independent from the Controlling Shareholders and their associates; and

(f) Save as one staff quarter lease agreement which constitutes fully exempt de minimis transactions as set out in Rule 14A.76 of the Listing Rules and the related party transactions as set out in note 39 to the Accountants' Report in Appendix I to this document, immediately after the Listing there will be no continuing connected transactions and related party transactions between our Company and its connected person or related party, as applicable.

DEED OF NON-COMPETITION

For the purpose of the Listing, the Controlling Shareholders have entered into the Deed of Non-Competition, pursuant to which each of the Controlling Shareholders has irrevocably undertaken to our Company (for itself and on behalf of each other member of our Group) that he/it would not, and would procure that his/its close associates (except any members of our Group) would not, during the restricted period set out below, directly or indirectly, either on his/its own account or in conjunction with or on behalf of any person, firm or company, among other things, carry on, participate or be interested or engaged in or acquire or hold (in each case whether as a shareholder, director, partner, agent, employee or otherwise, and whether for profit, reward or otherwise) any business which is or may be in competition with the business currently carried on or contemplated to be carried on by any member of our Group (the "**Restricted Business**").

Each of the Controlling Shareholders has also undertaken to our Company the following:

(a) to provide all information requested by our Company which is necessary for the annual review by our independent non-executive Directors and the enforcement of the Deed of Non-Competition; and

(b) to make a declaration on compliance with his/its undertaking under the Deed of Non-Competition in the annual/interim/quarterly reports (whenever applicable) of our Company as the independent non-executive Directors think fit and/or as required by the relevant requirements under the Listing Rules.

The Deed of Non-Competition does not apply to:

(a) any interests in the shares of any member of our Group since the business of such member is not in competition with our Group; and

(b) interests in the shares of a company other than our Group which shares are listed on a recognised stock exchange provided that:

  (i) any Restricted Business conducted or engaged in by such company (and assets relating thereto) accounts for less than 10% of that company's consolidated turnover or consolidated assets, as shown in that company's latest audited accounts; or

  (ii) the total number of the shares held by the relevant Controlling Shareholder and/or his/its close associates in aggregate does not exceed 5% of the issued shares of that class of the company in question and such Controlling Shareholder and his/its close associates, whether acting singly or jointly, are not entitled to appoint a majority of the directors of that company and at any time there should exist at least another shareholder of that company (together, where appropriate, with its associates) whose shareholdings in that company should be more than the total number of shares held by the Controlling Shareholder and his/its close associates in aggregate. The Controlling Shareholders have further undertaken to procure that, during the restricted period, any business investment or other commercial opportunity which competes or is likely to compete either directly or indirectly the business of our Group (the "**New Opportunity**") identified by or offered to him/it or any entity controlled by him/it, is first referred to us in the following manner:

    (a) the relevant Controlling Shareholder is required to refer, or to procure the referral of, the New Opportunity to us, and shall give written notice (the "**Offer Notice**") to us of any New Opportunity containing all information reasonably necessary for us to consider whether (i) such New Opportunity would constitute competition with our core business, and (ii) it is in the interest of our Company and our Shareholders as a whole to pursue such New Opportunity, including but not limited to the nature of the New Opportunity and the details of the investment or acquisition costs; and

(b) upon receiving the Offer Notice, the Company shall seek approval from a board committee (comprising, among others, all the independent non-executive Directors who do not have an interest in the New Opportunity) (the "**Independent Board**") as to whether to pursue or decline the New Opportunity. Any Director who has actual or potential interest in the New Opportunity shall not be a member of the Independent Board and shall abstain from attending (unless their attendance is specifically requested by the Independent Board) and voting at, or count towards the quorum for, any meeting or part of a meeting convened to consider such New Opportunity:

(i) the Independent Board shall consider the financial impact of pursuing the New Opportunity offered, whether the nature of the New Opportunity is consistent with our Group's strategies and development plans and the general market conditions; if appropriate, the Independent Board may appoint independent financial and legal advisers to assist in the decision-making process in relation to such New Opportunity;

(ii) the Independent Board shall, within 20 business days of receipt of the written notice referred to in (a) above, inform the relevant Controlling Shareholder in writing on behalf of our Company its decision whether to pursue or decline the New Opportunity. Such notice period can be extended if mutually agreed in writing;

(iii) the relevant Controlling Shareholder shall be entitled but not obliged to pursue such New Opportunity if he or it has received a notice from the Independent Board declining such New Opportunity or if the Independent Board failed to respond within such 20 business days period (or the extended period, where applicable) pursuant to (b)(ii) above; and

(iv) if there is any material change in the nature, terms or conditions of such New Opportunity pursued by the relevant Controlling Shareholder, he or it shall refer such New Opportunity as so revised to our Company in the manner as outlined in the Deed of Non-Competition as if it were a New Opportunity.

Our Independent Board will also review, on an annual basis, the compliance with the Deed of Non-Competition by our Controlling Shareholders, the results of which will be disclosed in our annual/ interim/quarterly reports (whenever applicable).

The "**restricted period**" stated in the Deed of Non-Competition refers to the period during which (i) the Shares remain listed on the Stock Exchange; (ii) the relevant Controlling Shareholder and his/ its close associate holds an equity interest in our Company; and (iii) the relevant Controlling Shareholder and/or his/its close associates jointly or severally are entitled to exercise or control the exercise of not less than 30% in aggregate of the voting power at general meetings of our Company. In other words, if our Company were no longer listed on the Stock Exchange or the relevant Controlling Shareholder hold less than 30% of the Shares then issued, the Deed of Non-Competition would not apply. We believe the 30% threshold is justifiable as it is equivalent to the threshold applied under the Listing Rules and the Takeovers Code for the concept of "control".

CORPORATE GOVERNANCE MEASURES FOR RESOLVING ACTUAL AND/OR POTENTIAL CONFLICTS OF INTERESTS

Upon the Listing, we will continue to enter into connected transactions with certain companies controlled by our Controlling Shareholders. Each of our Controlling Shareholders has also undertaken to our Company under the Deed of Non-Competition that he/it shall not, and shall procure that his/its subsidiaries (other than our Company) shall not, own, invest in, participate in, develop, operate or engage in any business or company which directly or indirectly competes, or may compete, with our business. We will further adopt the following measures to manage the conflict of interests arising from the possible competing business of our Controlling Shareholders and to safeguard the interests of our independent Shareholders:

(i) in preparation for the Listing, our Company has amended our Articles of Association to comply with the Listing Rules. In particular, our Articles of Association provide that, except for certain exceptions permitted under the Articles, a Director shall not vote on any board resolution approving any contract in relation to which he has a material interest, nor shall such Director be counted in the quorum present at the meeting. Furthermore, a Director who holds directorship and/or senior management positions in the Controlling Shareholders or any of its associates (other than our Company or any member of our Group) shall not vote on any board resolution regarding any transactions proposed to be entered into between any member of our Group and the Controlling Shareholders or any of its associates (other than our Company or any member of our Group), nor shall such Director be counted in the quorum present at such meeting;

(ii) we have appointed BOCOM International (Asia) Limited as our compliance adviser, which will provide advice and guidance to us with respect to compliance with the applicable laws and the Listing Rules, including but not limited to various requirements relating to Directors' duties and internal controls;

(iii) our independent non-executive Directors will review, at least on an annual basis, the compliance with the Deed of Non-Competition by our Controlling Shareholders;

(iv) each of our Controlling Shareholders has undertaken to provide all information necessary for the annual review by our independent non-executive Directors and the enforcement of the Deed of Non-Competition;

(v) we will disclose decisions on matters reviewed by our independent non-executive Directors relating to compliance and enforcement of the Deed of Non-Competition either through an annual report, or by way of announcement to the public;

(vi) each of our Controlling Shareholders will make an annual declaration of compliance with the Deed of Non-Competition in the annual reports of our Company;

(vii) the management structure of our Group includes an audit committee, a remuneration committee and a nomination committee, the terms of reference of each of which will require them to be alert to prospective conflict of interest and to formulate their proposals accordingly; and

(viii) pursuant to the Code of Corporate Governance Practices and Corporate Governance Report in Appendix 14 of the Listing Rules, our Directors, including our independent non-executive Directors, will be able to seek independent professional advice from external parties in appropriate circumstances at our Company's costs.

Our Company is expected to comply with the Corporate Governance Code and Corporate Governance Report in Appendix 14 of the Listing Rules which sets out principles of good corporate governance in relation to, among others, Directors, chief executive, Board composition, the appointment, re-election and removal of Directors, their responsibilities and remuneration and communication with our Shareholders. Our Company will state in our interim and annual reports whether we have compiled with such code, and will provide details of, and reasons for, any deviation from it in the corporate governance reports attached to our annual reports.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following the completion of the [**REDACTED**] and the Capitalisation Issue, the following persons will have an interest or short position in the Shares and the underlying Shares which would fall to be disclosed to our Company under provisions of Divisions 2 and 3 of Part XV of the SFO, or who are, directly or indirectly, interested in 10% or more of the total number of shares in any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group:

(a) Interest in our Company

		As at the Latest Practicable Date		As at [REDACTED]	
Name of shareholder	**Capacity/Nature of interest**	**Number of Shares held**	**Approximate percentage of shareholding in our Company**	**Number of Shares held**	**Approximate percentage of shareholding in our Company**
Mr. Chan[(1),(2)]	Interest in a controlled corporation	68,319	68.3%	[**REDACTED**]	[**REDACTED**]%
Ms. Leung Yi Ling[(1),(2)]	Interest of a spouse	68,319	68.3%	[**REDACTED**]	[**REDACTED**]%
Chun Fat[(1),(2)]	Beneficial interest	68,319	68.3%	[**REDACTED**]	[**REDACTED**]%

Notes:

(1) Our Company will be directly owned as to [**REDACTED**]% by Chun Fat as at Listing. Chun Fat is owned as to 70.7%, 12.6%, 9.9% and 6.8% by Mr. Chan, Mr. Lau, Mr. Ho and Mr. Yuen, respectively. Therefore, Mr. Chan is deemed to be interested in the same number of Shares that Chun Fat is interested in under the SFO.

(2) Ms. Leung Yi Ling is the spouse of Mr. Chan and is deemed to be interested in the same number of Shares that Mr. Chan is interested in under the SFO.

Save as disclosed in this section, our Directors are not aware of any persons who will, immediately following the completion of the Capitalisation Issue and the [**REDACTED**] (without taking into account any Shares that may be allotted and issued pursuant to the exercise of the [**REDACTED**] and the Share Options), have an interest or a short position in the Shares or underlying Shares which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group. Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company or our subsidiaries.

SHARE CAPITAL OF THE COMPANY

The authorised and issued share capital of our Company is as follows:

Authorised share capital as at the date of this document:

	HK$
[10,000,000,000] Shares of HK$0.01 each	[100,000,000]

Assuming the [**REDACTED**] is not exercised, the issued share capital of our Company immediately upon completion of the Capitalisation Issue and [**REDACTED**] will be as follows (without taking into account the Shares to be issued upon exercise of the Share Options):

Shares issued or to be issued, fully paid or credited as fully paid:

[100,000]	Shares in issue as of the date of this document	[1,000]
[**REDACTED**]	Shares to be issued pursuant to the Capitalisation Issue	[**REDACTED**]
[**REDACTED**]	Shares to be issued under the [**REDACTED**]	[**REDACTED**]
[**REDACTED**]	**Total**	[**REDACTED**]

Assuming the [**REDACTED**] is exercised in full, the issued share capital of our Company immediately upon completion of the Capitalisation Issue and [**REDACTED**] will be as follows (without taking into account the Shares to be issued upon exercise of the Share Options):

Shares issued or to be issued, fully paid or credited as fully paid:

[100,000]	Shares in issue as of the date of this document	[1,000]
[**REDACTED**]	Shares to be issued pursuant to the Capitalisation Issue	[**REDACTED**]
[**REDACTED**]	Shares to be issued under the [**REDACTED**]	[**REDACTED**]
[**REDACTED**]	**Total**	[**REDACTED**]

Assumptions:

The above table assumes that the [**REDACTED**] has become unconditional and the Shares are issued pursuant to the [**REDACTED**] and the Capitalisation Issue. It takes no account of (a) any Shares which may be allotted and issued pursuant to the exercise of the Share Options; or (b) which may be allotted and issued or repurchased by our Company pursuant to the general mandates granted to our Directors to issue or repurchase Shares as described below.

RANKING

The [**REDACTED**] and the Shares that may be issued pursuant to the [**REDACTED**] shall rank pari passu with all existing Shares in issue on the date of the allotment and issue of such Shares, and in particular will be entitled to all dividends or other distributions declared, made or paid after the date of this document except for the Capitalisation Issue.

CAPITALISATION ISSUE

Pursuant to the written resolutions of our Shareholders passed on [●] 2019, conditional upon the share premium account of our Company being credited as a result of the issue of [**REDACTED**] pursuant to the [**REDACTED**], our Directors were authorised to allot and issue on the Listing Date a total of [**REDACTED**] Shares credited as fully-paid at par to the Shareholders whose names appear on the register of members of our Company at close of business on [**REDACTED**] in proportion to their respective shareholdings by way of capitalisation of the sum of HK$[**REDACTED**] standing to the credit of the share premium account of our Company, and the Shares to be allotted and issued pursuant to the Capitalisation Issue shall rank *pari passu* in all respects with the existing issued Shares.

MINIMUM PUBLIC FLOAT

Pursuant to Rule 8.08(1)(a) Listing Rules, at the time of the Listing and at all times thereafter, we must maintain the minimum prescribed percentage of at least 25% of our total issue share capital in the hands of the public (as defined in the Listing Rules).

SHARE OPTION SCHEME

We have conditionally adopted the Share Option Scheme as further described in "Appendix V — Statutory and General Information — D. Share Option Scheme".

GENERAL MANDATE TO ISSUE SHARES

Conditional on the fulfilment of all conditions as stated in "Structure and Conditions of the [**REDACTED**]", our Directors have been granted with a general unconditional mandate to allot, issue and deal with Shares in aggregate number of not more than the sum of:

(a) 20% of the aggregate nominal value of our entire issued share capital immediately upon completion of the Capitalisation Issue and [**REDACTED**] (but excluding any Shares that may be issued upon exercise of the [**REDACTED**]); and

(b) the aggregate number of Shares repurchased by our Company, if any, under the Repurchase Mandate referred to below ("**Issuing Mandate**").

The aggregate number of the Shares which our Directors are authorised to allot and issue under this Issuing Mandate will not be reduced by the allotment and issue of Shares pursuant to (i) a rights issue, or (ii) any scrip dividend scheme or similar arrangement providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with our Articles of Association; or (iii) any specific authority granted by our Shareholders in general meeting(s); or (iv) any arrangement which may be regulated under Chapter 17 of the Listing Rules.

This mandate will expire at the earliest of:

(a) the conclusion of our Company's next annual general meeting unless by ordinary resolution passed at that meeting, the Issuing Mandate is renewed, either unconditionally or subject to conditions; or

(b) the expiration of the period within which our Company is required by the applicable Cayman Islands law or our Articles of Association to hold our next annual general meeting; or

(c) when varied, revoked or renewed by an ordinary resolution of our Shareholders in general meeting.

For further details of this general mandate, see "Statutory and General Information — A. Further Information about our Group — 4. Written resolutions of our Shareholders passed on [●] 2019" in Appendix V to this document.

GENERAL MANDATE TO REPURCHASE SHARES

Our Directors have been granted with a general unconditional mandate to exercise all the powers of our Company to repurchase Shares in an aggregate number of not more than 10% of the aggregate number of the Shares in issue following the completion of the [**REDACTED**] and the Capitalisation Issue (but excluding any Shares that may be issued upon exercise of the [**REDACTED**]) ("**Repurchase Mandate**").

This mandate only relates to repurchases made on the Stock Exchange, or any other stock exchange on which the Shares are listed (and which is recognized by the SFC and the Stock Exchange for this purpose), and which are made in accordance with all applicable laws and requirements of the Listing Rules. Further information required by the Stock Exchange to be included in this document regarding the repurchase of Shares is set out in "A. Further Information about our Group — 6. Repurchase by our Company of its own securities" in Appendix V to this document.

This Repurchase Mandate will expire at the earliest of:

(a) the conclusion of our Company's next annual general meeting unless by ordinary resolution passed at that meeting, the Repurchase Mandate is renewed, either unconditionally or subject to conditions; or

(b) the expiration of the period within which our Company is required by the applicable Cayman Islands law or our Articles of Association to hold our next annual general meeting; or

(c) when varied, revoked or renewed by an ordinary resolution of our Shareholders in general meeting.

For further details of this general mandate, see "Appendix V — Statutory and General Information — A. Further Information about our Group — 4. Written resolutions of our Shareholders passed on [●] 2019" in this document.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

Pursuant to the Companies Law and the terms of our Memorandum of Association and our Articles of Association, our Company may from time to time by ordinary resolution of shareholders (i) increase its capital; (ii) consolidate and divide its capital into Shares of larger amount; (iii) divide its Shares into several classes; (iv) subdivide its Shares into Shares of smaller amount; and (v) cancel any Shares which have not been taken. In addition, our Company may subject to the provisions of the Companies Law reduce its share capital by special resolution of shareholders. For details, see "Summary of the Constitution of the Company and Cayman Islands Company Law — 2. Articles of Association — (iii) Alteration of capital" in Appendix IV to this document.

Pursuant to the Companies Law and the terms of our Memorandum of Association and our Articles of Association, all or any of the special rights attached to our Share or any class of Shares may be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued Shares in that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the Shares in that class. For details, see "Summary of the Constitution of the Company and Cayman Islands Company Law — 2. Articles of Association — (ii) Variation of rights of existing shares or classes of shares" in Appendix IV to this document.

You should read this section in conjunction with our consolidated financial information as at and for the years/period ended 31 December 2016 and 2017 and 30 September 2018, including the notes thereto, as set forth in "Appendix I — Accountants' Report" to this document and the selected historical consolidated financial information and operating data included elsewhere in this document. The consolidated financial information has been prepared in accordance with HKFRSs.

The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual results, outcomes and developments will meet the expectations and predictions depends on a number of risk and uncertainties over which our Group do not have control. Please refer to the sections headed "Risk Factors" and "Forward-Looking Statements" in this document for discussion of those risks and uncertainties.

OVERVIEW

We are a multi-brand casual dining restaurant group originated in Hong Kong. In addition to our flagship "Tai Hing" brand, we have successfully grown our brand portfolio (through in-house development, acquisitions and licensing), which now also comprises "TeaWood", "Trusty Congee King", "Men Wah Bing Teng", "Phở Lệ", "Tokyo Tsukiji", "Fisher & Farmer" and "Rice Rule". As at the Latest Practicable Date, we had 185 restaurants (comprising 178 restaurants operated by us and 7 restaurants operated by our franchisees) in our restaurant network, with 122 restaurants in Hong Kong, 62 restaurants in Mainland China and 1 restaurant in Macau.

According to the Frost & Sullivan Report, we ranked: (i) first in terms of revenue in the self-operated casual dining restaurant market in Hong Kong; (ii) first in terms of the number of restaurants in the Taiwanese casual dining market in Hong Kong; and (iii) second in terms of revenue in the self-operated casual dining restaurant market in Mainland China, each in 2017.

Our revenue increased by 10.3% from HK$2,513.0 million for FY2016 to HK$2,771.3 million for FY2017. Our profit for the year attributable to owners of our Company increased by 6.5% from HK$108.6 million for FY2016 to HK$115.7 million for FY2017.

For 9M2017 and 9M2018, our revenue increased by 14.9% from HK$2,044.4 million for 9M2017 to HK$2,348.9 million for 9M2018. Our profit attributable to owners of our Company for the periods increased by 203.1% from HK$95.5 million for 9M2017 to HK$289.3 million for 9M2018. Excluding non-recurring gain on disposal of non-current assets classified as held for sale and [**REDACTED**] expenses of HK$162.6 million and HK$6.5 million, respectively, our profit attributable to the owners of our Company for 9M2018 would amount to HK$133.2 million, representing an increase of 39.6% over 9M2017.

BASIS OF PRESENTATION AND PREPARATION

Our Company was incorporated in the Cayman Islands on 11 December 2017 as an exempted company with limited liability. In preparation for the Listing, our Group underwent the Reorganisation. Please refer to section headed "History, Development and Reorganisation" in this document for further details of the Reorganisation. Our consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the Track Record Period include the results, changes in equity and cash flows of the companies now comprising our Group following the consummation of the Reorganisation, as if our Group had been in existence in its current form throughout the Track Record Period.

We have prepared our consolidated financial information for the Track Record Period in accordance with HKFRSs issued by the Hong Kong Institute of Certified Public Accountants, on the basis of presentation and basis of preparation as set out in notes 2.1 and 2.2 of the Accountants' Report contained in Appendix I to this document, and no adjustments have been made in preparing the financial information. Such consolidated financial information has been prepared under historical cost convention except for investment properties and financial assets at fair value through profit or loss, which have been measured at fair value.

The financial information contained herein is presented in Hong Kong dollars, which is the functional currency of Group.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

We have identified certain accounting policies that are most significant to the preparation of our Group's financial statements in accordance with HKFRSs. Except for the new or revised IFRSs, interpretations or amendments that are not yet mandatory for annual periods beginning on or after 1 January 2019 (for details of which, please refer to note 2.3 included in Accountants' Report set out in Appendix I to this document), we have adopted all applicable standards and interpretations consistently throughout the Track Record Period except for HKFRS 9 *Financial Instruments* which is adopted by our Group from 1 January 2018 as the standard does not allow the use of hindsight if it is applied retrospectively. The Accountants' Report in Appendix I to this document set forth these significant accounting policies, which are important to understand our financial conditions and results of operations.

Some of our accounting policies involve subjective assumptions, estimates, as well as complex judgements relating to assets, liabilities, income, expenses and other accounting items. In each case, the determination of these items requires management judgments based on information and financial data that may change in future periods. We applied the accounting estimates throughout the Track Record Period and do not foresee any changes in the near future. We set forth below those accounting policies and estimates that we believe involve the most significant estimates and judgements used in the preparation of our consolidated financial statements.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which our Group expects to be entitled in exchange for those goods or services on the following bases:

(a) from restaurant operation, when catering services have been provided to customers;

(b) from sale of food products, when control of the goods has been transferred when the products are accepted by the customers. The customers have full discretion over the products, and there is no unfulfilled obligation that could affect customer's acceptance of the products;

Revenue for other sources

(c) royalty income, on an accrual basis in accordance with the terms and conditions of the franchise agreements, based on a certain percentage of net sales of franchised restaurants for use of the "Tai Hing" trademark;

(d) rental income, on a time proportion basis over the lease terms; and

(e) interest income, on an accrual basis using the effective interest rate method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or shorter period, when appropriate, to the net carrying amount of the financial asset.

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to our Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including prepaid land lease payments under finance leases, are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to profit or loss so as to provide a constant periodic rate of charge over the lease terms.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where our Group is the lessor, assets leased by our Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to profit or loss on the straight-line basis over the lease terms. Where our Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to profit or loss on the straight-line basis over the lease terms.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which our Group operates.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5, as further explained in the accounting policy for "Non-current assets classified as held for sale". The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, our Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year/period the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Depreciation of property, plant and equipment

Our Group depreciates the different classes of property, plant and equipment on a straight-line basis at applicable depreciation rates over the estimated useful life. The useful life is estimated with reference to the wear and tear, history of property, plant and equipment. The estimated useful life reflects the directors' estimate of the periods that our Group intends to derive future economic benefits from the use of our Group's property, plant and equipment.

Impairment of property, plant and equipment

Our Group determines whether property, plant and equipment are impaired when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of the property, plant and equipment exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair values less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value-in-use calculation are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Our results of operations and financial condition have been and will continue to be affected by a number of factors, including those set out in the section headed "Risk factors" in this document and the factors discussed below.

The number of our self-operated restaurants

We generate substantially all of our revenue from our self-operated restaurants, which are affected by the number of our restaurants in operation in each of the financial years/periods. Our revenue growth will primarily depend on the opening and closing of our restaurants.

The following table sets forth the number of our self-operated restaurants but excluding restaurants operated by our franchisee, by geographical region, as at the dates indicated:

	As at 31 December		As at 30 September	As at the Latest Practicable Date
	2016	2017	2018	
Number of restaurants:				
Hong Kong	95	106	117	120
Mainland China	49	53	55	57
Macau	–	1	1	1
Total	144	160	173	178

The following table sets forth information on revenue and number of our restaurants in operation, as well as restaurants opened and restaurants closed/relocated during the years/period indicated:

	Restaurants in operation throughout the period	Restaurants opened during the period	Restaurants closed[Note]/ relocated during the period	Total
FY2016				
Revenue (HK$'000)	2,237,072	159,263	58,351	2,454,686
Percentage of revenue	91.1%	6.5%	2.4%	100.0%
Number of restaurants	127	25	(8)	144
FY2017				
Revenue (HK$'000)	2,349,827	250,526	111,603	2,711,956
Percentage of revenue	86.6%	9.2%	4.2%	100.0%
Number of restaurants	144	31	(15)	160
9M2018				
Revenue (HK$'000)	2,089,921	123,795	83,266	2,296,982
Percentage of revenue	91.0%	5.4%	3.6%	100.0%
Number of restaurants	160	23	(10)	173

Note: Closed restaurants include restaurants that have been rebranded during the period indicated.

Our new restaurants generally require a period of time to reach planned operating levels due to start-up inefficiencies typically associated with new restaurants. As at Latest Practicable Date, the typical range of breakeven period (being the time period required for a restaurant to achieve a breakeven point, i.e. the monthly revenue of the restaurant is at least equal to the monthly expense of that restaurant) for two consecutive months, generally ranged from two to three months. Investment payback period means the time it takes for the accumulated operating cash flow generated from a restaurant to equate the initial costs of opening that restaurant. Depending on the size, location, brand, cuisine, operating performance and initial investment costs being offered by the restaurant, the typical range of our investment payback period of our restaurants is 11 to 26 months. For details, please refer to "Business — Our Restaurants — Breakeven and investment payback period of our existing self-operated restaurants".

Comparable restaurant revenue

Our profitability is affected in part by our ability to achieve growth in revenue from our existing restaurants. We define our comparable restaurants (the "**Comparable Restaurant(s)**") as those self-operated restaurants that were in full operation throughout the years/periods under comparison, which excludes contributions from restaurants that were renovated or being relocated. We believe that Comparable Restaurant revenue provides a meaningful period-to-period comparison of restaurant performance because they exclude the increase in revenue from restaurants newly opened in a period.

The table below sets forth the number of Comparable Restaurants and our Comparable Restaurants revenue over the periods indicated:

	FY2016 & FY2017	9M2017 & 9M2018
Number of Comparable Restaurants		
Tai Hing	73	79
TeaWood	14	22
Trusty Congee King	5	9
Tokyo Tsukiji	3	3
Fisher & Farmer	1	–
Total number of Comparable Restaurants	96	113

	FY2016	FY2017	Same store growth rate	9M2017	9M2018	Same store growth rate
Comparable Restaurants revenue (HK$'000)						
Tai Hing	1,489,938	1,479,361	(0.7)%	1,131,249	1,197,132	5.8%
TeaWood	280,015	261,461	(6.6)%	294,988	297,472	0.8%
Trusty Congee King	64,702	68,723	6.2%	78,724	88,656	12.6%
Tokyo Tsukiji	22,506	21,934	(2.5)%	16,615	15,493	(6.8)%
Fisher & Farmer	18,463	18,166	(1.6)%	–	–	–
Total revenue	1,875,624	1,849,645	(1.4)%	1,521,576	1,598,753	5.1%

	FY2016	FY2017	9M2017	9M2018
Average spending per guest of the Comparable Restaurants *(Note 1)* *(HK$)*				
Tai Hing	67.5	66.4	65.5	69.7
TeaWood	93.4	89.3	95.9	95.9
Trusty Congee King	74.2	60.5	61.9	62.2
Tokyo Tsukiji	86.8	78.8	79.0	79.2
Fisher & Farmer	214.6	195.3	–	–
Overall average spending per guest	71.5	69.4	69.9	73.1
Total guests served by the Comparable Restaurants (thousands) *(Note 2)*				
Tai Hing	21,251	21,385	16,517	16,409
TeaWood	2,995	2,916	3,037	3,002
Trusty Congee King	810	1,030	1,172	1,289
Tokyo Tsukiji	259	278	208	194
Fisher & Farmer	86	93	–	–
Total	25,401	25,702	20,934	20,894

	FY2016	FY2017	9M2017	9M2018
Average seat turnover rate of the Comparable Restaurants *(Note 3)*				
Tai Hing	5.2	5.2	5.2 *(Note 4)*	5.2 *(Note 4)*
TeaWood	5.5	5.1	5.3	5.2
Trusty Congee King	5.0	6.3	6.0	6.7
Tokyo Tsukiji	4.5	4.8	4.8	4.5
Fisher & Farmer	1.8	2.0	–	–
Overall average seat turnover rate	5.2	5.2	5.2	5.2

Notes:

1 Calculated by dividing gross revenue generated from Comparable Restaurants operation (excluding takeaway orders) by total guests served.

2 This is based on the point-of-sale system we use across most of our restaurants which captures and records the number of guest served (excluding takeaway orders).

3 Calculated by dividing the total number of guest served (excluding takeaway orders) by the total seating capacity by average operating days for the Comparable Restaurants.

4 One of our Tai Hing Restaurants was located in a food court and shared seating area with other restaurants. As individual seating capacity of Tai Hing is not available, seat turnover rate of that restaurant cannot be calculated.

Our Comparable Restaurants growth rate are affected in part by our operational changes and the spending by our customers at our Comparable Restaurants. We recorded a negative same store growth rate of 1.4% between FY2016 and FY2017 which was primarily contributed by a negative same store growth rate of 6.6% for the Comparable Restaurant of our "TeaWood" brand. As we continue to diversify the target locations for opening new restaurants, guest count per Comparable Restaurants may be diluted. Such decrease was partially offset by the increasing growth rate of Trusty Congee King Comparable Restaurants as we extended our opening hours for those restaurants. We recorded a same store growth rate of 5.1% between 9M2017 and 9M2018, which was primarily contributed by the continuing effect of our extension in operating hours of our Trusty Congee King Restaurants.

Average spending per guest and average seat turnover rate

Average spending per guest and average seat turnover rate significantly affect our results of operation. We record the guest count with our point-of-sale system at each restaurant. Average spending per guest represents our restaurant sales divided by the guest count of the relevant restaurant during the relevant period. The average spending per guest and average seat turnover rate at our restaurants are affected by, among other things, macroeconomic factors, our menu mix and pricing, changes in spending patterns and consumer tastes and lifestyle trends of the general public.

Staff costs

We emphasise the importance of quality of services which is our key driver of the continuing success in our restaurants. In order to offer the best possible service to our customers, we provide competitive remuneration packages, as well as career development and promotion opportunities to our staff to improve our staff retention.

Our staff costs include all salaries and benefits payable to all our employees, including Directors, senior management, heads of departments, factories, logistics centre, headquarters and restaurant staff. For FY2016, FY2017, and 9M2018, our staff costs amounted to HK$743.9 million, HK$858.9 million and HK$767.4 million, representing 29.6%, 31.0% and 32.7% of our total revenue, respectively.

According to the Frost & Sullivan Report, with the enforcement of minimum wages and prolonged labour shortage in the catering service market in Hong Kong along with inflation, the monthly salary in catering service industry in Hong Kong increased from approximately HK$10,000 in 2013 to approximately HK$12,400 in 2017, representing a CAGR of 5.5%. Furthermore, according to the Frost & Sullivan Report, labour cost in Mainland China has increased in recent years, driven by the rising labour cost and high employee turnover in the catering service industry. The rising cost and the lack of both service personnel and mid-to-high level management personnel are likely to be a challenge for the catering service industry. The average annual salary of workers in Mainland China catering service market has increased rapidly from RMB32,236 in 2013 to RMB 42,474 in 2017, representing a CAGR of 7.1%, according to National Bureau of Statistics. It is also expected that the average annual salary of workers in Mainland China catering service market is expected to keep increasing with a CAGR of 7.5% during 2017 to 2022. Any change to the level of staff costs, such as further increase in the statutory minimum wage rate in Hong Kong or in Mainland China, would likely increase our staff costs and will have a direct impact on our results of operations. If we cannot transfer such increments to our customers, our profitability and results of operations may be materially and adversely affected.

For illustrative purpose only, the following sensitivity analysis illustrates the impact of hypothetical fluctuations of our staff costs on our profit before tax assuming our headcount remained unchanged for the years/periods indicated. Fluctuations in our staff costs are assumed to be 3.0% and 5.0% based on the extent of fluctuation in the staff cost during the Track Record Period.

	Impact on our profit before tax		
	FY2016	FY2017	9M2018
	HK$'000	HK$'000	HK$'000
Staff costs increase/decrease by:			
+/- 3%	-/+22,316	-/+25,767	-/+23,021
+/- 5%	-/+37,193	-/+42,945	-/+38,368

Rentals and related expenses

The costs for renting and maintaining our restaurants, headquarters and signboards are included in property rentals and related expenses. For FY2016, FY2017 and 9M2018, our rentals and related expenses amounted to HK$345.0 million, HK$399.7 million and HK$339.6 million, representing 13.7%, 14.4% and 14.5% of our total revenue, respectively. Depending on the size and location of the premises, our rental expenses may vary among different restaurants. Most of our restaurant leases provide for a fixed rent. Some of our restaurant leases require the rent to be determined as a sum of a specified fixed amount and a contingent amount calculated based on a certain percentage of the monthly turnover if monthly turnover exceeds a certain amount, depending on the specific terms of the relevant lease agreements.

Our restaurant leases typically have terms of three to eight years. Where the terms and conditions of the option period could be accepted by us, such leases will contain an option to renew. For illustrative purpose only, the following sensitivity analysis illustrates the impact of hypothetical fluctuations of our property rentals and related expenses on our profit before tax for the years/periods indicated. Hypothetical fluctuations in our property rentals and related expenses are assumed to be 5.0% and 10.0% based on the extent of fluctuation in the rentals and related expenses during the Track Record Period.

	Impact on our profit before tax		
	FY2016	**FY2017**	**9M2018**
	HK$'000	**HK$'000**	**HK$'000**
Rental and related expense increase/decrease by:			
+/- 5%	-/+17,251	-/+19,986	-/+16,982
+/- 10%	-/+34,502	-/+39,973	-/+33,963

Cost of materials consumed

Our cost of materials consumed represents the cost of food ingredients and beverages used in our restaurant operations, which affects our financial performance to a great extent. For FY2016, FY2017 and 9M2018, our cost of materials consumed amounted to HK$735.2 million, HK$787.0 million and HK$667.8 million, representing 29.3%, 28.4% and 28.4% of our total revenue, respectively.

Our food ingredients are mainly sourced from suppliers in Hong Kong and Mainland China. According to the Frost & Sullivan Report, food price index of major raw materials has been growing at a steady pace from 2013 to 2017. In response to this upward trend, we have, among other things, increased prices of selected menu items, made direct and bulk purchases and enhanced relations with our major suppliers to secure better pricing.

For illustrative purpose only, the following sensitivity analysis illustrates the impact of hypothetical fluctuations of our cost of materials consumed on our profit before tax, assuming the consumption level of materials remained unchanged for the years/periods indicated. Hypothetical fluctuations in our cost of food and beverages are assumed to be 1.0%, 3.0% and 5.0% based on the extent of fluctuation in the cost of materials consumed during the Track Record Period.

	Impact on our profit before tax		
	FY2016	**FY2017**	**9M2018**
	HK$'000	**HK$'000**	**HK$'000**
Cost of materials consumed increase/decrease by:			
+/- 1%	-/+7,352	-/+7,870	-/+6,678
+/- 3%	-/+22,055	-/+23,611	-/+20,033
+/- 5%	-/+36,758	-/+39,352	-/+33,388

General economic conditions in Hong Kong, Mainland China, Macau and Taiwan and discretionary consumer spending of our customers.

Our results of operations are and will be vulnerable to the economic conditions in Hong Kong, Mainland China, Macau and Taiwan. We expect to further expand in Hong Kong, Mainland China, Macau and Taiwan by opening new restaurants in the coming years. Our success depends to a certain extent on discretionary consumer spending, which is influenced by the general economic conditions in the region where we operate our restaurants. Any significant movements in the amount of discretionary spending is beyond our control and could have an adverse effect on our revenue and results of operations.

Seasonality

Our business is subject to seasonality. During the Track Record Period, we generally recorded higher monthly revenue during major holidays, such as Christmas, Chinese New Year and summer, and lower revenues during the period after these major holidays. As such, our revenue will experience a certain degree of seasonality.

RESULTS OF OPERATIONS

The following table summarises the consolidated statements of profit or loss and other comprehensive income for the years/periods indicated, details of which are set out in the Accountants' Report in Appendix I to this document.

	FY2016		FY2017		9M2017		9M2018	
	HK$'000	% of revenue	HK$'000	% of revenue	HK$'000	% of revenue	HK$'000	% of revenue
					(unaudited)			
Revenue	2,512,970	100.0	2,771,277	100.0	2,044,436	100.0	2,348,942	100.0
Cost of materials consumed	(735,162)	(29.3)	(787,030)	(28.4)	(581,650)	(28.5)	(667,754)	(28.4)
Gross profit	1,777,808	70.7	1,984,247	71.6	1,462,786	71.5	1,681,188	71.6
Other income and gains, net	32,939	1.3	45,696	1.6	37,183	1.8	16,072	0.7
Gain on disposal of non-current assets classified as held for sale	–	–	–	–	–	–	162,614	6.9
Staff costs	(743,853)	(29.6)	(858,909)	(31.0)	(624,110)	(30.5)	(767,358)	(32.7)
Depreciation and amortisation	(128,995)	(5.1)	(133,396)	(4.8)	(102,276)	(5.0)	(108,417)	(4.6)
Rental and related expenses	(345,018)	(13.7)	(399,729)	(14.4)	(296,177)	(14.5)	(339,630)	(14.5)
Other operating expenses, net	(328,562)	(13.1)	(347,757)	(12.5)	(242,598)	(11.9)	(289,560)	(12.3)
Finance costs	(16,587)	(0.7)	(19,611)	(0.7)	(14,480)	(0.7)	(18,138)	(0.8)
[**REDACTED**] expenses	–	–	–	–	–	–	(6,536)	(0.3)
PROFIT BEFORE TAX	247,732	9.8	270,541	9.8	220,328	10.8	330,235	14.0
Income tax expense	(50,853)	(2.0)	(60,908)	(2.2)	(47,356)	(2.3)	(40,938)	(1.7)
PROFIT FOR THE YEAR/PERIOD	196,879	7.8	209,633	7.6	172,972	8.5	289,297	12.3
Profit for the year/period attributable to:								
Owners of the Company	108,644	4.3	115,682	4.2	95,451	4.7	289,297	12.3
Non-controlling interests	88,235	3.5	93,951	3.4	77,521	3.8	–	–
	196,879	7.8	209,633	7.6	172,972	8.5	289,297	12.3

DESCRIPTION OF SELECTED ITEMS IN CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Revenue

We generate revenue from (i) our restaurant operation; and (ii) sales of food products. For FY2016, FY2017, 9M2017 and 9M2018, our revenue was HK$2,513.0 million, HK$2,771.3 million, HK$2,044.4 million and HK$2,348.9 million, respectively.

The table below sets forth a breakdown of the source of revenue for the years/periods indicated:

	FY2016		FY2017		9M2017		9M2018	
	HK$'000	%	HK$'000	%	HK$'000	%	HK$'000	%
					(unaudited)			
Revenue from restaurant operations	2,454,686	97.7	2,711,956	97.9	1,999,590	97.8	2,296,982	97.8
Revenue from sales of food products	58,284	2.3	59,321	2.1	44,846	2.2	51,960	2.2
Total	2,512,970	100.0	2,771,277	100.0	2,044,436	100.0	2,348,942	100.0

Restaurant Operation

The majority of our revenue was generated by our restaurant operation in Hong Kong, Mainland China and Macau, amounting to HK$2,454.7 million, HK$2,712.0 million, HK$1,999.6 million and HK$2,297.0 million, representing 97.7%, 97.9%, 97.8% and 97.8% of our total revenue for FY2016, FY2017, 9M2017 and 9M2018, respectively. Our revenue fluctuations for the corresponding periods were primarily due to the combined effects of (i) the number of restaurants in operation during the respective financial years/periods; (ii) pricing of our menus in each of our restaurants; and (iii) number of guests at each of our restaurants.

The table below sets forth the breakdown of our revenue from restaurant operation of our self-operated restaurants by brands for the years/periods indicated:

	FY2016		FY2017		9M2017		9M2018	
	HK$'000	%	HK$'000	%	HK$'000	%	HK$'000	%
					(unaudited)			
Tai Hing	1,868,481	76.1	1,900,924	70.1	1,409,736	70.5	1,539,795	67.0
TeaWood	392,094	15.9	536,509	19.8	401,161	20.1	419,938	18.3
Trusty Congee King	114,877	4.7	149,928	5.5	104,147	5.2	150,997	6.6
Men Wah Bing Teng	–	–	26,312	1.0	14,214	0.7	75,263	3.3
Phở Lệ	–	–	21,464	0.8	12,704	0.6	65,429	2.8
Tokyo Tsukiji	29,436	1.2	28,817	1.1	21,872	1.1	18,771	0.8
Fisher & Farmer	18,463	0.8	18,166	0.7	13,193	0.7	9,735	0.4
Rice Rule	–	–	–	–	–	–	741	0.1
Others*(Note)*	31,335	1.3	29,836	1.1	22,563	1.1	16,313	0.7
Total	2,454,686	100.0	2,711,956	100.0	1,999,590	100.0	2,296,982	100.0

Note: Others represent revenue from certain of our discontinued brands during the Track Record Period and up to the Latest Practicable Date.

Through our multi-brand business model, we were able to increase our revenue from our existing self-developed brands, and introducing new brands throughout the Track Record Period. Our largest brand, "Tai Hing", contributed the majority of our revenue, representing 76.1%, 70.1%, 70.5% and 67.0% of our revenue from restaurant operations for FY2016, FY2017, 9M2017 and 9M2018, respectively. Our revenue from our second largest brand, "TeaWood", contributed 15.9%, 19.8%, 20.1% and 18.3% of our revenue of our restaurant operation for FY2016, FY2017, 9M2017 and 9M2018, respectively. The increase in revenue from "TeaWood" over the periods was primarily due to increase in the number of "TeaWood" Restaurants over the Track Record Period. During FY2017, we introduced two new brands, namely "Men Wah Bing Teng" and "Phở Lệ", which contributed in aggregate nil, 1.8%, 1.3% and 6.1% of our total revenue from restaurant operation for FY2016, FY2017, 9M2017 and 9M2018, respectively. Our Directors believe that our current and future growth in revenue will depend on the continuous expansion of our existing self-developed brands and introducing new brands.

During the Track Record Period, revenue from our restaurants were generated in Hong Kong, Mainland China and Macau. The table below sets forth the breakdown of our revenue from restaurant operations of our self-operated restaurants by geographic segment for the years/periods indicated:

	FY2016		FY2017		9M2017		9M2018	
	HK$'000	%	HK$'000	%	HK$'000	%	HK$'000	%
					(unaudited)			
Hong Kong and Macau	1,775,558	72.3	2,043,075	75.3	1,497,332	74.9	1,757,991	76.5
Mainland China	679,128	27.7	668,881	24.7	502,258	25.1	538,991	23.5
Total	2,454,686	100.0	2,711,956	100.0	1,999,590	100.0	2,296,982	100.0

Our guests primarily settle our restaurant checks by (i) cash; (ii) credit cards; and (iii) others (including various electronic payments). The table below sets forth the breakdown of our revenue from restaurant operations of our self-operated restaurants by means of settlement method by our customers for the years/period indicated:

	FY2016		FY2017		9M2017		9M2018	
	HK$'000	%	HK$'000	%	HK$'000	%	HK$'000	%
					(unaudited)			
Settlement by way of *(Note 1)*								
Cash	1,465,317	59.7	1,409,891	52.0	1,059,570	53.0	1,108,020	48.2
Credit Card	449,974	18.3	448,552	16.5	341,456	17.1	319,148	13.9
Others *(Note 2)*	539,395	22.0	853,513	31.5	598,564	29.9	869,814	37.9
Total	2,454,686	100.0	2,711,956	100.0	1,999,590	100.0	2,296,982	100.0

Notes:

1 Mainly derived from our point-of-sale system which captures and records the settlement method of each bill.

2 Others mainly include payment by Octopus and other electronic payment means such as Alipay and WeChat Payment.

For further information on our restaurant operation, please see "Business — Our restaurants".

Sales of food products

Our revenue from sales of food products primarily represents sales of (i) seasonal products for various holiday and festivals; and (ii) other food products such as canned products sold to our individual and corporate customers. For FY2016, FY2017, 9M2017 and 9M2018, our revenue from sales of food products amounted to HK$58.3 million, HK$59.3 million, HK$44.8 million and HK$52.0 million, representing 2.3%, 2.1%, 2.2% and 2.2%, of our total revenue, respectively. Our revenue from sales of food products remained relatively stable and accounted for a relatively small portion of our overall revenue.

Cost of materials consumed

Our cost of materials consumed represents the cost of our food ingredients and beverages used in our operation. The principal food ingredients used in our restaurant operations include seafood, meat, vegetables, beverages and seasoning. For FY2016, FY2017, 9M2017 and 9M2018, our cost of materials consumed amounted to HK$735.2 million, HK$787.0 million, HK$581.7 million and HK$667.8 million, representing 29.3%, 28.4%, 28.5% and 28.4% of our total revenue, respectively. The increase in our cost of material consumed over the respective periods was primarily driven by the combined effects of (i) increase in the number of restaurants over the respective periods; (ii) changes of our raw material cost; (iii) menu design and (iv) number of guests visiting our restaurants.

Other income and gains, net

Our other income and gains amounted to HK$32.9 million, HK$45.7 million, HK$37.2 million and HK$16.1 million, representing 1.3%, 1.6%, 1.8% and 0.7% of our total revenue for FY2016, FY2017, 9M2017 and 9M2018, respectively. The following table sets forth a breakdown of our other income and gains for the years/periods indicated:

	FY2016	FY2017	9M2017	9M2018
	HK$'000	HK$'000	HK$'000 (unaudited)	HK$'000
Interest income from related companies	10,240	12,456	8,991	1,181
Compensations of early termination of tenancy agreements	–	8,529	8,529	–
Rental income	8,722	7,130	5,953	2,595
Royalty income	5,819	6,658	5,521	4,199
Fair value gain on investment properties, net	981	2,220	2,542	12
Subsidies received from a utility company for purchases of items of property, plant and equipment	1,683	2,217	1,627	2,031
Cash coupon forfeited	1,883	1,954	1,593	1,105
Gain on disposal of subsidiaries	–	–	–	472
Gain on deregistration of a subsidiary	1,605	–	–	1,270
Bank interest income	238	1,035	575	1,293
Government grant	–	310	308	183
Others	1,768	3,187	1,544	1,731
Total	32,939	45,696	37,183	16,072

Our interest income from related companies represents interest recharge arrangement between related parties and certain subsidiaries of our Group that had been acting as the principal financing platform for our related companies prior to the Reorganisation, which amounted to HK$10.2 million, HK$12.5 million, HK$9.0 million, HK$1.2 million for FY2016, FY2017, 9M2017 and 9M2018, respectively. Such interest recharge arrangement was principally arrived at with reference to (i) the interest cost of bank borrowings of our Group; and (ii) the amount of funding provided to our related companies. Upon completion of the Reorganisation, our Group had ceased such financing arrangement with our related companies, and no further material recharges or new financing arrangement are expected. For details of our related companies balances and transactions, please see notes 21 and 39 to the Accountants' Report in Appendix I to this document.

Our compensations for early termination of tenancy agreements represent one-off compensation paid by two landlords for early termination of two tenancy agreements of our restaurants located in Hong Kong. Such compensation amounted to HK$8.5 million for FY2017, which was primarily due to (i) a revitalisation plan by the government where one of our restaurants was located; and (ii) early surrender of tenancy as requested by a landlord due to renovation of the relevant shopping mall.

Our rental income represents income from leasing our investment properties to Independent Third Parties during the Track Record Period. For FY2016, FY2017, 9M2017 and 9M2018, our rental income amounted to HK$8.7 million, HK$7.1 million, HK$6.0 million and HK$2.6 million, respectively. The decrease of rental income of HK$1.6 million or 18.3% from FY2016 to FY2017 was primarily due to the expiry of certain leases during FY2017, which was in effect for the full year in FY2016. The decrease of rental income of HK$3.4 million or 56.4% from 9M2017 to 9M2018, was primarily because the majority of our investment properties were disposed and transferred to property, plant and equipment during 9M2018.

Our royalty income represents royalty fees received by our Group (as franchisor) under the Tai Hing Franchise Agreements. The calculation of royalty income is based on a fixed percentage of the franchised restaurants' monthly net revenue. For FY2016, FY2017, 9M2017 and 9M2018, our royalty income amounted to HK$5.8 million, HK$6.7 million, HK$5.5 million and HK$4.2 million, respectively. For details, please see "Business — Our Restaurants — Cooperation, franchise and joint venture agreements — Tai Hing Franchise Agreements".

Gain on disposal of non-current assets classified as held for sale

During 9M2018, we completed the disposal of certain investment properties and property, plant and equipment that were classified as held for sale as at 31 December 2017 with aggregate carrying amount of HK$361.1 million. Such non-current assets classified as held for sale were sold to related companies and Independent Third Parties for an aggregate consideration of HK$523.8 million, and a net gain on disposal of HK$162.6 million was recognised during 9M2018. For details, please see notes 26 and 39 to the Accountants' Report in Appendix I to this document.

Staff costs

Our staff costs primarily comprise salaries, bonuses, pension scheme contributions, and other benefits and allowances payable to our employees including our (i) Directors (ii) senior management; (iii) factory, logistics and headquarter staff; and (iv) our restaurant staff. For FY2016, FY2017, 9M2017 and 9M2018, our staff costs amounted to HK$743.9 million, HK$858.9 million, HK$624.1 million and HK$767.4 million, representing 29.6%, 31.0%, 30.5% and 32.7% of our total revenue, respectively. The increase in our staff costs during the Track Record Period was primarily driven by the (i) increase in head count to cater for our newly opened restaurants for the respective period; and (ii) annual salary increment for our staff. As at 31 December 2016 and 2017 and 30 September 2018, we had a total of approximately 5,500, 6,000 and 6,500 employees (full-time and part-time), respectively.

The following table sets forth a breakdown of our staff cost for the years/periods indicated:

	FY2016		FY2017		9M2017		9M2018	
	HK$'000	%	HK$'000	%	HK$'000	%	HK$'000	%
					(unaudited)			
Staff cost								
Directors	9,665	1.3	12,672	1.5	9,232	1.5	10,286	1.3
Headquarter staff*(Note 1)*	110,830	14.9	132,498	15.4	98,503	15.8	121,950	15.9
Restaurant staff*(Note 2)*	619,194	83.2	710,095	82.7	513,641	82.3	628,982	82.0
Staff welfare	4,164	0.6	3,644	0.4	2,734	0.4	6,140	0.8
Total	743,853	100.0	858,909	100.0	624,110	100.0	767,358	100.0

Notes:

1 Includes senior management, head of various department, factories, logistics and other headquarter staff.

2 Includes both full-time and part-time restaurant staff.

Depreciation and amortisation

Depreciation and amortisation represents depreciation and amortisation charges for leasehold land and buildings, leasehold improvements, furniture, fixtures and office equipment, motor vehicles, lease payments and intangible assets. For FY2016, FY2017, 9M2017 and 9M2018, our depreciation and amortisation amounted to HK$129.0 million, HK$133.4 million, HK$102.3 million and HK$108.4 million, representing 5.1%, 4.8%, 5.0% and 4.6% of our total revenue, respectively. The increase of our depreciation and amortisation over the Track Record Period was primarily driven by the combined effects of (i) increase in the number of restaurants in operation during the respective periods resulting in an increase in leasehold improvements and upgrade of our equipment; and (ii) capital expenditure in our Hong Kong Food Factory and Mainland China Food Factory, which was partially offset by disposals of certain items of property, plant and equipment upon closure or renovation of our restaurants.

Rental and related expenses

Rental and related expenses primarily consist of rental, property management fees and government rates for the premises of our restaurants, offices, warehouses and signboards for our advertisements. For FY2016, FY2017, 9M2017 and 9M2018, our property rentals and related expenses amounted to HK$345.0 million, HK$399.7 million, HK$296.2 million and HK$339.6 million, respectively, representing 13.7%, 14.4%, 14.5% and 14.5% of our total revenue, respectively. Our lease payments for the restaurant premises were charged in either fixed amounts or variable amounts, the latter of which were charged as the sum of a specified fixed amount plus a contingent rent calculated based on certain percentages of the monthly turnover if the monthly turnover exceeds a certain amount, depending on the specific terms of the relevant lease agreement of the restaurant.

The table below sets forth the breakdown of the property rental and related expenses based by category of expenses for the years/periods indicated:

	FY2016		FY2017		9M2017		9M2018	
	HK'000	%	HK'000	%	HK'000	%	HK'000	%
					(unaudited)			
Restaurants								
Fixed rent *(note 1)*	302,675	87.7	347,241	86.9	262,043	88.5	298,974	88.0
Contingent rent *(note 2)*	15,163	4.4	14,784	3.7	10,465	3.5	16,505	4.9
Others *(note 3)*	27,180	7.9	37,704	9.4	23,669	8.0	24,151	7.1
Total	345,018	100.0	399,729	100.0	296,177	100.0	339,630	100.0

Notes:

1 Fixed amounts of property rentals were charged in accordance with the lease terms for premises and include management fees and government rates.

2 Variable amounts of property rentals were charged based on turnover in accordance with the relevant lease terms of the restaurant.

3 Others include rental and related expenses from office, warehouses, signboards and its related management fees and government rates.

Other operating expenses

For FY2016, FY2017, 9M2017 and 9M2018, our other operating expenses amounted to HK$328.6 million, HK$347.8 million, HK$242.6 million and HK$289.6 million, respectively, representing 13.1%, 12.5%, 11.9% and 12.3% of our total revenue respectively. The table below sets forth a breakdown of our other operating expenses for the years/periods indicated:

	FY2016		FY2017		9M2017		9M2018	
	HK$'000	%	HK$'000	%	HK$'000	%	HK$'000	%
					(unaudited)			
Utilities expenses	111,094	33.8	110,462	31.8	82,234	33.9	94,098	32.5
Packing and consumables	39,275	11.9	40,853	11.7	29,914	12.3	36,141	12.5
Cleaning expenses (Note 1)	26,612	8.1	30,106	8.7	22,316	9.2	26,953	9.3
Advertising and promotion (Note 2)	24,790	7.5	26,646	7.7	19,719	8.1	15,515	5.4
Transportation and logistics (Note 3)	22,603	6.9	26,918	7.7	20,139	8.3	22,149	7.6
Repair and maintenance	16,972	5.2	16,795	4.8	12,859	5.3	18,733	6.5
Office expenses	14,224	4.3	16,468	4.7	10,313	4.3	15,177	5.2
Impairment of items of property, plant and equipment	11,713	3.6	2,646	0.8	–	–	–	–
Bank charges	8,749	2.7	11,236	3.2	8,091	3.3	15,471	5.3
Insurance	7,160	2.2	7,595	2.2	5,800	2.4	5,868	2.0
Licence & membership and entertainment	6,083	1.9	6,722	1.9	4,975	2.1	2,515	0.9
Legal and professional fees	5,477	1.7	3,985	1.1	3,610	1.5	4,065	1.4
Loss on disposal of items of property, plant and equipment	1,415	0.4	3,017	0.9	1,812	0.8	2,269	0.8
Loss on disposal of an investment property	–	–	2,275	0.7	2,275	0.9	–	–
Others (Note 4)	32,395	9.8	42,033	12.1	18,541	7.6	30,606	10.6
Total	328,562	100.0	347,757	100.0	242,598	100.0	289,560	100.0

Notes:

1 Cleaning expenses primarily represent cost incurred for wastage collection, cleaning of grease trap, store cleaning, laundry expenses, etc.

2 Advertising and promotion primarily represents expenses incurred to enhance the awareness of our restaurants brands via television commercials newspapers, online platforms, etc.

3 Transportation and logistics primarily represents expenses incurred for distribution of our food and beverages from our central warehouse to our restaurants.

4 Others mainly includes pre-opening expenses of our restaurants, recruitment expenses, donations and other miscellaneous expenses.

Our utilities expenses represent expenses incurred for gas, water and electricity and surcharges of electricity primarily for our restaurant operations which amounted to HK$111.1 million, HK$110.5 million, HK$82.2 million and HK$94.1 million, representing 33.8%, 31.8%, 33.9% and 32.5% of our total other operating expenses, for FY2016, FY2017, 9M2017 and 9M2018, respectively. The fluctuation of our utilities expenses is primarily driven by the combined effects of (i) the number of operating restaurants during the respective years/periods; (ii) utilities consumed by our fixtures and equipment; (iii) the mix of usage of gas and electricity; and (iv) changes of basic tariff of utilities.

Our packing and consumables represents expenses incurred on non-food and beverage products such as utensils, plastic boxes, paper bags, paper napkins and other consumables used in our restaurants and warehouses. Our packing and consumables amounted to HK$39.3 million, HK$40.9 million, HK$29.9 million and HK$36.1 million, representing 11.9%, 11.7%, 12.3% and 12.5% of our total other operating expenses for FY2016, FY2017, 9M2017 and 9M2018, respectively.

Our repair and maintenance expenses represents cost incurred for maintaining our property, plant and equipment items at an operating status, which amounted to HK$17.0 million, HK$16.8 million, HK$12.9 million and HK$18.7 million, representing 5.2%, 4.8%, 5.3% and 6.5% of our total other operating expenses for FY2016, FY2017, 9M2017 and 9M2018, respectively. Our repair and maintenance expenses remained relatively stable for FY2016 and FY2017, whereas for 9M2018, in order to enhance our efficiency and minimising downtime of our property, plant and equipment, our Group has engaged external contractors to perform part of the repairing work across our restaurants, leading to an increase in our repair and maintenance expenses.

For FY2016 and FY2017, our impairment of items of property, plant and equipment amounted to HK$11.7 million and HK$2.6 million, respectively represented impairment for certain restaurants with unsatisfactory performance. We review from time to time (at least annually) each restaurant's performance based on various indicators and financial performance to determine whether there is any indication for impairment.

Our bank charges represent expenses incurred for (i) maintaining banking facilities; and (ii) transaction cost with corporate banks, which amounted to HK$8.7 million, HK$11.2 million, HK$8.1 million and HK$15.5 million, and representing 2.7%, 3.2%, 3.3% and 5.3% of our total other operating expenses for FY2016, FY2017, 9M2017 and 9M2018, respectively. The increase from 9M2017 to 9M2018 was primarily due to the additional cost for rearranging terms of our banking facilities in relation to our Reorganisation.

Finance costs

Our finance costs mainly represents interest on bank loans and overdrafts. Our finance costs amounted to HK$16.6 million, HK$19.6 million, HK$14.5 million and HK$18.1 million, representing 0.7%, 0.7%, 0.7% and 0.8% of our total revenue for FY2016, FY2017, 9M2017 and 9M2018, respectively.

[REDACTED] expenses

[**REDACTED**] expenses comprise professional and other expenses in relation to our [**REDACTED**]. [**REDACTED**] expenses amounted to [**REDACTED**] for 9M2018.

Income tax expense

Income tax expense represents income tax paid or payable at the applicable tax rates in accordance with the relevant laws and regulations in each tax jurisdiction we operate or domicile.

Cayman Islands/ BVI profits tax

Our Group is not subject to any income tax in Cayman Islands and BVI.

Hong Kong

Hong Kong profits tax is calculated at 16.5% of the estimated assessable profits during the Track Record Period.

Mainland China

Our subsidiaries in Mainland China are subject to the China Enterprise Income Tax at the applicable enterprise income tax rate of 25% of the estimated assessable profits during the Track Record Period.

Macau

Macau complementary tax is calculated at 12% on the estimated assessable profits arising in Macau during the Track Record Period.

For FY2016, FY2017, 9M2017 and 9M2018, our income tax expenses were HK$50.9 million, HK$60.9 million, HK$47.4 million and HK$40.9 million, representing 2.0%, 2.2%, 2.3% and 1.7% of our total revenue, respectively. Our effective tax rate for the corresponding periods was 20.5%, 22.5%, 21.5% and 12.4%, respectively. Excluding (i) the non-recurring gain on disposal of non-current assets classified as held for sale of HK$162.6 million which was income not subject to tax; and (ii) [**REDACTED**] expenses of [**REDACTED**] incurred during 9M2018 which was non-deductible for tax purpose, our effective tax rate would be 23.5% for 9M2018.

Our Directors confirmed that, during the Track Record Period and up to the Latest Practicable Date, we had fulfilled all our income tax obligations and have not had any unresolved income tax issue or dispute with the relevant tax authorities.

REVIEW OF HISTORICAL RESULTS OF OPERATION

9M2017 Compared to 9M2018

Revenue

Our revenue increased by HK$304.5 million or 14.9% from HK$2,044.4 million for 9M2017 to HK$2,348.9 million for 9M2018, primarily due to the combined effects of:

Revenue from restaurants operation

Our revenue from restaurant operations increased by HK$297.4 million or 14.9% from HK$1,999.6 million for 9M2017 to HK$2,297.0 million for 9M2018, primarily due to the increase in the number of restaurants in operation as a result of:

– an increase of HK$61.0 million or 429.5% derived from "Men Wah Bing Teng" brand, primarily due to (i) the addition of six restaurants opened during 9M2018; and (ii) full year operation effect of three restaurants opened in 2017;

– an increase of HK$52.7 million or 415.0% derived from "Phở Lệ" brand, primarily due to (i) the addition of six restaurants opened during 9M2018 and (ii) full year operation effect of two restaurants opened in 2017;

– an increase of HK$0.7 million contributed by our new brand of "Rice Rule" during 9M2018;

– an increase of our Comparable Restaurants revenue for "Tai Hing" and "Trusty Congee King" brands over the relevant periods; and

– such increase being partially offset by a decrease in our Comparable Restaurants revenue for our discontinued brands for 9M2018.

Revenue from sales of food products

Our revenue from sales of food products increased by HK$7.1 million or 15.9% from HK$44.8 million for 9M2017 to HK$52.0 million for 9M2018, which was primarily due to (i) increased popularity of our seasonal food products for individual and corporate customers; and (ii) increased sales quantity of our canned products.

Cost of materials consumed

Our cost of materials consumed increased by HK$86.1 million or 14.8% from HK$581.7 million for 9M2017 to HK$667.8 million for 9M2018. The increase was primarily due to an increase in quantities of food and beverages consumed for 9M2018 as a result of an increase in the number of our restaurants in operation.

Our cost of materials consumed as a percentage of revenue remained relatively stable at 28.5% and 28.4% for 9M2017 and 9M2018, respectively.

Gross profit and gross profit margin

As the result of the above, our gross profit increased by HK$218.4 million or 14.9% from HK$1,462.8 million for 9M2017 to HK$1,681.2 million for 9M2018, and our gross profit margin remained relatively stable at 71.5% and 71.6% for 9M2017 and 9M2018, respectively.

Other income and gains, net

Our other income and gains decreased by HK$21.1 million or 56.8% from HK$37.2 million for 9M2017 to HK$16.1 million for 9M2018. The decrease was primarily due to (i) the absence of compensation of early termination of tenancy agreements for 9M2018 in comparison to the compensation of HK$8.5 million received for 9M2017; (ii) decrease of HK$7.8 million from interest income from related companies, details are included in "— Description of Selected Items in Consolidated Statements of Profit or Loss and Other Comprehensive Income — Other income and gains, net" in this section above; and (iii) decrease of HK$3.4 million of rental income due to transfer of certain investment properties to property, plant and equipment upon change of use.

Gain on disposal of non-current assets classified as held for sale

For 9M2018, we disposed non-current assets classified as held for sale with aggregate consideration of HK$523.8 million, and recognised a net gain on disposal of HK$162.6 million for 9M2018.

Staff costs

Our staff costs increased by HK$143.2 million or 23.0% from HK$624.1 million for 9M2017 to HK$767.4 million for 9M2018. The increase was primarily due to (i) increase in our headcount to cater for our new restaurants in Hong Kong and our administrative work in headquarters; (ii) increase in headcount to facilitate our commencement of operation of Mainland China Food Factory and (iii) salary increment of our staff.

Depreciation and amortisation

Our depreciation and amortisation increased by HK$6.1 million or 6.0% from HK$102.3 million for 9M2017 to HK$108.4 million for 9M2018. The increase was primarily due to the increase of depreciation charges for leasehold improvements and furniture, fixtures and office equipment for our new restaurants and equipment upgrades for existing restaurants.

Rental and related expenses

Our rental and related expenses increased by HK$43.5 million or 14.7% from HK$296.2 million for 9M2017 to HK$339.6 million for 9M2018. The increase was primarily due to the opening of 23 new restaurants, which was partially offset by the closure or relocation of 10 restaurants during 9M2018.

Other operating expenses, net

Our other operating expenses increased by HK$47.0 million or 19.4% from HK$242.6 million for 9M2017 to HK$289.6 million for 9M2018. The increase was primarily due to (i) increase in utilities expenses of HK$11.9 million as a result of increase in number of operating restaurants and increase in the average basic tariff of electricity during 9M2018; (ii) increase in bank charges of HK$7.4 million for rearrangement of terms of our banking facilities pursuant to our Reorganisation; and (iii) increase in repair and maintenance expenses of HK$5.9 million as a result of our engagement of external contractors to enhance the efficiency of our repair and maintenance work across our restaurants during 9M2018.

Finance cost

Our finance cost increased by HK$3.7 million or 25.3% from HK$14.5 million for 9M2017 to HK$18.1 million for 9M2018. The increase was primarily due to the non-current bank borrowings we drew down during 9M2018 which had a higher effective interest rate in comparison to 9M2017.

Income tax expense

Our income tax expense decreased by HK$6.4 million or 13.6% from HK$47.4 million for 9M2017 to HK$40.9 million for 9M2018. The decrease was primarily due to a slight decrease in assessable income for 9M2018. Our effective tax rate decreased from 21.5% for 9M2017 to 12.4% for 9M2018 mainly due to the combined effect of (i) a non-recurring gain on disposal of non-current assets classified as held for sale of HK$162.6 million which represented income not subject to tax; and (ii) [**REDACTED**] expenses of [**REDACTED**] which represented expenses not deductible for tax purpose. Excluding these two items, our effective tax rate would be 23.5% in 9M2017 which is relatively stable compared to that of 9M2017.

Profit for the period

As a result of the foregoing, our profit for the period increased by HK$116.3 million or 67.2% from HK$173.0 million in 9M2017 to HK$289.3 million in 9M2018, while our net profit margin also increased from 8.5% in 9M2017 to 12.3% in 9M2018. Excluding the non-recurring gain on disposal of non-current assets classified as held for sale of HK$162.6 million and the [**REDACTED**] expense of [**REDACTED**], our net profit for 9M2018 would amount to HK$133.2 million, with net profit margin of 5.7%, representing a decrease of HK$39.8 million or 23.0% from our net profit for 9M2017. Such decrease was mainly due to increase in staff costs, other operating expenses mentioned above and cost associated from temporary suspension of restaurant operation due to renovation.

Profit attributable to the owners of our Company

As a result of the foregoing, profit attributable to the owners of our Company for the period increased by HK$193.8 million or 203.1% from HK$95.5 million for 9M2017 to HK$289.3 million for 9M2018. The increase was primarily due to (i) profits being fully attributable to the owners of our Company for 9M2018 upon our acquisition of Tai Hing (BVI) and its subsidiaries during FY2017 (the "**Acquisition**"); and (ii) gain on disposal of non-current assets classified as held for sale amounting to HK$162.6 million.

Prior to the Acquisition now comprising our Group on 28 December 2017, certain equity interest in our subsidiaries were held by parties other than our controlling shareholders, and hence, profit attributable to our Company's then shareholders prior to the Acquisition was calculated based on the percentage of equity interest in the respective subsidiaries then held by all the controlling shareholders. Upon the completion of the Acquisition, our Company held 100% of the equity interest of all our subsidiaries, as such our profit were fully attributable to our owners during 9M2018.

For further details, please see the section headed "History, Development and Reorganisation" in this document.

Segment results and segment margins

Hong Kong and Macau

The segment results for our operation in Hong Kong and Macau increased by HK$178.7 million or 109.8% from HK$162.8 million for 9M2017 to HK$341.5 million for 9M2018, while our segment margins increased from 10.6% for 9M2017 to 18.9% for 9M2018. Excluding non-recurring gain on disposal of non-current assets classified as held for sale of HK$162.6 million, our segment results for 9M2018 would be HK$178.9 million, representing an increase of HK$16.1 million or 9.9% over 9M2017. The increase was primarily driven by our net increase of 13 restaurants during 9M2018. Our segment margins remained relatively stable at 10.6% and 9.9% for 9M2017 and 9M2018, respectively.

Mainland China

The segment results for our operation in Mainland China decreased by HK$50.8 million or 80.6% from HK$63.0 million for 9M2017 to HK$12.3 million for 9M2018. The decrease was primarily driven by (i) increase of staff cost for our Mainland China operation despite the increase of our revenue from our restaurant operations in Mainland China, and (ii) additional cost incurred for commencement of operation of our Mainland China Food Factory. Our staff cost for Mainland China increased by HK$45.1 million or 33.0% from HK$136.6 million for 9M2017 to HK$181.7 million, representing 27.2% and 33.7% of our revenue generated from our restaurant operation in Mainland China for 9M2017 and 9M2018, respectively. Consequently, our segment margins decreased from 12.5% for 9M2017 to 2.3% for 9M2018.

FY2016 Compared to FY2017

Revenue

Our revenue increased by HK$258.3 million or 10.3% from HK$2,513.0 million for FY2016 to HK$2,771.3 million FY2017, primarily due to the combined effects of:

Revenue from restaurants operation

Our revenue from restaurant operations increased by HK$257.3 million or 10.5% from HK$2,454.7 million for FY2016 to HK$2,712.0 million for FY2017, primarily due to the increase in the number of restaurants in operation including:

– an increase of HK$32.4 million or 1.7% of revenue derived from "Tai Hing" brand, primarily due to the net increase of 16 restaurants, including 5 relocated restaurants;

– an increase of HK$144.4 million or 36.8% of revenue derived from "TeaWood" brand, primarily due to the net increase of 8 restaurants, including 1 relocated restaurant;

– an increase of HK$26.3 million in revenue, primarily due to the net increase of three new restaurants under our newly developed brand of "Men Wah Bing Teng" during FY2017; and

– an increase of HK$21.5 million in revenue, primarily due to the introduction of 2 new restaurants under the "Phở Lệ" brand in September 2016.

Revenue from sales of food products

Our revenue from sales of food products remained relatively stable at HK$58.3 million and HK$59.3 million for FY2016 and FY2017, respectively.

Cost of materials consumed

Our cost of materials consumed increased by HK$51.9 million or 7.1% from HK$735.2 million for FY2016 to HK$787.0 million for FY2017. The increase was primarily due to an increase in the quantities of food and beverages consumed for FY2017 as a result of increase in the number of restaurants in operations.

Our cost of materials consumed as a percentage of revenue remained relatively stable at 29.3% and 28.4% for FY2016 and FY2017, respectively.

Gross profit and gross profit margin

As a result of the above, our gross profit increased by HK$206.4 million or 11.6% from HK$1,777.8 million for FY2016 to HK$1,984.2 million for FY2017, and our gross profit margin remained relatively stable at 70.7% and 71.6% for FY2016 and FY2017, respectively.

Other income and gains, net

Our other income and gains increased by HK$12.8 million or 38.7% from HK$32.9 million for FY2016 to HK$45.7 million for FY2017. The increase was primarily due to (i) an one-off compensation for early termination of tenancy agreements of HK$8.5 million; (ii) increase of HK$1.2 million from fair value gain on investment properties; and (iii) increase of HK$2.2 million in interest income from related companies.

Staff costs

Our staff costs increased by HK$115.1 million or 15.4% from HK$743.9 million for FY2016 to HK$858.9 million for FY2017. The increase was primarily due to (i) increase in restaurant headcount to cater for our new restaurants opened in FY2017; and (ii) salary increment of our staff.

Depreciation and amortisation

Our depreciation and amortisation increased by HK$4.4 million or 3.4% from HK$[129.0] million for FY2016 to HK$133.4 million for FY2017. The increase was primarily due to an increase of depreciation charges for leasehold improvements and furniture, fixtures and office equipment for our new restaurants.

Rental and related expenses

Our rental and related expenses increased by HK$54.7 million or 15.9% from HK$345.0 million for FY2016 to HK$399.7 million for FY2017. The increase was primarily due to the net increase of 16 restaurants during FY2017.

Other operating expenses, net

Our other operating expenses increased by HK$19.2 million or 5.8% from HK$328.6 million for FY2016 to HK$347.8 million for FY2017. The increase was primarily due to (i) increase of transportation and logistics expenses of HK$4.3 million; (ii) increase in cleaning and laundry expenses of HK$3.5 million; (iii) increase in bank charges of HK$2.5 million; and (iv) increase in office expenses of HK$2.2 million, which was partially offset by the absences in FY2017 of the one-off impairment of items of property, plant and equipment of HK$11.7 million incurred in FY2016.

Finance cost

Our finance cost increased by HK$3.0 million or 18.2% from HK$16.6 million for FY2016 to HK$19.6 million for FY2017. The increase was primarily due to an increase in interest-bearing bank borrowings during FY2017.

Income tax expense

Our income tax expense increased by HK$10.1 million or 19.8% from HK$50.9 million for FY2016 to HK$60.9 million for FY2017. The increase was primarily due to an increase in tax losses not recognised of our PRC subsidiaries for FY2017. Consequently, our effective tax rate also increased from 20.5% for FY2016 to 22.5% for FY2017.

Profit for the year

As a result of the foregoing, our profit for the year increased by HK$12.8 million or 6.5% from HK$196.9 million for FY2016 to HK$209.6 million for FY2017. Our net profit margin remained relatively stable at 7.8% and 7.6% for FY2016 and FY2017, respectively.

Profit attributable to the owners of our Company

As a result of the foregoing, profit attributable to the owners of our Company for the year increased by HK$7.1 million or 6.5% from HK$108.6 million for the FY2016 to HK$115.7 million for FY2017.

Segment results and segment margins

Hong Kong and Macau

The segment results for our operation in Hong Kong and Macau increased by HK$12.6 million or 6.1% from HK$208.2 million for FY2016 to HK$220.8 million for FY2017. The increase was primarily driven by the net increase of 11 operating restaurants from 31

December 2016 to 31 December 2017. Our segment margins slightly decreased from 11.4% for FY2016 to 10.5% for FY2017.

Mainland China

The segment results for our operation in Mainland China increased by HK$11.0 million or 24.0% from HK$45.9 million for FY2016 to HK$56.9 million for FY2017. The increase was primarily driven by (i) the contributions of the net increase of four new restaurants opened during FY2016 upon stabilisation of operations from initial opening; and (ii) positive tax impact resulting from a change in the PRC tax system from Business Tax to Value-added Tax, which was the main contribution to the increase in net profit in this segment. For details, please see "Regulatory Overview — PRC Regulatory Overview — Laws and Regulations Relating to Taxation — Value-added Tax". Consequently, our segment margins increased from 6.8% for FY2016 to 8.5% for FY2017.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flow

Our primary uses of cash are the payments for procurement of our food and beverages from suppliers, staff costs, rental expenses, various operating expenses and capital expenditure, which have been funded through a combination of cash generated from our operations, bank borrowings and loans from shareholders. Upon completion of the [**REDACTED**], we currently expect that there will not be any material change in the sources and our uses of cash in the future, except that we would have additional funds from the [**REDACTED**] of the [**REDACTED**] for implementing our future plans as detailed under the section headed "Future Plans and Use of [**REDACTED**]" in this Document.

The following table summarises our cash flows for the periods indicated:

	FY2016	FY2017	9M2017	9M2018
	HK$'000	HK$'000	HK$'000 (unaudited)	HK$'000
Net cash flows from operating activities	171,983	185,665	141,148	468,970
Net cash flows (used in)/from investing activities	(270,671)	(269,859)	(117,724)	119,822
Net cash flows from/(used in) financing activities	114,455	94,530	61,522	(542,333)
Net increase in cash and cash equivalents	15,767	10,336	84,946	46,459
Cash and cash equivalents at beginning of year/period	140,534	152,491	152,491	164,682
Effect of foreign exchange rate changes, net	(3,810)	1,855	3,524	(5,914)
Cash and cash equivalents at end of year/ period	152,491	164,682	240,961	205,227

Operating activities

During our Track Record Period, our cash inflow from operating activities was principally from the receipt of proceeds for our revenue from restaurant operations and sales of food products. Our cash outflow used in operating activities was principally for purchases of our food and beverages, staff costs, property rental and related expenses and other operating expenses incurred for business operations.

For 9M2018, we had net cash flows generated from operating activities of HK$469.0 million, mainly as a result of operating cash flows before changes in working capital of HK$291.2 million, aggregate income tax paid of HK$24.7 million, and changes in working capital of HK$202.5 million. Changes in working capital primarily reflected (i) movements in balances with related companies of HK$237.9 million; and (ii) decrease in amount due to a Director of HK$10.6 million. The cash generated from operation was partially offset by (i) decrease in contract liabilities of HK$37.3 million in relation to cash coupons sold not yet recognised as revenue; and (ii) increase in prepayments, deposits and other receivables of HK$13.6 million as a result of increase in rental deposits due to the increased number of restaurants in operation.

For 9M2017, we had net cash flows generated from operating activities of HK$141.1 million, mainly as a result of operating cash flows before changes in working capital of HK$327.1 million, aggregate income tax paid of HK$6.0 million, and changes in working capital of HK$180.0 million. Changes in working capital primarily reflected (i) movements in balances with related companies of HK$99.7 million; (ii) increase in prepayments, deposits and other receivables of HK$58.1 million; and (iii) decrease in contract liabilities of HK$28.6 million in relation to cash coupons sold not yet recognised as revenue. The cash used in operation was partially offset by a decrease in amount due from a Director of HK$11.7 million.

For FY2017, we had net cash flows generated from operating activities of HK$185.7 million, mainly as a result of operating cash flows before changes in working capital of HK$413.4 million, aggregate income tax paid of HK$47.9 million and change in working capital of HK$179.8 million. Changes in working capital primarily reflected movement in balances with related companies of HK$161.0 million; (ii) increase in prepayments deposits and other receivables of HK$47.1 million as a result of increase in rental deposits due to the increased number of restaurants in operation; and (iii) increase in trade receivables of HK$10.9 million. The cash used in operations was partially offset by (i) increase in trade payables of HK$14.8 million; (ii) decrease in amount due from a Director of HK$11.7 million; and (iii) increase in contract liabilities of HK$12.1 million in relation to cash coupons sold not yet recognised as revenue.

For FY2016, we had net cash flows generated from operating activities of HK$172.0 million, mainly as a result of operating cash flows before changes in working capital of HK$391.9 million, aggregate income tax paid of HK$48.5 million, and changes in working capital of HK$171.4 million. Changes in working capital primarily reflected by (i) movements in balances with related companies of HK$146.0 million; (ii) decrease in trade payables of HK$15.1 million; and (iii) decrease in other payables and accurals of HK$17.6 million. The cash used in operations was partially offset by the increase in contract liabilities of HK$4.2 million in relation to cash coupons sold not yet recognised as revenue.

Investing activities

For 9M2018, we had net cash flows from investing activities of HK$119.8 million, which were primarily due to (i) proceeds from disposal of non-current assets classified as held for sale of HK$206.5 million; (ii) proceeds from disposal of debt investment at amortised cost of HK$57.7 million; and (iii) proceeds from disposal of subsidiaries of HK$9.6 million. Such cash from investment activities was partially offset by purchases of items of property, plant and equipment of HK$160.2 million.

For 9M2017, we had net cash flows used in investing activities of HK$117.7 million, which were primarily due to purchases of items of property, plant and equipment of HK$194.6 million, which were partially offset by (i) proceeds from disposal of investment properties of HK$51.2 million; and (ii) proceeds from disposal of items of property, plant and equipment of HK$12.5 million.

For FY2017, we had net cash flows used in investing activities of HK$269.9 million, which were primarily due to (i) purchases of items of property, plant and equipment of HK$297.3 million; and (ii) acquisition of debt investment at amortised cost of HK$56.9 million, which were partially offset by (i) proceeds from disposal of investment properties of HK$51.2 million; and (ii) interest received of HK$13.5 million.

For FY2016, we had net cash flows used in investing activities of HK$270.7 million, which were primarily due to (i) purchases of items of property, plant and equipment of HK$230.7 million; (ii) acquisition of subsidiaries of HK$47.5 million in relation to our expansion in Mainland China; and (iii) purchase of investment properties of HK$7.3 million situated in Hong Kong, which were partially offset by interest received of HK$10.5 million and proceeds from disposal of items of property, plant and equipment of HK$5.7 million.

Financing activities

For 9M2018, we had net cash flows used in financing activities of HK$542.3 million, which were primarily due to (i) repayment of bank borrowings of HK$1,236.5 million; (ii) dividend paid of HK$20.0 million; and (iii) interest paid on bank borrowings of HK$18.1 million, which were partially offset by proceeds from new bank borrowings of HK$732.3 million.

For 9M2017, we had net cash flows from financing activities of HK$61.5 million, which were primarily from proceeds from new bank borrowings of HK$565.0 million, which were partially offset by (i) repayment of bank borrowings of HK$473.6 million; (ii) dividend paid of HK$15.4 million; and (iii) interest paid on bank borrowings of HK$14.5 million.

For FY2017, we had net cash flows from financing activities of HK$94.5 million, which were primarily from proceeds from new bank borrowings of HK$655.2 million, which were partially offset by (i) repayment of bank borrowings of HK$525.7 million; and (ii) interest paid on bank borrowings of HK$19.6 million.

For FY2016, we had net cash flows from financing activities of HK$114.5 million, which were primarily from proceeds from new bank borrowings of HK$748.5 million, which were partially offset by (i) repayment of bank borrowings of HK$603.2 million; (ii) interest paid on bank borrowings of HK$16.6 million; and (iii) dividend paid of HK$14.0 million.

Net Current Liabilities

We recorded net current liabilities of HK$214.1 million, HK$658.5 million, HK$117.5 million and HK$112.8 million as at 31 December 2016 and 2017, 30 September 2018 and 30 November 2018, respectively. The following table sets forth our net current liabilities as at the dates indicated:

	As at 31 December		As at 30 September	As at 30 November
	2016	2017	2018	2018
	HK$$'000	HK$$'000	HK$'000	HK$'000 (unaudited)
Current Assets				
Inventories	39,709	39,157	41,365	49,640
Trade receivables	8,127	19,327	16,538	13,240
Prepayments, deposits and other receivables	71,291	80,267	103,671	92,210
Loan to related companies	57,900	–	–	–
Due from related companies	744,804	65,590	42,426	44,230
Due from related parties	675	1,494	387	380
Due from a director	22,880	11,158	603	600
Financial assets at fair value through profit or loss	4,120	983	925	930
Debt investment at amortised cost	–	56,707	–	–
Tax recoverable	3,975	1,140	1,490	10,080
Cash and cash equivalents	152,491	164,682	205,227	243,920
Non-current assets classified as held for sale	–	361,145	–	–
	1,105,972	801,650	412,632	455,230
Current Liabilities				
Trade payables	97,210	113,286	108,960	123,820
Other payables and accruals	198,033	191,928	201,330	201,300
Contract liabilities	52,546	62,733	24,367	82,140
Due to related companies	64,337	42,735	42,190	43,840
Interest-bearing bank borrowings	889,638	1,019,178	102,533	114,075
Tax payable	18,317	30,246	50,740	2,820
	1,320,081	1,460,106	530,120	567,995
Net current liabilities	(214,109)	(658,456)	(117,488)	(112,765)

Our net current liabilities increased from HK$214.1 million as at 31 December 2016 to HK$658.5 million as at 31 December 2017. The increase of net current liabilities was primarily due to (i) decrease in due from related companies of HK$679.2 million; (ii) decrease in loan to related companies of HK$57.9 million; (iii) increase in interest-bearing bank and other borrowings of HK$129.5 million; and (iv) increase of trade payables of HK$16.1 million arising from increase in procurement of food and beverage products, which were partially offset by (i) increase in non-current assets classified as held for sale arising from certain investment properties and property, plant and equipment of HK$361.1 million; and (ii) increase in debt investment at amortised cost HK$56.7 million.

Our net current liabilities decreased from HK$658.5 million as at 31 December 2017 to HK$117.5 million as at 30 September 2018. The decrease was primarily due to (i) decrease in current portion of bank borrowings of HK$916.6 million; (ii) decrease in contract liabilities of HK$38.4 million; and (iii) increase in prepayment, deposits and other receivable of HK$23.4 million, which were partially offset by (i) decrease in non-current assets classified as held for sale of HK$361.1 million upon completion of disposal during 9M2018; (ii) increase in tax payables of HK$20.5 million; and (iii) increase in other payables and accruals of HK$9.4 million.

Our net current liabilities decreased from HK$117.5 million as at 30 September 2018 to HK$112.8 million as at 30 November 2018. The decrease was primarily due to (i) increase in cash and cash equivalents of HK$38.7 million due to the increase of our revenue; (ii) increase in tax recoverable of HK$8.6 million; and (iii) increase in inventories of HK$8.3 million, which were partially offset by (i) increase in contract liabilities of HK$57.8 million as a result of our promotion programme of cash coupons which usually commences in October; and (ii) increase in trade payables of HK$14.9 million.

Our net current liabilities during the Track Record Period were mainly attributable to our interest-bearing bank borrowings. Our interest-bearing bank borrowings are mainly used for (i) financing our non-current assets such as rental deposits and purchase of property, plant and equipment; and (ii) centralised treasury function with related parties prior to our Reorganisation. As at 31 December 2016 and 2017, the entire amount of our bank borrowings was subject to repayable on demand clause. As at 30 September 2018 and 30 November 2018, our bank borrowings of HK102.5 million and HK$114.1 million, respectively, were classified as current liabilities, while HK$412.5 million and HK$432.6 million, respectively, were classified as non-current liabilities. For details of risk associated with net current liabilities, please see "Risk Factors — Risk Relating to our Business — Our net current liabilities may expose us to certain liquidity risks and could restrain our operation flexibility as well as affect our ability to expand our business".

Our Directors believe that we will have sufficient working capital based on cash flows from our operation, available banking facilities and the [**REDACTED**] from [**REDACTED**]. As such we believe our business operation and financial condition will not be materially and adversely affected by our net current liabilities position.

During the Track Record Period, we have restructured the composition of our short and long term debt portfolio by refinancing a portion of our short term bank borrowings by long term bank borrowings to align with our non-current assets financing needs, and thereby, reducing our net current liabilities over the Track Record Period. Our Directors confirm that (i) we will continue to closely monitor our net current liabilities and optimise our capital structure; (ii) when any of our short-term bank borrowings become due, we will either use our internally generated cash for repayment and/or refinance such short term bank borrowings with long term bank borrowings; and (iii) we had no material default in bank borrowings, nor did we breach any covenants, and (iv) we did not experience any material difficulty in obtaining credit facilities or had not been requested by banks for early repayment during the Track Record Period and up to the Latest Practicable Date.

Taking into account the financial resources available to us, including our cash and cash equivalents on hand, cash generated from operations, available banking facilities and additional bank and debt financings we may obtain, as well as the estimated [**REDACTED**] from the [**REDACTED**], our Directors believe, and the Sole Sponsor concurs, that we will be able to satisfy the liquidity requirement in the next 12 months.

Effect of the Reorganisation on our financial position

Immediately prior to the Reorganisation, certain subsidiaries of our Group acted as a principal financing platform for certain subsidiaries of our Group as well as other companies which are related companies of our Group which are included in note 21 to the Accountants' Report in Appendix I to this document. Such principal financing arrangement with our related companies is reflected in our consolidated statement of financial position as "Due from related companies" of HK$744.8 million, HK$65.6 million and HK$42.4 million and "Due to related companies" of HK$64.3 million, HK$42.7 million and HK$42.2 million as at 31 December 2016 and 2017 and 30 September 2018, respectively, and for which we derived an interest income from related companies, as set out in "Other income and gains, net".

Pursuant to the Reorganisation, we have settled the balances with related companies by way of (i) dividends to the then shareholders, who were also shareholders of the related companies, amounting to HK$14.0 million, HK$891.0 million and HK$122.6 million for FY2016, FY2017 and 9M2018, respectively; and (ii) cash repayment by our related companies. Our interest-bearing bank borrowings were HK$889.6 million, HK$1,109.2 million and HK$515.0 million as at 31 December 2016 and 2017 and 30 September 2018, respectively.

Working Capital

After taking into consideration the financial resources presently available to us, including anticipated cash flows from our operating activities, existing cash and cash equivalents, available banking facilities and the estimated [**REDACTED**] from the [**REDACTED**] and mitigating measures to our net current liabilities position as discussed above, our Directors confirm, and the Sole Sponsor concurs, that we have sufficient working capital for our present requirements and for at least the next 12 months commencing from the date of this document.

Save as disclosed in this document, our Directors are not aware of any other factors that would have a material impact on our liquidity. Details of the funds necessary to meet our existing operations and to fund our future plans are set out in the section headed "Future Plans and Use of [**REDACTED**]" in this document.

DESCRIPTION OF CERTAIN ITEMS OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Property, Plant and Equipment

Our property, plant and equipment primarily consisted of land and buildings, leasehold improvements, restaurants kitchen equipment, furniture and fixtures, office equipment and motor vehicles. As at 31 December 2016 and 2017 and 30 September 2018, the net book value of our property, plant and equipment was HK$721.7 million, HK$743.3 million and HK$786.5 million, respectively.

The increase in the net book value of property, plant and equipment of HK$21.6 million or 3.0% from HK$721.7 million as at 31 December 2016 to HK$743.3 million as at 31 December 2017 was primarily due to (i) increase in leasehold improvements of HK$141.0 million as a result of increase in opening of our restaurants in operation; and (ii) increase in leasehold land and buildings of HK$97.7 million as a result of expansion of the Hong Kong Food Factory for our food processing and logistics in Hong Kong. The additions of which were partially offset by depreciation charges for FY2017.

The increase in the net book value of our property, plant and equipment of HK$43.2 million or 5.8% from HK$743.3 million as at 31 December 2017 to HK$786.5 million as at 30 September 2018 was primarily due to (i) increase in leasehold improvement of HK$110.2 million as a result of increase in the number of our restaurants; (ii) increase in furniture, fixtures and office equipment of HK$40.2 million; (iii) transfer of certain leasehold land and buildings from investment properties of HK$7.0 million upon change of usage. These additions were partially offset by (i) depreciation charges for 9M2018 of HK$107.9 million; and (ii) disposals in aggregate of HK$14.3 million.

Investment properties

Our investment properties represent certain commercial and industrial properties held for rental income and/or capital appreciation. As at 31 December 2016 and 2017 and 30 September 2018, our investment properties consisted of five, one and one commercial properties and three, one and nil industrial properties, respectively, all of which were situated in Hong Kong and Mainland China and were held under medium to long term leases.

Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period. Our investment properties amounted to HK$290.6 million, HK$18.0 million and HK$10.7 million as at 31 December 2016 and 2017 and 30 September 2018, respectively. Our investment properties decreased from HK$290.6 million as at 31 December 2016 to HK$18.0 million as at 31 December 2017 mainly due to (i) transfer of HK$222.6 million to non-current assets classified as held for sale as we expected such properties were to be disposed of within 12 months as at 31 December 2017; and (ii) investment properties of HK$53.5 million were disposed during FY2017. Our investment properties then decreased to HK$10.7 million as at 30 September 2018 mainly due to transfer to property, plant and equipment of HK$7.0 million for our own use.

Intangible asset

Our intangible asset represents licenses obtained from our licensors for the use of the trademark and operation of restaurants of the "Phở Lệ" brand. As at 31 December 2016 and 2017 and 30 September 2018, our intangible asset amounted to HK$0.7 million, HK$0.6 million and HK$0.4 million, respectively. The decrease of intangible asset over the Track Record Period was due to amortisation charges annually over its term life.

Inventories

Our inventories primarily consist of food and beverages used in our operations, including food ingredients, semi-processed and processed foods, beverages and other finished products we procured from our suppliers. The following table sets forth our inventory balance and inventory turnover days for the dates indicated:

	As at 31 December		As at 30 September
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Food and beverages, and other operating items for restaurant operations	39,709	39,157	41,365

Our inventories remained relatively stable as at 31 December 2016 and 2017 which amounted to HK$39.7 million and HK$39.2 million, respectively. Our balance increased to HK$41.4 million as at 30 September 2018 primarily due to (i) increase in number of our operating restaurants; and (ii) building up of inventories at our restaurants in preparation for the long National Holiday commencing on 1 October.

To keep our food ingredients and supplies fresh and reduce wastage, we keep a minimal level of fresh and perishable food ingredients on hand generally for not more than one to two days. For non-perishable food ingredients, which mainly include frozen meat, we ensure that an adequate level of stock is maintained in both our Hong Kong Factory and our restaurants based on operation needs. Please see "Business — Purchasing — Inventory Management" for details of inventory management policies. Any inventories identified as obsolete or expired will be written off. During the Track Record Period, no provision of impairment of inventories was recorded.

The following table sets forth the average inventory turnover days for the periods indicated.

	FY2016	FY2017	9M2018
Average turnover days of inventories *(Note)*	19.7 days	18.3 days	16.5 days

Note: Inventory turnover days was calculated using the average balance of inventory divided by cost of materials consumed for the relevant period and multiplied by 365 days for the relevant year or 273 days for the relevant 9-month period. Average balance of inventory is calculated as the sum of the beginning and the ending balance for the relevant period divided by two.

Our average inventory turnover days were 19.7 days, 18.3 days and 16.5 days for FY2016, FY2017 and 9M2018, which remained relatively stable. We generally build up more inventories towards end of the calender year to cater for our business needs during the Chinese New Year. Thus, the inventory turnover days at such dates are generally higher than that at other time in the year.

Trade receivables

A majority of our customers pay by cash, while electronic payments such as credit cards, octopus and WeChat are accepted at our certain restaurants. During the Track Record Period, our trade receivables primarily consisted of receivables from financial institutions in relation to credit card payments made by our customers in our restaurants.

The following table sets forth an aging analysis of our trade receivables based on invoice dates as at the dates indicated:

	As at 31 December		As at 30 September
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Within 1 month	4,117	7,425	10,708
1 to 2 months	1,665	9,716	4,202
2 to 3 months	358	375	615
Over 3 months	1,987	1,811	1,013
	8,127	19,327	16,538

Our trade receivables increased by HK$11.2 million or 137.8% from HK$8.1 million as at 31 December 2016 to HK$19.3 million as at 31 December 2017, primarily due to an increase in the use of electronic payments as a result of introduction of more means electronic payments. Our trade receivables decreased by HK$2.8 million or 14.4% from HK$19.3 million as at 31 December 2017 to HK$16.5 million as at 30 September 2018, primarily because our revenue was higher for the days prior to 31 December 2017 in comparison to days prior to 30 September 2018.

We offer trading terms to our corporate customers primarily for our sales of food products segment. Before accepting any new customers, we will apply our internal credit assessment policy to assess the potential customer's credit quality and define the credit limit for the customer. The credit period is generally 30 to 60 days for our corporate customers. We seek to maintain strict control over our outstanding receivables and have finance personnels to follow up in order to minimise credit risk. Overdue balances are reviewed regularly by senior management. We typically do not require any collateral as security.

Our Directors consider the risk of uncollectibility of our trade receivable, to remain relatively low as we did not experience any material payment default from our customers during the Track Record Period. As such we have not made provision for impairments in relation to our trade receivables. As at 31 December 2016 and 2017 and 30 September 2018, trade receivables of HK$4.8 million, HK$11.4 million and HK$6.2 million, respectively were past due but not impaired. These related to customers for whom there is no significant financial difficulty and based on our experience, our Directors were of the view that no impairment allowance was necessary in respect of those overdue balances as there had not been significant change in credit quality of our customers and the balances were considered recoverable.

The following table sets forth our trade receivables that were not individually nor collectively considered to be impaired as at the dates indicated:

	As at 31 December		As at 30 September
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Neither past due nor impaired	3,376	7,936	10,314
Less than 1 month past due	2,685	9,456	5,078
1 to 3 months past due	79	460	97
Over 3 months	1,987	1,475	1,049
	8,127	19,327	16,538

The table below sets forth a summary of average trade receivables turnover days for the periods indicated:

	FY2016	FY2017	9M2018
Average turnover days for trade receivables(Note)	1.1	1.8	2.1

Note: Trade receivables turnover days is calculated using the average balances of trade receivables divided by revenue for the relevant period and multiplied by 365 days for the respective years or 273 days for the 9-month period. Average balance of trade receivables is calculated as the sum of the beginning and the ending balance for the relevant period divided by two.

Turnover days for our trade receivables were 1.1 days, 1.8 days and 2.1 days for FY2016, FY2017 and 9M2018, respectively, which remained relatively stable during the Track Record Period.

As at Latest Practicable Date, 98.5% of our trade receivables outstanding as at 30 September 2018 had been settled.

Prepayment, deposits and other receivables

Our prepayment, deposits and other receivables mainly comprised (i) prepayments for rent under operating lease agreement, (ii) prepayment to our suppliers, (iii) prepayment for repair and maintenance, (iv) rental deposits, and (v) utility deposits.

	As at 31 December		As at 30 September
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Prepayments	37,117	64,295	57,624
Deposits and other receivables	133,864	156,923	174,459
	170,981	221,218	232,083
Less: Non-current portion	(99,690)	(140,951)	(128,412)
	71,291	80,267	103,671

Our total prepayments, deposits and other receivables amounted to HK$171.0 million, HK$221.2 million and HK$232.1 million as at 31 December 2016 and 2017 and 30 September 2018, respectively. The increase in such prepayments, deposits and other receivables of HK$50.2 million or 29.4% from HK$171.0 million as at 31 December 2016 to HK$221.2 million as at 31 December 2017 was primarily due to (i) increase in various deposits paid in connection to our new restaurants such as deposits for rentals and utilities as evidenced by the increase of operating restaurants; and (ii) increase in prepayment to our contractors for interior preparation for new restaurants. The increase in such prepayments, deposits and other receivables of HK$10.9 million or 4.9% from HK$221.2 million as at 31 December 2017 to HK$232.1 million as at 30 September 2018 was primarily due to (i) the continuing increase of various deposits paid in connection to new restaurants as mentioned above and (ii) increase of prepayments for acquisition of our kitchen equipment, which was partially offset by (i) utilisation of prepayment to our contractors upon commencement of operation of our restaurants and (ii) release of deposits paid of rentals upon closure of restaurants during 9M2018.

Financial assets at fair value through profit or loss

Our financial assets at fair value through profit or loss represents equity investment measured at fair value through profit or loss amounted to HK$4.1 million, HK$1.0 million and HK$0.9 million as at 31 December 2016 and 2017 and 30 September 2018, respectively. The fair values of these equity investments are based on quoted market prices.

Debt investment at amortised cost

Our debt investment at amortised cost represents cash deposits placed in certain financial institution to generate interest income, which amounted to nil, HK$56.7 million and nil as at 31 December 2016 and 2017 and 30 September 2018, respectively. Our Directors confirm that no debt investment at amortised cost were arranged subsequent to maturity during 9M2018.

Non-current assets classified as held for sale

Our non-current assets classified as held for sale represents reclassification of certain investment properties and property, plant and equipment upon our Group's decision to be subsequently sold within the next 12 months. The carrying amount of such non-current asset amounted to HK$361.1 million as at 31 December 2017. As at 30 September 2018, all non-current assets held for sale were subsequently sold.

Trade payables

Our trade payables are derived primarily from payables relating to our purchases of food and beverages for our restaurant operation, the payments terms for such trade payables are generally 30 days to 120 days.

The following table sets forth the aging analysis of our trade payables at the dates indicated:

	As at 31 December		As at 30 September
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Within 1 month	67,079	84,340	86,819
1 to 2 months	24,682	17,321	16,068
2 to 3 months	277	1,657	1,370
Over 3 months	5,172	9,968	4,703
	97,210	113,286	108,960

The table below sets forth a summary of average trade payables turnover days for the periods indicated:

	FY2016	FY2017	9M2018
Average turnover days for trade payables *(Note)*	52.4	48.8	45.4

Note: Trade payables turnover days is calculated using the average balances of trade payables divided by cost of materials consumed for the relevant periods and multiplied by 365 days for the respective year or 273 days for the 9-month period. Average balance of trade payables is calculated as the sum of the beginning and the ending balance for the relevant period divided by two.

Turnover days for our trade payables were 52.4 days, 48.8 days and 45.4 days for FY2016, FY2017 and 9M2018, respectively, which remained relatively stable during the Track Record Period.

As at Latest Practicable Date, 95.7% of our trade payables outstanding as at 30 September 2018 had been settled.

Other payables and accruals

Our other payables and accruals mainly comprise: (i) other payables and accruals, (ii) deposits received, (iii) deferred rental expenses, and (iv) provision for reinstatement cost.

The following table sets forth the breakdown of our other payables and accruals as at the dates indicated.

	As at 31 December		As at 30 September
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Other payables and accruals	194,486	178,599	178,543
Deposits received	1,970	1,318	39
Deferred rental expenses	21,730	43,182	50,882
Provision for reinstatement cost	30,260	34,947	40,188
	248,446	258,046	269,652
Less: Non-current portion	(50,413)	(66,118)	(68,322)
	198,033	191,928	201,330

Our total other payables and accruals amounted to HK$248.4 million, HK$258.0 million and HK$269.7 million as at 31 December 2016 and 2017 and 30 September 2018, respectively. The increase of HK$9.6 million or 3.9% from HK$248.4 million as at 31 December 2016 to HK$258.0 million as at 31 December 2017 was primarily due to (i) increase in accrual for wages and salaries as a result of the expansion of our restaurant network; (ii) increase for reinstatement cost as a result of increase in the number of our restaurants as at 31 December 2017 in comparison to 31 December 2016. The increase of HK$11.6 million or 4.5% from HK$258.0 million as at 31 December 2017 to HK$269.7 million as at 30 September 2018 was primarily due to increase in both deferred rental expenses and provision for restatement cost in relation to our increase in restaurants in operation.

Contract liabilities

Sales of cash coupons are first recognised as contract liabilities in our consolidated statements of financial position, and revenue is recognised when our customers redeem the coupons. The fluctuation in balances of contract liabilities as at each year/period end was mainly affected by the timing of cash coupons sold to our customers and the timing of redemption of such cash coupons. The contract liabilities were HK$52.5 million, HK$62.7 million and HK$24.4 million as at 31 December 2016 and 2017 and 30 September 2018, respectively. Our contract liabilities was relatively lower as at 30 September 2018 as the promotion programme of cash coupons commence in October each year. Thus, the utilisation of cash coupons accumulated up to the end of September each year is relatively higher than that up to the end of December.

Loan to related companies

Our loan to related companies amounted to HK$57.9 million, nil and nil as at 31 December 2016 and 2017 and 30 September 2018, respectively. The amount was non-trade nature, unsecured, interest-bearing at Hong Kong Interbank Offered Rate plus 1.5% to 2.0% or prime rate minus 2.9% per annum and repayable on demand. All loans to related companies had been fully settled. For breakdown of loans to related companies, please refer to note 21 of the Accountants' report in Appendix I to this document.

Due from (to) related companies and related parties

Our balances due from related companies amounted to HK$744.8 million, HK$65.6 million and HK$42.4 million, our balances from related parties amounted to HK$0.7 million, HK$1.5 million and HK$0.4 million, whereas our balances due to related companies amounted to HK$64.3 million, HK$42.7 million and HK$42.2 million as at 31 December 2016 and 2017 and 30 September 2018, respectively. All amounts were non-trade nature, unsecured, interest free and repayable on demand and will be settled upon Listing. For details of related party balances, please refer to note 21 of the Accountants' Report in Appendix I to this document.

CAPITAL EXPENDITURES AND COMMITMENT

Capital expenditure

Our capital expenditures during the Track Record Period primarily related to expenditures on (i) purchase of land use rights for our Mainland China Food Factory; (ii) furniture fitting of restaurant renovation and maintenance of existing restaurants; (iii) acquisition of furniture, fixtures and equipment used in our operations; (iv) purchase of intangible assets to further expand our business operation; and (v) upgrade of automatic kitchen equipment. Our total cash outflow for capital expenditure, including cash used in purchasing property, plant and equipment, and purchase of intangible assets in aggregate amounted to HK$231.5 million, HK$297.3 million and HK$160.2 million for FY2016, FY2017 and 9M2018, respectively and approximately HK$193.2 million is expected to be used for FY2018.

We anticipate that our future capital expenditure will increase as we open new restaurants and expand our operations. Our projected capital expenditure for FY2019, FY2020 and FY2021 is HK$157.9 million, HK$215.1 million and HK$385.6 million, respectively. We expect that our planned capital expenditure for FY2019, FY2020 and FY2021 will be primarily used for property, plant and equipment for our expansion plans in Hong Kong and Mainland China. For details, see "Business — Business Strategies". In the event that the actual capital expenditure incurred for our planned expansion exceeds the [**REDACTED**] we received from the [**REDACTED**], we believe we will have sufficient internal resources, including cash and cash equivalent and cash flows derived from operating activities, for such capital expenditure and contractual commitments for the next 12 months. As at 30 September 2018, we had HK$205.2 million in cash and cash equivalents available. For details, please refer to section headed "Future plans and use of [**REDACTED**]" to this document.

Operating lease commitments

As at the 31 December 2016 and 2017 and 30 September 2018, we had total future commitments for our of restaurants, staff quarters and office premises under non-cancellable operating lease arrangements, which will fall due as follows:

	As at 31 December		As at 30 September
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
As lessee			
Within one year	304,546	308,572	346,370
In the second to fifth years, inclusive	447,989	613,721	536,422
After five years	47,983	35,447	22,906
Total	800,518	957,740	905,698

Our leases for restaurants premises are agreed for terms ranging from three to eleven years, while leases for staff quarters and office premises are agreed for terms ranging from one to three years.

Capital commitments

We had the following capital commitments, which were contracted but not provided for in our consolidated financial statements, as at the dates indicated:

	As at 31 December		As at 30 September
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Leasehold improvements and plant and machinery	3,338	77,120	24,497
Capital contribution payable to a subsidiary	–	–	6,551
	3,338	77,120	31,048

INDEBTEDNESS

Our indebtedness during the Track Record Period and as at 30 November 2018, being the latest practicable date for the purpose of the indebtedness statement, mainly includes interest-bearing bank borrowings and due to related companies. The following table sets forth our indebtedness as at the dates indicated:

	As at 31 December		As at 30 September	As at 30 November
	2016	2017	2018	2018
	HK$'000	HK$'000	HK$'000	HK$'000 (unaudited)
Current portion				
Interest-bearing bank borrowings.	889,638	1,019,178	102,533	114,075
Due to related companies	64,337	42,735	42,190	–
	953,975	1,061,913	144,723	114,075
Non-current portion				
Interest-bearing bank borrowings	–	–	412,450	432,642
	953,975	1,061,913	557,173	546,717

Interest-bearing bank borrowings

As at 31 December 2016 and 2017 and 30 September 2018 and 30 November 2018, being the latest practicable date for the purpose of the indebtedness statement, our borrowings consisted of interest-bearings bank borrowings from banks in Hong Kong amounted to HK$889.6 million, HK$1,019.2 million, HK$515.0 million and HK$546.7 million, respectively.

As at 31 December 2016 and 2017, the banking facilities granted to us contain a clause that provides the banks with unconditional rights to call back our bank loans at any time, i.e. repayment on demand clause. As such, our interesting-bearing bank borrowings are classified as current liabilities in our consolidated statement of financial position.

As at 30 September 2018, we have drawn down new term loans which were not subject to repayable on demand clause in replacement of our previous bank borrowings. As such, a portion of our interest-bearing bank borrowings were reclassified to non-current liabilities accordingly.

The following table sets out a breakdown of our bank borrowings based on maturity terms set out in the loan agreement as at dates indicated:

	As at 31 December		As at 30 September	As at 30 November
	2016	2017	2018	2018
	HK$'000	HK$'000	HK$'000	HK$'000 (unaudited)
Bank loans and overdrafts repayable:				
Within one year	606,095	742,473	102,533	114,075
In the second year	84,603	109,953	98,517	107,933
In the third to fifth year, inclusive	154,989	145,753	265,377	277,912
Beyond five year	43,951	20,999	48,556	46,797
	889,638	1,019,178	514,983	546,717

Our Directors confirm that we made the interest-bearing borrowings (i) to finance our non-current assets for our operation; and (ii) acted as a centralised treasury function with related companies, as disclosed above. Our interest-bearing bank borrowings increased by HK$129.5 million or 14.6% from HK$889.6 million as at 31 December 2016 to HK$1,019.2 million as at 31 December 2017, primarily for capital expenditure of our Hong Kong Food Factory and Mainland Food Factory. Our interest-bearing bank borrowings decreased from HK$1,019.2 million as at 31 December 2017 to HK$515.0 million as at 30 September 2018, primarily due to repayment of borrowings.

Our interest bearing bank borrowings as at 31 December 2016 and 2017, 30 September 2018 and 30 November 2018 were secured by (i) personal guarantees given by the Directors and corporate guarantees given by certain related companies of our Company; (ii) investment properties with aggregate net carrying value of HK$274.1 million as at 31 December 2016 and property, plant and equipment of HK$207.1 million, HK$202.3 million, HK$274.6 million and HK$273.0 million as at 31 December 2016 and 2017, 30 September 2018 and 30 November 2018, respectively; (iii) non-current asset classified as held for sale with aggregate net carrying value of HK$361.1 million as at 31 December 2017; and (iv) investment properties of certain related companies that are controlled by the same shareholders as our Company's ultimate holding company, with aggregate net carrying value of HK$825.7 million, HK$943.8 million, nil and nil as at 31 December 2016 and 2017, 30 September 2018 and 30 November 2018, respectively. All of the above securities and guarantees provided to our Group will be released upon Listing.

Our Directors confirm that as at the Latest Practicable Date, the agreements for our bank borrowings did not contain any covenant that would have a material adverse effect on our ability to make additional borrowings or issue debt or equity securities in the future. Our Directors further confirm that we (i) had no material defaults in bank borrowings; (ii) had not breached any covenants; and (iii) did not experience any material difficulty in obtaining credit facilities or requested for early repayment during the Track Record Period and up to the Latest Practicable Date.

As at 30 November 2018, being the latest practicable date for the purpose of the indebtedness statement, we had aggregate banking facilities of HK$922.7 million, of which HK$360.3 million was unutilised.

Due to related companies

Our balances due to related companies amounted to HK$64.3 million, HK$42.7 million, HK$42.2 million and HK$43.8 million as at 31 December 2016 and 2017, 30 September 2018 and 30 November 2018, respectively, were unsecured, interest-free and repayable on demand. All balances due to related companies will be settled upon Listing.

Contingent liabilities

As at 31 December 2016 and 2017 and 30 September 2018 and 30 November 2018, our contingent liabilities are not provided for in the financial statements. The fair values of such guarantees are not significant and our Directors consider that the risk of default in payments is remote and therefore no provision for the guarantees has been made in the financial information. Such corporate guarantees given by our Group will be released upon Listing.

The following table sets forth our corporate guarantee given to banks as at the dates indicated:

	As at 31 December		As at 30 September	As at 30 November
	2016	2017	2018	2018
	HK$'000	HK$'000	HK$'000	HK$'000 (unaudited)
Guarantees given to banks in connection to related companies	74,596	88,391	114,602	60,853

As at 30 November 2018, being the latest practicable date for the purpose of the indebtedness statement, save as disclosed in subsection headed "Indebtedness", we did not have any material contingent liabilities or guarantees.

Save as disclosed above, we did not have any outstanding loans, capital issued or agreed to be issued, debt securities, mortgages, charges, debentures, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credit, hire purchases commitments or other contingent liabilities as at the Latest Practicable Date. As at the same date, we did not have any other guaranteed the indebtedness of any independent third parties.

OFF-BALANCE SHEET ARRANGEMENT

During the Track Record Period and up to the Latest Practicable Date, we had not entered into any off-balance sheet transaction.

TRANSACTIONS WITH RELATED PARTIES

With respect to the related party transactions during the Track Record Period set forth in the Accountants' Report in Appendix I to this document, our Directors confirm that these transactions were conducted on normal commercial terms or such terms that were no less favourable to our Group than those available to Independent Third Parties and were fair and reasonable and in the interest of our Shareholders as a whole.

KEY FINANCIAL RATIOS

The following table sets forth our key financial ratios as at each of the dates indicated:

	FY2016	FY2017	9M2018
Gross profit margin (%)[1]	70.7	71.6	71.6
Net profit margin (%)[2]	7.8	7.6	12.3
Return on equity (%)[3]	25.8	39.4	N/A
Return on total assets (%)[4]	9.4	10.5	N/A
Interest coverage (times)[5]	15.9	14.8	19.2

	As at 31 December		As at 30 September
	2016	2017	2018
Current ratio[6]	0.8	0.5	0.8
Quick ratio[7]	0.8	0.5	0.7
Gearing ratio (%)[8]	102.7	515.6	147.0
Net debt to equity ratio (%)[9]	85.1	432.3	88.4

Notes:

1 Gross profit margin was calculated based on gross profit for the year /period divided by revenue for the respective years/ periods and multiplied by 100%. See the paragraph headed "— Review of historical result of operations" above in this section for details on our gross profit margins.

2 Net profit margin was calculated based on profit for the year/period divided by revenue for the respective year/period and multiplied by 100%. See the paragraph headed "— Review of historical results of operation" in this section above for more details on our net profit margins.

3 Return on equity was calculated by dividing profit for the year by average balance of our total equity at the beginning and at the end of the year and multiplying by 100%. We did not calculate the return on average equity for 9M2018 for the purpose of comparison as we believe it is not meaningful to compare the ratio for 9M2018 with the ratio of FY2017.

4 Return on total assets was calculated by dividing profit for the year by average balance of our total assets at the beginning and at the end of the year and multiplying by 100%. We did not calculate the return on average assets for 9M2018 for the purpose of comparison as we believe it is not meaningful to compare the ratio for 9M2018 with the ratio of FY2017.

5 Interest coverage was calculated by dividing profit before interest and tax excluding [**REDACTED**] expenses by finance costs.

6 Current ratio was calculated by dividing the total current assets by total current liabilities as at the respective dates.

7 Quick ratio was calculated by dividing the total current assets less inventory by total current liabilities as at the respective dates.

8 Gearing ratio was calculated based on the interest-bearing bank borrowings divided by total equity and multiplied by 100%.

9 Net debt to equity ratio was calculated based on the net debt divided by total equity and multiplied by 100%. Net debt includes all interest-bearing bank borrowings net of cash and cash equivalents.

Return on equity

Our return on equity was 25.8% and 39.4% for FY2016 and FY2017, respectively.

Our return on equity increased from FY2016 to FY2017 was primarily due to (i) increase in profit for the year by HK$12.8 million or 6.5%; and (ii) decrease in average balance of our total equity as a result of dividend paid of HK$891.4 million for FY2017.

Return on total assets

Our return on assets was 9.4% and 10.5% for FY2016 and FY2017, respectively, which remained relatively stable.

Interest coverage

Our interest coverage was 15.9 times, 14.8 times and 19.2 times for FY2016, FY2017 and 9M2018, respectively.

Our interest coverage decreased from FY2016 to FY2017, was primarily due to the growth of our finance cost of 18.2% was larger than the growth of our profits before interest and tax of 9.8%.

Our interest coverage increased from FY2017 to 9M2018, was primarily due to decrease in finance cost as a result of repayment of interest-bearing bank borrowings during 9M2018.

Current ratio

Our current ratio was 0.8, 0.5 and 0.8 as at 31 December 2016 and 2017 and 30 September 2018, respectively.

The decrease from 31 December 2016 to 31 December 2017, was primarily to (i) increase in interest-bearing bank borrowings as at 31 December 2017; and (ii) decrease in balances due from related companies upon settlement.

Our current ratio increase from 31 December 2017 to 30 September 2018, was primarily due to decrease in current portion of interest-bearing bank borrowings upon partial settlement and partial reclassification to non-current liabilities as at 30 September 2018.

Quick ratio

Our quick ratio was 0.8, 0.5 and 0.7 as at 31 December 2016 and 2017 and 30 September 2018, respectively. Since our inventory remained relatively stable as at 31 December 2016 and 2017 and 30 September 2018, there was no material difference between the current ratio and quick ratio.

Gearing ratio

Our gearing ratio was 102.7%, 515.6% and 147.0% as at 31 December 2016 and 2017 and 30 September 2018, respectively.

Our gearing ratio increased from 31 December 2016 to 31 December 2017, primarily due to (i) increase in interest-bearing bank borrowings from HK$889.6 million as at 31 December 2016 to HK$1,019.2 million as at 31 December 2017; and (ii) decrease in our total equity as a result of dividends paid to the then shareholders of HK$891.4 million during FY2017.

Our gearing ratio decreased from 31 December 2017 to 30 September 2018, primarily due to (i) decrease in interest-bearing bank borrowings upon partial settlement; and (ii) decrease in dividends paid to the then shareholders in comparison to FY2017.

Net debt to equity ratio

Our net debt to equity ratio was 85.1%, 432.3% and 88.4% as at 31 December 2016 and 2017 and 30 September 2018, respectively.

Our net debt to equity ratio increased from 31 December 2016 to 31 December 2017, primarily due to (i) increase in interest-bearing bank borrowings as mentioned above; and (ii) decrease in our total equity as a result of dividends paid to the then shareholders of HK$891.4 million during FY2017.

Our net debt to equity ratio decreased from 31 December 2017 to 30 September 2018, primarily due to (i) decrease of interest-bearing bank borrowings of HK$504.2 million; and (ii) increase in cash and cash equivalent of HK$40.5 million.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

We are exposed to market risks from changes in market rates and prices, such as interest rates, credit and liquidity. Details of the risk to which we are exposed are set out in note 43 to the Accountants' Report, in Appendix I to this document.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors confirm that as at the Latest Practicable Date, there was no circumstance that would give rise to the disclosure requirements under Rules 13.13 to 13.19 of the Hong Kong Listing Rules.

PROPERTY INTEREST AND PROPERTY VALUATION

Our Group's property interests are set forth in the Property Valuation Report in Appendix III to this document. Jones Lang LaSalle Limited has valued our Group's properties interests as at 31 October 2018. A summary of values and valuation certificates issued by Jones Lang LaSalle Limited are included in the Property Valuation Report set forth in Appendix III to this document.

A reconciliation of our Group's property interests as of 31 October 2018 and such property interests in our consolidated financial statement as at 30 September 2018 as required under Rule 5.07 of the Listing Rules is set forth below:

	(HK$ '000)
Net book value of our Group's property interest as at 30 September 2018	262,647
Depreciation	(777)
Net book value as at 31 October 2018	261,870
Valuation surplus as at 31 October 2018	430,830
Valuation as at 31 October 2018	692,700

[**REDACTED**] EXPENSES

Assuming an [**REDACTED**] of HK$[**REDACTED**], being the mid-point of indicative price range for the [**REDACTED**], total [**REDACTED**] expenses in relation to the [**REDACTED**] are expected to be approximately HK$[**REDACTED**] million, in which (i) [**REDACTED**] was recognised in the consolidated statements of profit or loss and other comprehensive income for 9M2018; (ii) approximately HK$[**REDACTED**] million and HK$[**REDACTED**] million are expected to be recognised as expenses in our consolidated statements of profit or loss and other comprehensive income for the fourth quarter of FY2018 and FY2017, respectively; and (iii) approximately HK$[**REDACTED**] million is expected to be accounted for as a deduction from equity upon Listing under the relevant accounting standard. The actual amounts to be recognised to the consolidated statements of comprehensive income of our Group or to be capitalised are subject to adjustments based on audit and changes in variables and assumptions.

[**REDACTED**] should note that our financial results for FY2019 will be adversely affected by the non-recurring [**REDACTED**] expenses described above, and may not be comparable to the financial performance of our Group in the past.

DIVIDENDS AND DIVIDEND POLICY

The dividends declared by the companies now comprising our Group to its then shareholders was HK$14.0 million, HK$891.4 million and HK$122.6 million for FY2016, FY2017 and 9M2018, respectively. The dividends declared for FY2016, FY2017 and 9M2018 have been settled. On [●] 2019, our Company declared a special dividend of HK$[40.0] million, which is expected to be settled prior to the [**REDACTED**] [**REDACTED**] by partial offset by the amount due from related companies and the remaining amount settled by cash.

The declaration of dividends is subject to the discretion of our Board, and, after Listing, any declaration of final dividend for the year will be subject to the approval of our Shareholders. We currently aim to pay a total dividend in respect of each financial year of not less than 30% of our distributable profits for that financial year, subject to the Companies Law our Articles, and other applicable laws and regulations, as well as factors and considerations set out below. Our Directors may recommend a payment of dividend in the future after taking into account our operations, earnings, financial condition, cash requirements and availability, capital expenditure and future development requirements and other factors as it may deem relevant at such time. Any future declarations of dividends may or may not reflect our historical declarations of dividends and will be at the absolute discretion of our Directors.

Any dividends declared will be in HKD with respect to our Shares on a per share basis, and our Company will pay such dividends in HKD.

Any distributable profits that are not distributed in any given year will be retained and available for distribution in subsequent years. To the extent profits are distributed as dividends, such portion of profits will not be available to be reinvested in our operations.

DISTRIBUTABLE RESERVES

Our Company was incorporated on 11 December 2017 and is an investment holding company. There were no reserves available for distribution to the Shareholders as at 30 September 2018. Please see note 1(E) of the Accounts' Report in Appendix I to this Document.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

Please see "Unaudited Pro Forma Financial Information" in Appendix II to this document for details of our unaudited pro forma adjusted consolidated net tangible assets.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that as far as we are aware, except as disclosed in this document, there has been no material change in our business operations or financial conditions from 1 October 2018 up to the Latest Practicable Date. Our Directors confirm that, up to the date of this document, there has been no material adverse change in our financial or trading position since 30 September 2018, being the date to which our latest audited consolidated financial information was prepared, which would materially affect the information as set out in the Accountants' Report in Appendix I to this document.

FUTURE PLANS

Please see "Business — Our Strategies" for details of our strategies and future plans.

USE OF [REDACTED]

We estimate that the aggregate [**REDACTED**] to us from the [**REDACTED**] after deducting [**REDACTED**] fees and estimated expenses payable by us in connection with the [**REDACTED**] (the "[**REDACTED**]"), assuming an [**REDACTED**] of HK$[**REDACTED**] per Share (being the mid-point of the indicative [**REDACTED**] range) and that the [**REDACTED**] has not been exercised, will be approximately HK$[**REDACTED**] million. We intend to apply the [**REDACTED**] as follows:

(i) approximately HK$[**REDACTED**] million (representing [**REDACTED**]% of the [**REDACTED**]) will be used for the opening of new restaurants, including:

- approximately HK$[**REDACTED**] million, HK$[**REDACTED**] million and HK$[**REDACTED**] million for opening 20, 21 and 22 new restaurants under our existing and newly developed brand portfolio in FY2019, FY2020 and FY2021, respectively, in Hong Kong; and

- approximately HK$[**REDACTED**] million, HK$[**REDACTED**] million and HK$[**REDACTED**] million for opening 11, 12, and 13 new restaurants under our existing and newly developed brand portfolio in FY2019, FY2020 and FY2021, respectively, in Mainland China.

(ii) approximately HK$[**REDACTED**] million (representing [**REDACTED**]% of the [**REDACTED**]) will be used for the renovation of our existing restaurants in Hong Kong and Mainland China, including:

- approximately HK$[**REDACTED**] million, HK$[**REDACTED**] million and HK$[**REDACTED**] million for renovation 23, 23 and 23 restaurants in Hong Kong in FY2019, FY2020 and FY2021, respectively.

(iii) approximately HK$[**REDACTED**] million (representing [**REDACTED**]% of the [**REDACTED**]) will be used for the enhancement and expansion of our Hong Kong Food Factory and expansion of our Mainland China Food Factory, including:

- approximately HK$[**REDACTED**] million, for the acquisition of a new site and purchase of relevant equipment for the relocation of our Hong Kong Food Factory. As at the Latest Practicable Date, we have not identified any acquisition target;

- approximately HK$[**REDACTED**] million for the enhance work to be carried out at the current HK Central Kitchen or Food Factory, such as replacement of product lines and machines for production of sauces and *siu mei,* as well as improvement in equipment for our bakery section and raw meat section; and

- approximately HK$[**REDACTED**] million for the expansion of our Mainland China Food Factory, such as the acquisition of two production lines for the production of noodles and meatballs. As at the Latest Practicable Date, we have not identified any acquisition target.

(iv) approximately HK$[**REDACTED**] million (representing [**REDACTED**]% of the [**REDACTED**]) will be used as general working capital of our Group.

If the [**REDACTED**] is fixed at the high-end of the indicative [**REDACTED**] range, being [HK$[**REDACTED**]] per Share, the [**REDACTED**] will increase by approximately [**REDACTED**] million. If the [**REDACTED**] is set at the low-end of the indicative [**REDACTED**] range, being [HK$[**REDACTED**]] per Share, the [**REDACTED**] will decrease by approximately [**REDACTED**] million.

In the event that the [**REDACTED**] is set at [HK$[**REDACTED**]] per Share (being the high-end of the indicate [**REDACTED**] Range), [HK$[**REDACTED**]] (being the low-end of the indicative [**REDACTED**] Range) or any price in between, we intend to apply the [**REDACTED**] to the above purposes on a pro-rata basis. If the [**REDACTED**] is exercised in full or in part, we intend to apply the additional [**REDACTED**] from the exercise of the [**REDACTED**] to the above purposes on a pro-rata basis.

Should our Directors decide to re-allocate the intended use of [**REDACTED**] to other business plans or our Group to a material extend, we will make appropriate announcement(s) in due course.

To the extent that the [**REDACTED**] from the [**REDACTED**] are not immediately required for the above purposes or if we are unable to effect any part of our future development plans as intended, we may hold such funds in short- term deposits with licensed banks and authorised financial institutions for so long as it is in our best interest.

[REDACTED]

[**REDACTED**]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[**REDACTED**]

[REDACTED]

[REDACTED]

Independence of the Sole Sponsor

BOCOM International (Asia) Limited satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules.

[**REDACTED**]

[REDACTED]

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The following version is the text of a report, prepared for the purpose of incorporation in this document, received from the Reporting Accountants, Ernst & Young, Certified Public Accountants.

The Directors
Tai Hing Group Holdings Limited

BOCOM International (Asia) Limited

Dear Sirs,

We report on the historical financial information of Tai Hing Group Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-71, which comprises the consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Group for each of the years ended 31 December 2016 and 2017 and the nine months ended 30 September 2018 (the "Track Record Periods") and the consolidated statements of financial position of the Group as at 31 December 2016 and 2017 and 30 September 2018 and the statements of financial position of the Company as at 31 December 2017 and 30 September 2018 and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-4 to I-71 forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [Date] (the "Document") in connection with the initial [**REDACTED**] of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

DIRECTORS' RESPONSIBILITY FOR THE HISTORICAL FINANCIAL INFORMATION

The directors of the Company (the "Directors") are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively, and for such internal control as the Directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS' RESPONSIBILITY

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively, in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

OPINION

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the consolidated financial position of the Group as at 31 December 2016 and 2017 and 30 September 2018 and the financial position of the Company as at 31 December 2017 and 30 September 2018, and of the financial performance and cash flows of the Group for each of the Track Record Periods in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively.

REVIEW OF INTERIM COMPARATIVE FINANCIAL INFORMATION

We have reviewed the interim comparative financial information of the Group which comprises the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the nine months ended 30 September 2017 and other explanatory information (the "Interim Comparative Financial Information"). The Directors are responsible for the preparation and presentation of the Interim Comparative Financial Information in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively. Our responsibility is to express a conclusion on the Interim Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Interim Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively.

REPORT ON MATTERS UNDER THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE AND THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to note 12 to the Historical Financial Information which contains information about the dividends paid by the Company in respect of the Track Record Periods.

No historical financial statements for the Company

As at the date of this report, no statutory financial statements have been prepared for the Company since its date of incorporation.

Yours faithfully,
Certified Public Accountants
Hong Kong
[Date]

I. HISTORICAL FINANCIAL INFORMATION

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of the Group for the Track Record Periods, on which the Historical Financial Information is based, were audited by Ernst & Young in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "Underlying Financial Statements").

The Historical Financial Information is presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand (HK$'000) except when otherwise indicated.

(A) CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December		Nine months ended 30 September	
		2016	2017	2017	2018
	Notes	HK$'000	HK$'000	HK$'000 (unaudited)	HK$'000
Revenue	6	2,512,970	2,771,277	2,044,436	2,348,942
Cost of materials consumed		(735,162)	(787,030)	(581,650)	(667,754)
Gross profit		1,777,808	1,984,247	1,462,786	1,681,188
Other income and gains, net	6	32,939	45,696	37,183	16,072
Gain on disposal of non-current assets classified as held for sale	26	—	—	—	162,614
Staff costs		(743,853)	(858,909)	(624,110)	(767,358)
Depreciation and amortisation		(128,995)	(133,396)	(102,276)	(108,417)
Rental and related expenses		(345,018)	(399,729)	(296,177)	(339,630)
Other operating expenses, net		(328,562)	(347,757)	(242,598)	(289,560)
Finance costs	8	(16,587)	(19,611)	(14,480)	(18,138)
[**REDACTED**]		[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
PROFIT BEFORE TAX	7	247,732	270,541	220,328	330,235
Income tax expense	11	(50,853)	(60,908)	(47,356)	(40,938)
PROFIT FOR THE YEAR/PERIOD		196,879	209,633	172,972	289,297
Profit for the year/period attributable to:					
Owners of the Company		108,644	115,682	95,451	289,297
Non-controlling interests		88,235	93,951	77,521	—
		196,879	209,633	172,972	289,297

		Year ended 31 December		Nine months ended 30 September	
		2016	2017	2017	2018
	Notes	HK$'000	HK$'000	HK$'000 (unaudited)	HK$'000
OTHER COMPREHENSIVE INCOME					
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:					
Exchange differences on translation of foreign operations		(9,061)	12,332	11,436	(13,759)
Reclassification adjustment for foreign operations deregistered during the year/period		(1,605)	—	—	(1,270)
Release of exchange reserve upon disposal of subsidiaries	35	—	—	—	976
		(10,666)	12,332	11,436	(14,053)
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:					
Gain on asset revaluation	16	35,576	1,044	1,044	—
Other comprehensive income/(loss) for the year/period		24,910	13,376	12,480	(14,053)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR/PERIOD		221,789	223,009	185,452	275,244
Attributable to:					
Owners of the Company		122,390	123,063	102,338	275,244
Non-controlling interests		99,399	99,946	83,114	—
		221,789	223,009	185,452	275,244

(B) CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at 31 December		As at 30 September
		2016	**2017**	**2018**
	Notes	**HK$'000**	**HK$'000**	**HK$'000**
NON-CURRENT ASSETS				
Property, plant and equipment	14	721,674	743,305	786,470
Prepaid land lease payments	15	13,426	13,608	12,785
Investment properties	16	290,626	18,027	10,657
Intangible asset	17	712	557	439
Prepayments, deposits and other receivables	20	99,690	140,951	128,412
Deferred tax assets	31	14,700	16,289	18,500
Total non-current assets		1,140,828	932,737	957,263
CURRENT ASSETS				
Inventories	18	39,709	39,157	41,365
Trade receivables	19	8,127	19,327	16,538
Prepayments, deposits and other receivables	20	71,291	80,267	103,671
Loans to related companies	21	57,900	—	—
Due from related companies	21	744,804	65,590	42,426
Due from related parties	21	675	1,494	387
Due from a director	22	22,880	11,158	603
Financial assets at fair value through profit or loss	23	4,120	983	925
Debt investments at amortised cost	24	—	56,707	—
Tax recoverable		3,975	1,140	1,490
Cash and cash equivalents	25	152,491	164,682	205,227
Non-current assets classified as held for sale	26	—	361,145	—
Total current assets		1,105,972	801,650	412,632
CURRENT LIABILITIES				
Trade payables	27	97,210	113,286	108,960
Other payables and accruals	28	198,033	191,928	201,330
Contract liabilities	29	52,546	62,733	24,367
Due to related companies	21	64,337	42,735	42,190
Interest-bearing bank borrowings	30	889,638	1,019,178	102,533
Tax payable		18,317	30,246	50,740
Total current liabilities		1,320,081	1,460,106	530,120
NET CURRENT LIABILITIES		(214,109)	(658,456)	(117,488)
TOTAL ASSETS LESS CURRENT LIABILITIES		926,719	274,281	839,775

		As at 31 December		As at 30 September
		2016	2017	2018
	Notes	HK$'000	HK$'000	HK$'000
NON-CURRENT LIABILITIES				
Other payables and accruals	28	50,413	66,118	68,322
Interest-bearing bank borrowings	30	—	—	412,450
Deferred tax liabilities	31	10,256	10,503	8,699
Total non-current liabilities		60,669	76,621	489,471
Net assets		866,050	197,660	350,304
EQUITY				
Equity attributable to owners of the Company				
Issued capital	32	—	1	1
Reserves	33	477,912	197,659	350,303
		477,912	197,660	350,304
Non-controlling interests		388,138	—	—
Total equity		866,050	197,660	350,304

(C) CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Years ended 31 December 2016 and 2017 and nine months ended 30 September 2018

	Attributable to owners of the Company								
	Issued capital	Capital reserve*	Asset revaluation reserve*	Exchange fluctuation reserve*	Statutory reserve*	Retained profits*	Total	Non-controlling interests	Total equity
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
	(note 32)	(note 33(a))		(note 33(b))	(note 33(c))				
At 1 January 2016	—	30,058	—	(2,760)	742	335,208	363,248	295,013	658,261
Profit for the year	—	—	—	—	—	108,644	108,644	88,235	196,879
Other comprehensive income for the year:									
Exchange differences on translation of foreign operations	—	—	—	(4,998)	—	—	(4,998)	(4,063)	(9,061)
Release of exchange fluctuation reserve upon liquidation of a subsidiary	—	—	—	(887)	—	—	(887)	(718)	(1,605)
Gain on asset revaluation *(note 16)*	—	—	19,631	—	—	—	19,631	15,945	35,576
Total comprehensive income for the year	—	—	19,631	(5,885)	—	108,644	122,390	99,399	221,789
Appropriation to statutory reserve	—	—	—	—	941	(941)	—	—	—
Dividends paid to the then shareholders *(note 12)*	—	—	—	—	—	(7,726)	(7,726)	(6,274)	(14,000)
At 31 December 2016	—	30,058	19,631	(8,645)	1,683	435,185	477,912	388,138	866,050

Years ended 31 December 2016 and 2017 and nine months ended 30 September 2018

	Attributable to owners of the Company								
	Issued capital	Capital reserve*	Asset revaluation reserve*	Exchange fluctuation reserve*	Statutory reserve*	Retained profits*	Total	Non-controlling interests	Total equity
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
	(note 32)	(note 33(a))		(note 33(b))	(note 33(c))				
At 1 January 2017	—	30,058	19,631	(8,645)	1,683	435,185	477,912	388,138	866,050
Profit for the year	—	—	—	—	—	115,682	115,682	93,951	209,633
Other comprehensive income for the year:									
Exchange differences on translation of foreign operations	—	—	—	6,805	—	—	6,805	5,527	12,332
Gain on asset revaluation *(note 16)*	—	—	576	—	—	—	576	468	1,044
Total comprehensive income for the year	—	—	576	6,805	—	115,682	123,063	99,946	223,009
Issue of shares *(note 32)*	1	—	—	—	—	—	1	—	1
Release of revaluation reserve upon disposal of assets	—	—	(19,631)	—	—	19,631	—	—	—
Appropriation to statutory reserve	—	—	—	—	4,372	(4,372)	—	—	—
Dividends paid to the then shareholders *(note 12)*	—	—	—	—	—	(491,901)	(491,901)	(399,499)	(891,400)
Acquisition of non-controlling interest *(note 2.1)*	—	88,585	—	—	—	—	88,585	(88,585)	—
At 31 December 2017	1	118,643	576	(1,840)	6,055	74,225	197,660	—	197,660

	Attributable to owners of the Company						
	Issued capital	Capital reserve*	Asset revaluation reserve*	Exchange fluctuation reserve*	Statutory reserve*	Retained profits*	Total equity
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
	(note 32)	(note 33(a))		(note 33(b))	(note 33(c))		
At 1 January 2018	1	118,643	576	(1,840)	6,055	74,225	197,660
Profit for the period	—	—	—	—	—	289,297	289,297
Other comprehensive income for the period:							
Exchange differences on translation of foreign operations	—	—	—	(13,759)	—	—	(13,759)
Release of exchange reserve upon liquidation of a subsidiary	—	—	—	(1,270)	—	—	(1,270)
Release of exchange reserve upon disposal of subsidiaries *(note 35)*	—	—	—	976	—	—	976
Total comprehensive income for the year	—	—	—	(14,053)	—	289,297	275,244
Dividends paid to the then shareholders *(note 12)*	—	—	—	—	—	(122,600)	(122,600)
At 30 September 2018	1	118,643	576	(15,893)	6,055	240,922	350,304

Nine months ended 30 September 2017 (unaudited)

	Attributable to owners of the Company								
	Issued capital	Capital reserve*	Asset revaluation reserve*	Exchange fluctuation reserve*	Statutory reserve*	Retained profits*	Total	Non-controlling interests	Total equity
	HK$'000 (note 32)	HK$'000 (note 33(a))	HK$'000	HK$'000 (note 33(b))	HK$'000 (note 33(c))	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2017	—	30,058	19,631	(8,645)	1,683	435,185	477,912	388,138	866,050
Profit for the period	—	—	—	—	—	95,451	95,451	77,521	172,972
Other comprehensive income for the period:									
Exchange differences on translation of foreign operations	—	—	—	6,311	—	—	6,311	5,125	11,436
Gain on asset revaluation *(note 16)*	—	—	576	—	—	—	576	468	1,044
Total comprehensive income for the period	—	—	576	6,311	—	95,451	102,338	83,114	185,452
Release of revaluation reserve upon disposal of assets	—	—	(19,631)	—	—	19,631	—	—	—
Appropriation to statutory reserve	—	—	—	—	3,279	(3,279)	—	—	—
Dividends paid to the then shareholders *(note 12)*	—	—	—	—	—	(8,499)	(8,499)	(6,901)	(15,400)
At 30 September 2017	—	30,058	576	(2,334)	4,962	538,489	571,751	464,351	1,036,102

* These reserve accounts comprise the consolidated reserves of HK$477,912,000, HK$197,659,000 and HK$350,303,000 in the consolidated statements of financial position as at 31 December 2016, 31 December 2017 and 30 September 2018, respectively.

(D) CONSOLIDATED STATEMENTS OF CASH FLOWS

		Year ended 31 December		Nine months ended 30 September	
		2016	2017	2017	2018
	Notes	HK$'000	HK$'000	HK$'000 (unaudited)	HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before tax		247,732	270,541	220,328	330,235
Adjustments for:					
Finance costs	8	16,587	19,611	14,480	18,138
Bank interest income	6	(238)	(1,035)	(575)	(1,293)
Interest income from related companies	6	(10,240)	(12,456)	(8,991)	(1,181)
Loss on disposal of items of property, plant, and equipment	7	1,415	3,017	1,812	2,269
Loss on disposal of an investment property	7	—	2,275	2,275	—
Gain on disposal of subsidiaries	6	—	—	—	(472)
Gain on disposal of non-current assets classified as held for sale	7	—	—	—	(162,614)
Depreciation	7	128,891	132,778	101,815	107,937
Amortisation of intangible assets	7	65	155	116	118
Amortisation of lease payments	7	39	463	345	362
Impairment of items of property, plant and equipment	7	11,713	2,646	—	—
Fair value loss/(gain) on financial assets at fair value through profit or loss	7	(239)	(433)	(338)	58
Fair value gain on investment properties	6	(981)	(2,220)	(2,542)	(12)
Gain on deregistration of subsidiaries	6	(1,605)	—	—	(1,270)
Cash coupon forfeited	6	(1,883)	(1,954)	(1,593)	(1,105)
Bad debt written off	7	634	—	—	—
		391,890	413,388	327,132	291,170

		Year ended 31 December		Nine months ended 30 September	
		2016	**2017**	**2017**	**2018**
	Notes	**HK$'000**	**HK$'000**	**HK$'000 (unaudited)**	**HK$'000**
Decrease/(increase) in inventories		(520)	872	3,718	(2,645)
Decrease/(increase) in trade receivables		(1,260)	(10,898)	(3,210)	2,716
Decrease/(increase) in prepayments, deposits and other receivables		806	(47,118)	(58,136)	(13,577)
Movement in balances with related parties		3,722	(772)	(862)	1,117
Movement in balances with related companies	36(a)(i)	(146,033)	(160,998)	(99,653)	237,936
Decrease in an amount due from a director		428	11,722	11,667	10,555
Increase/(decrease) in trade payables		(15,102)	14,782	3,519	(3,221)
Increase/(decrease) in other payables and accruals	36(a)(ii)	(17,645)	494	(8,430)	6,840
Increase/(decrease) in contract liabilities		4,168	12,141	(28,567)	(37,261)
Cash generated from operations		220,454	233,613	147,178	493,630
Hong Kong profits tax refund/(paid)		(40,967)	(36,383)	395	(2,471)
Overseas tax paid		(7,504)	(11,565)	(6,425)	(22,189)
Net cash flows from operating activities		171,983	185,665	141,148	468,970

		Year ended 31 December		Nine months ended 30 September	
		2016	2017	2017	2018
	Notes	HK$'000	HK$'000	HK$'000 (unaudited)	HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest received		10,478	13,491	9,566	2,474
Purchases of items of property, plant and equipment	14, 36(a)(ii)	(230,675)	(297,304)	(194,554)	(160,244)
Purchase of an intangible asset	17	(777)	—	—	—
Proceeds from disposal of items of property, plant and equipment		5,686	16,037	12,469	3,857
Proceeds from disposal of investment properties		—	51,225	51,225	—
Proceeds from disposal of financial assets at fair value through profit or loss		—	3,830	3,570	—
Proceeds from disposal of debt investment at amortised cost		—	—	—	57,701
Proceeds from disposal of subsidiaries	35	—	—	—	9,560
Proceeds from disposal of non-current assets classified as held for sales	26, 36(a)(iii)	—	—	—	206,474
Purchase of investment properties	16	(7,273)	—	—	—
Acquisition of financial assets at fair value through profit or loss		(624)	(260)	—	—
Acquisition of debt investment at amortised cost		—	(56,878)	—	—
Acquisition of subsidiaries	34	(47,486)	—	—	—
Net cash flows from/(used in) investing activities		(270,671)	(269,859)	(117,724)	119,822

		Year ended 31 December		Nine months ended 30 September	
		2016	2017	2017	2018
	Notes	HK$'000	HK$'000	HK$'000 (unaudited)	HK$'000
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issue of a share	32	—	1	—	—
New bank borrowings	36(b)	748,531	655,209	565,019	732,298
Repayment of bank borrowings	36(b)	(603,245)	(525,669)	(473,617)	(1,236,493)
Capital element of finance lease payments		(244)	—	—	—
Interest paid on bank borrowings		(16,587)	(19,611)	(14,480)	(18,138)
Dividend paid	36(a)(i)	(14,000)	(15,400)	(15,400)	(20,000)
Net cash flows from/(used in) financing activities		114,455	94,530	61,522	(542,333)
NET INCREASE IN CASH AND CASH EQUIVALENTS		15,767	10,336	84,946	46,459
Cash and cash equivalents at beginning of year/period		140,534	152,491	152,491	164,682
Effect of foreign exchange rate changes, net		(3,810)	1,855	3,524	(5,914)
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD		152,491	164,682	240,961	205,227
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS					
Cash and bank balances		152,491	164,682	240,961	205,227

(E) STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

	Notes	As at 31 December 2017 HK$'000	As at 30 September 2018 HK$'000
NON-CURRENT ASSET			
Investment in subsidiaries*		—	—
CURRENT ASSETS			
Cash on hand		1	1
Due from a subsidiary		—	200
Total current assets		1	201
CURRENT LIABILITIES			
Due to subsidiaries		(77)	(130)
NET CURRENT ASSETS/(LIABILITIES)		(76)	71
NET ASSETS/(LIABILITIES)		(76)	71
EQUITY/(DEFICIENCY IN ASSETS)			
Issued capital	32	1	1
Retained profits/(accumulated losses)	33	(77)	70
Total equity/(deficiency in assets)		(76)	71

* This item was with an amount less than a thousand.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE AND GROUP INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands on 11 December 2017. The registered address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The principal place of business of the Company is located at 13/F, Chinachem Exchange Square, 1 Hoi Wan Street, Quarry Bay, Hong Kong.

The Company is an investment holding company. During the Track Record Periods, the subsidiaries now comprising the Group were engaged in the operation and management of restaurants.

In the opinion of the Directors, Chun Fat Company Limited ("Chun Fat"), a company incorporated in the British Virgin Islands (the "BVI") on 30 November 2017, is the immediate and ultimate holding company of the Company.

The Company and its subsidiaries now comprising the Group underwent the Reorganisation as set out in the paragraph headed "Reorganisation" in the section headed "History, Development and Reorganisation" in the Document. Apart from the Reorganisation, the Company has not commenced any business or operation since its incorporation.

As at the date of this report, the Company had direct and indirect interests in its subsidiaries, all of which are private limited liability companies (or, if incorporated outside Hong Kong, have characteristics substantially similar to a private company incorporated in Hong Kong), the particulars of which are set out below:

Company name	Place and date of incorporation/ registration and place of operations	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Tai Hing Group Holdings (BVI) Limited Note (a)	BVI 1 November 2017	US$21	100	—	Investment holding
Auto Plus Limited Note (b)	Hong Kong 2 June 2010	HK$100	—	100	Licence holding
Auto Success Enterprise Limited Note (b)	Hong Kong 2 June 2010	HK$100	—	100	Investment holding
Best Domain Limited Note (b)	Hong Kong 3 July 2009	HK$100	—	100	Investment holding
Bright Rich (China) Limited Note (b)	Hong Kong 1 April 2016	HK$10,000	—	100	Investment holding
Café 308 Limited Note (b)	Hong Kong 3 June 2010	HK$100	—	100	Restaurant operation
Chance Spread Limited Note (b)	Hong Kong 26 August 2010	HK$100	—	100	Licence holding
CTC Congee Limited Note (b)	Hong Kong 22 October 2008	HK$1,300,000	—	100	Restaurant operation
Delighted City Limited Note (b)	Hong Kong 2 June 2010	HK$100	—	100	Licence holding
Double Reward Limited Notes (b), (c)	Hong Kong 11 December 2009	HK$100	—	100	Property holding
Easy Empire Company Limited Note (b)	Hong Kong 22 March 1989	HK$200,000	—	100	Licence holding
Gold Business International Company Limited Note (b)	Hong Kong 16 September 1993	HK$10,000	—	100	Property holding
Gold Rainbow Limited Note (b)	Hong Kong 6 October 2008	HK$10,000	—	100	Licence holding
Great Art Development Limited Note (b)	Hong Kong 19 August 2016	HK$100	—	100	Investment holding

Company name	Place and date of incorporation/ registration and place of operations	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Great Reward Enterprise Limited Notes (b), (c)	Hong Kong 29 March 2010	HK$100	—	100	Property holding
Hugh Profit Star Limited Note (b)	Hong Kong 11 December 2009	HK$100	—	100	Investment holding
Hugh Boom Limited Note (b)	Hong Kong 4 January 2008	HK$100	—	100	Investment holding
Miyasaki Yakiniku Company Limited Note (b)	Hong Kong 13 October 2010	HK$100	—	100	Restaurant operation
Niceway International Enterprise Limited Note (b)	Hong Kong 8 March 2017	HK$100	—	100	Investment holding
Nice Bloom Investment Limited Note (b)	Hong Kong 2 January 2018	HK$100	—	100	Idle for future use
Nice Success International Development Limited Note (i)	Hong Kong 2 January 2018	HK$100	—	100	Idle for future use
Original Taste Catering Company Limited Note (b)	Hong Kong 5 October 2007	HK$100	—	100	Licence holding
Record Sino Limited Notes (b), (c)	Hong Kong 9 July 2008	HK$100	—	100	Property holding
Roast.Pot Limited Note (b)	Hong Kong 31 July 2012	HK$100	—	100	Restaurant operation
Steerhead Limited Note (b)	Hong Kong 13 June 2008	HK$100	—	100	Lease holding
Sun Hing Food Factory Limited Note (b)	Hong Kong 9 October 2007	HK$100	—	100	Licence holding
Sun Smart Limited Note (b)	Hong Kong 22 December 1994	HK$100,000	—	100	Licence holding
Tai Hing Catering Limited Notes (b), (c)	Hong Kong 7 December 1995	HK$10,000	—	100	Property holding
Tai Hing Catering Management (China) Limited Note (b)	Hong Kong 3 February 2009	HK$4,006,000	—	100	Investment holding
Tai Hing Catering Management (Macau) Limited Note (a)	Macau 11 April 2016	MOP 25,000	—	100	Restaurant operation
Tai Hing Gourmet Limited Note (b)	Hong Kong 15 October 2009	HK$100	—	100	Investment holding
Tai Hing Worldwide Development Limited Note (b)	Hong Kong 2 January 2001	HK$10,000	—	100	Restaurant operation
TeaWood Taiwanese Dining Bar Limited Note (b)	Hong Kong 31 July 2012	HK$100	—	100	Restaurant operation
Tokyo Tsukiji Ramen Limited Note (b)	Hong Kong 1 November 2010	HK$100	—	100	Restaurant operation
Total Charm Limited Note (b)	Hong Kong 5 August 2010	HK$100	—	100	Licence holding
VIET Corner Limited Note (b)	Hong Kong 5 August 2016	HK$100	—	100	Restaurant operation
Wealthy Grace Investment Limited Note (b)	Hong Kong 11 September 2015	HK$100	—	100	Investment holding
Well Champ International Development Limited Note (b)	Hong Kong 5 July 2015	HK$100	—	100	Investment holding
東莞永富食品有限公司 Note (h)	The People's Republic of China (The "PRC") 13 May 1991	HK$101,350,000	—	100	Food factory
太興飲食管理(中國)有限公司 Note (d)	The PRC 22 June 2009	HK$88,000,000	—	100	Restaurant operation

Company name	Place and date of incorporation/ registration and place of operations	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
廣州太興餐飲管理有限公司 Notes (j), (k)	The PRC 18 January 2011	RMB1,000,000	—	100	Restaurant operation
南寧太興餐飲管理有限公司 Notes (e), (j)	The PRC 3 August 2012	RMB1,000,100	—	100	Restaurant operation
上海太興餐飲管理有限公司 Notes (j), (k)	The PRC 18 May 2010	RMB1,000,000	—	100	Restaurant operation
杭州太興餐飲管理有限公司 Notes (j), (k)	The PRC 8 April 2013	RMB1,000,000	—	100	Restaurant operation
無錫太興餐飲管理有限公司 Notes (j), (k)	The PRC 10 October 2014	RMB1,000,000	—	100	Restaurant operation
鄭州太興餐飲管理有限公司 Notes (j), (k)	The PRC 11 February 2014	RMB100,000	—	100	Restaurant operation
北京太興餐飲管理有限公司 Notes (j), (k)	The PRC 17 June 2010	RMB1,000,000	—	100	Restaurant operation
天津太興餐飲管理有限公司 Note (f)	The PRC 22 November 2011	RMB1,000,000	—	100	Restaurant operation
惠州太興餐飲管理有限公司 Note (e)	The PRC 17 March 2017	RMB100,000	—	100	Restaurant operation
濟南太興餐飲管理有限公司 Notes (j), (k)	The PRC 24 June 2011	RMB2,050,000	—	100	Restaurant operation
青島太興餐飲管理有限公司 Notes (j), (k)	The PRC 26 March 2015	RMB100,000	—	100	Restaurant operation
瀋陽太興餐飲管理有限公司 Notes (g), (j)	The PRC 25 March 2011	RMB1,050,000	—	100	Restaurant operation
鞍山太興餐飲管理有限公司 Notes (i), (m)	The PRC 4 December 2018	RMB100,000	—	100	Restaurant operation
廣州靠得住餐飲有限公司 Note (k)	The PRC 3 January 2017	HK$1,000,000	—	100	Restaurant operation
深圳靠得住餐飲管理有限公司 Notes (k), (m)	The PRC 28 June 2017	RMB100,000	—	100	Restaurant operation
上海靠得住餐飲管理有限公司 Note (i)	The PRC 14 June 2018	RMB100,000	—	100	Restaurant operation
杭州靠得住餐飲管理有限公司 Note (i)	The PRC 6 June 2018	RMB100,000	—	100	Restaurant operation
北京靠得住餐飲管理有限公司 Note (i)	The PRC 1 August 2018	RMB100,000	—	100	Restaurant operation
茶木餐飲管理(深圳)有限公司 Note (d)	The PRC 17 October 2014	HK$14,000,000	—	100	Restaurant operation
廣州茶木餐飲管理有限公司 Notes (j), (k)	The PRC 15 December 2014	RMB100,000	—	100	Restaurant operation
深圳得好勵投資諮詢有限公司 Note (d)	The PRC 23 June 2010	HK$15,000,000	—	100	Property holding
新世代餐飲管理(深圳)有限公司 Note (d)	The PRC 23 June 2010	HK$41,000,000	—	100	Restaurant operation
錦麗餐飲管理(深圳)有限公司 Note (i)	The PRC 29 November 2017	HK$1,000,000	—	100	Restaurant operation
廣州錦麗餐飲管理有限公司 Note (i), (m)	The PRC 11 July 2018	RMB100,000	—	100	Restaurant operation

Notes:

(a) No statutory financial statements have been prepared for these entities since their incorporation as these entities were not subject to any statutory audit requirements under the relevant rules and regulations in their countries/jurisdictions of incorporation.

(b) The statutory financial statements of these entities for each of the year/period ended 31 December 2016 and/or 2017 prepared under Hong Kong Financial Reporting Standards ("HKFRSs") were audited by Ernst & Young (certified public accountants registered in Hong Kong).

(c) On 4 September 2018, the entire equity interests in these companies were acquired by Tai Hing Group Holdings (BVI) Limited (note 2.1).

(d) These entities are registered as wholly-foreign-owned enterprises under the laws of the "PRC". The statutory financial statements of these entities for the years ended 31 December 2016 and 2017 prepared under the PRC Generally Accepted Accounting Principles ("PRC GAAP") were audited by 深圳華碩會計師事務所 (certified public accountants registered in the PRC).

(e) These entities are registered as wholly-foreign-owned enterprises under the laws of the "PRC". The statutory financial statements of these entities for the year ended 31 December 2017 prepared under the PRC GAAP were audited by 深圳華碩會計師事務所.

(f) This entity is registered as a wholly-foreign-owned enterprise under the laws of the "PRC". The statutory financial statements of this entity for the year ended 31 December 2016 and 2017 prepared under the PRC GAAP were audited by 北京東審鼎正國際會計師事務所有限責任公司 (certified public accountants registered in the PRC).

(g) This entity is registered as wholly-foreign-owned enterprises under the laws of the "PRC". The statutory financial statements of this entity for the year ended 31 December 2017 prepared under the PRC GAAP were audited by 北京東審鼎正國際會計師事務所有限責任公司.

(h) On 30 November 2016, the Group entered into a sale and purchase agreement with a third party to acquire 100% equity interest of the entity. The transaction was accounted for as acquisition of assets and liabilities rather than as a business combination. Details of the acquisition were set out in note 34 to the Historical Financial Information. The statutory financial statements of this entity for each of the years ended 31 December 2016 and 2017 prepared under PRC GAAP were audited by Guangdong CCAT certified Public Accountants Limited Company (certified public accountants registered in the PRC).

(i) No statutory financial statements have been prepared for these entities since their incorporation.

(j) No statutory financial statements have been prepared for these entities for these entities for the year/period ended 31 December 2016.

(k) No statutory financial statements have been prepared for these entities for these entities for the year/period ended 31 December 2017.

(l) The share capital structure of the subsidiaries incorporated in the BVI or Hong Kong refer to their issued shares. The share capital structure of the subsidiaries incorporated in Macau or established in the PRC refer to their registered capital.

(m) The share capital of these entities were not fully paid-up up to the date of this report.

2.1 BASIS OF PRESENTATION

As at 30 September 2018, the Group's current liabilities exceeded its current assets by approximately HK$117,488,000. The current liabilities mainly consisted of interest-bearing bank borrowings of approximately HK$102,533,000 as at 30 September 2018. These interest-bearing bank borrowings were mainly used for financing the purchases of non-current assets. Based on the Group's operating history, financial resources available to the Group to meet capital, the Directors believe that there are sufficient financial resources available to the Group to meet its liabilities as and when they fall due. Accordingly, the Directors consider that it is appropriate to prepare the Historical Financial Information on a going concern basis.

Should the Group be unable to continue to operate as a going concern, adjustments would have to be made to restate the values of assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The Historical Financial Information does not include any adjustments that would result from the failure of the Group to continue in business as a going concern.

Pursuant to the Reorganisation, as more fully explained in the paragraph headed "Reorganisation" in the section headed "History, Development and Reorganisation" in the Document, the Company became the holding company of the companies now comprising the Group on 28 December 2017 except for the companies listed in note 1(i) to the Historical Financial Information, which became subsidiaries of the Company on 4 September 2018. The companies now comprising the Group were under the common control of the controlling shareholder before and after the Reorganisation. Accordingly, for the purpose of this report, the Historical Financial Information has been prepared on a consolidated basis by applying the principles of merger accounting as if the Reorganisation had been completed at the beginning of the Track Record Periods.

The consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Group for the Track Record Periods include the results and cash flows of all companies now comprising the Group from the earliest date presented or since the date when the subsidiaries and/or businesses first came under the common control of the controlling shareholder, where this is a shorter period. The consolidated statements of financial position of the Group as at 31 December 2016, 31 December 2017 and 30 September 2018 have been prepared to present the assets and liabilities of the subsidiaries and/or businesses using the existing book values from the controlling shareholder's perspective. No adjustments are made to reflect fair values, or recognise any new assets or liabilities as a result of the Reorganisation.

Equity interests in subsidiaries and/or businesses held by parties other than the controlling shareholder prior to the Reorganisation are presented as non-controlling interests in equity in applying the principles of merger accounting.

All intra-group transactions and balances have been eliminated in full on consolidation.

2.2 BASIS OF PREPARATION

The Historical Financial Information has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the HKICPA and accounting principles generally accepted in Hong Kong. All HKFRSs effective for the accounting period commencing from 1 January 2018, including HKFRS 15 *Revenue from Contracts with Customers* and related amendments to HKFRS 15 *Clarifications to HKFRS 15 Revenue from Contracts with Customers*, together with the relevant transitional provisions, have been early adopted by the Company and its subsidiaries (collectively referred to as the "Group") in the preparation of the Historical Financial Information and are consistently applied throughout the Track Record Periods, except that HKFRS 9 *Financial Instruments* ("HKFRS 9") is adopted by the Group prospectively from 1 January 2018 as the standard does not allow the use of hindsight if it is applied retrospectively.

The Group has not restated financial information from 1 January 2016 to 31 December 2017 for financial instruments in the scope of HKFRS 9. The financial information from 1 January 2016 to 31 December 2017 is reported under HKAS 39 *Financial Instruments: Recognition and Measurement* and is not comparable to the information presented for 2018.

The Group has assessed the effects of adoption of HKFRS 9 on its financial statements and it considered that the adoption did not have a significant impact on its financial position and results of operations.

The Historical Financial Information has been prepared under the historical cost convention except for investment properties and financial assets at fair value through profit or loss, which have been measured at fair value.

The principal effects of adopting HKFRS 9 are as follows.

HKFRS 9 *Financial Instruments*

HKFRS 9 brings together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. Differences arising from the adoption of HKFRS 9 (if any) have been recognised directly in retained earnings as of 1 January 2018.

Changes to classification and measurement

To determine the classification and measurement category, HKFRS 9 requires all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics.

The HKAS 39 measurement categories of financial assets (fair value through profit or loss, available-for-sale, held-to-maturity and loans and receivables) have been replaced by:

(a) Financial assets at amortised cost

(b) Debt investments at fair value through other comprehensive income, with gains or losses recycled to profit or loss on derecognition

(c) Equity instruments at fair value through other comprehensive income, with no recycling of gains or losses to profit or loss on derecognition

(d) Financial assets at fair value through profit or loss

The accounting of financial liabilities remains largely the same as it was under HKAS 39, except for the treatment of gains or losses arising from an entity's own credit risk relating to liabilities designated at fair value through profit or loss. Such movements are presented in other comprehensive income with no subsequent reclassification to profit or loss.

The Group's classification of its financial assets and liabilities is explained in note 3.

Changes to the impairment calculation

The adoption of HKFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing HKAS 39's incurred loss approach with a forward-looking expected credit loss ("ECL") approach. HKFRS 9 requires the Group to record an allowance for ECLs for all loans and other debt financial assets not held at fair value through profit or loss. The ECL allowance is based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

Details of the Group's impairment method are disclosed in note 3.

There were no significant changes for the Group's financial assets and financial liabilities on the classification and impairment on 1 January 2018, the Group's date of initial application of HKFRS 9.

Subsidiaries and consolidation

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies, except as further explained in note 2.1 to the Historical Financial Information regarding business combination under common control, the results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.3 ISSUED BUT NOT YET EFFECTIVE HKFRSs

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in the Historical Financial Information.

Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
HKFRS 16	*Leases*[1]
HKFRS 17	*Insurance Contracts*[2]
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*[1]
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*[1]
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*[1]
Annual Improvements to HKFRSs 2015-2017 Cycle	*Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23*[1]

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after 1 January 2021
3 No mandatory effective date yet determined but available for adoption

Further information about those HKFRSs that are expected to be applicable to the Group is described below.

HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases — Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two elective recognition exemptions for lessees — leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in HKAS 40. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under HKFRS 16 is substantially unchanged from the accounting under HKAS 17. Lessors will continue to classify all leases using the same classification principle as in HKAS 17 and distinguish between operating leases and finance leases. The Group expects to adopt HKFRS 16 on 1 January 2019.

Based on preliminary analysis, the Group expects that the adoption of HKFRS 16 would have the following impact:

For restaurants and office premises that have minimum lease payments over the lease term, the combination of straight-line depreciation of the right-of-use asset and the effective interest rate method applied to the lease liability will result in a higher total charge of profit or loss in the initial years of the lease and decreasing expenses during the latter part of the lease term, but there is no impact on the total expenses recognised over the lease term. As set out in note 38 to the Historical Financial Information, the Group's total future minimum lease payments payable under non-cancellable operating leases as at 30 September 2018 is HK$905,698,000. The Group expects that a certain portion of these lease commitments will be required to be recognised in the consolidated statement of financial position as right-of-use assets and lease liabilities.

The adoption of other revised HKFRSs is not expected to have significant financial effect on the financial statements of the Group.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business combinations (other than those under common control)

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset. An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

Fair value measurement

The Group measures its equity investment at fair value at the end of the Track Record Periods. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the Historical Financial Information are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the Historical Financial Information on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5, as further explained in the accounting policy for "Non-current assets classified as held for sale". The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold land and buildings	Over the lease term
Leasehold improvements	Over the shorter of the lease terms and 5 years
Furniture, fixtures and office equipment	20%
Motor vehicles	20%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year/period end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year/period the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Investment properties

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the year/period in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year/period of the retirement or disposal.

Non-current assets and disposal groups held for sale

Non-current assets are classified as held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. For this to be the case, the asset must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets and its sale must be highly probable.

Non-current assets (other than investment properties and financial assets) classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell. Property, plant and equipment and intangible assets classified as held for sale are not depreciated or amortised.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite useful lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year/period end.

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including prepaid land lease payments under finance leases, are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to profit or loss so as to provide a constant periodic rate of charge over the lease terms.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to profit or loss on the straight-line basis over the lease terms.

Financial assets

Initial recognition and measurement (applicable for periods beginning on 1 January 2018)

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15.

In order for a non-equity financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments);
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments);
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments); and
- Financial assets at fair value through profit or loss

Financial assets at amortised cost (debt instruments)

This category is the most relevant to the Group. The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost includes loans and receivables and debt investment at amortised cost.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in profit or loss.

This category includes equity investments which the Group had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are also recognised as other income in profit or loss when the right of payment has been established.

Initial recognition and measurement (applicable for periods beginning before 1 January 2018)

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

For the Track Record Periods before 1 January 2018, financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss and loans and receivables. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

Derecognition of financial assets (applicable to the Track Record Periods)

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primary derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets (applicable for periods beginning on 1 January 2018)

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when the contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Impairment of financial assets (applicable for periods beginning before 1 January 2018)

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other operating expenses in profit or loss.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, and loans and borrowings, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade payables, financial liabilities included in other payables and accruals, amounts due to related companies and interest-bearing bank borrowings.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise and settle the liabilities simultaneously.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and, in the case of finished goods, comprises direct materials. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statements of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statements of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Government grants and subsidies

Government grants and subsidies are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant and subsidy relate to an expense item, they are recognised as income on a systematic basis over the periods that the costs, which they are intended to compensate, are expensed.

Where the grant and subsidy relate to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to profit or loss by way of a reduced depreciation charge.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services on the following bases:

(a) from restaurant operation, when catering services have been provided to customers;

(b) from sale of food products, when control of the goods has been transferred when the products are accepted by the customers. The customers have full discretion over the products, and there is no unfulfilled obligation that could affect customer's acceptance of the products;

Revenue for other sources

(c) royalty income, on an accrual basis in accordance with the terms and conditions of the franchise agreements, based on a certain percentage of net sales of franchised restaurants for use of the "Tai Hing" trademark;

(d) rental income, on a time proportion basis over the lease terms; and

(e) interest income, on an accrual basis using the effective interest rate method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or shorter period, when appropriate, to the net carrying amount of the financial asset.

Employee benefits

Pension scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the subsidiaries of the Group which operates in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of its payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

Full-time employees of the Group in Macau are covered by a government-mandated defined contribution plan pursuant to which a fixed amount of retirement benefit would be determined and paid by the Macau Government. Contributions are generally made by both employees and employers by paying a fixed amount on a monthly basis to the Social Security Fund Contribution managed by the Macau Government. The Group funds the entire contribution and has no further commitments beyond its monthly contributions.

Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

Interim dividends are simultaneously proposed and declared, because the memorandum and bye-laws of the relevant companies grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

This Historical Financial Information is presented in Hong Kong dollars, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of certain overseas subsidiaries are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into Hong Kong dollars at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss and other comprehensive income are translated into Hong Kong dollars at the weighted average exchange rates for the year/reporting period.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year/reporting period are translated into Hong Kong dollars at the weighted average exchange rates for the year/reporting period.

4. SIGNIFICANT ACCOUNTING ESTIMATES

The preparation of the Group's Historical Financial Information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying amounts of deferred tax assets were HK$14,700,000, HK$16,289,000 and HK$18,500,000 as at 31 December 2016 and 2017 and 30 September 2018, respectively (note 31).

Depreciation of property, plant and equipment

The Group depreciates the different classes of property, plant and equipment on a straight-line basis at applicable depreciation rates over the estimated useful life. The useful life is estimated with reference to the wear and tear history of property, plant and equipment. The estimated useful life reflects the directors' estimates of the periods that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment. The carrying amounts of property, plant and equipment were HK$721,674,000, HK$743,305,000 and HK$786,470,000 as at 31 December 2016 and 2017 and 30 September 2018, respectively (note 14).

Impairment of property, plant and equipment

The Group determines whether property, plant and equipment are impaired when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of the property, plant and equipment exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair values less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value-in-use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Deferred tax liability

Deferred tax liability relating to withholding tax of undistributed earnings of certain subsidiaries established in the PRC is provided to the extent that it is probable that distribution is made according to the relevant tax rules enacted in the relevant jurisdiction, and is subject to management's judgement on the timing and level of such distribution. Such judgement is made with reference to the Group's business plan and cash flow requirements for the holding companies of the subsidiaries. The carrying amount of deferred tax liability provided relating to such withholding tax amounted to HK$4,749,000, HK$7,447,000 and HK$7,452,000 as at 31 December 2016 and 2017 and 30 September 2018, respectively (note 31).

Provision for reinstatement cost

The Group determines the estimated reinstatement costs of items of property, plant and equipment arising from leasing of properties. The estimate is based on historical experience of the actual reinstatement costs incurred with reference to quoted price and/or other available information. Management will reassess the provision at the end of each reporting period, take into consideration of size, shape topography and the complexity of the structure of each restaurant. The carrying amount of such provision amounted to HK$30,260,000, HK$34,947,000 and HK$40,188,000 as at 31 December 2016 and 2017 and 30 September 2018, respectively (note 28).

5. OPERATING SEGMENT INFORMATION

For management purposes, the Group has only one reportable operating segment, which is the operation and management of restaurants.

For management purposes, the Group is organised into business units based on geographical areas and has two reportable operating segments as follows:

(i) the Hong Kong and Macau segment is engaged in the operation of restaurants, and sale of food products; and

(ii) the Mainland China segment is engaged in the operation of restaurants.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group's profit before tax except that interest income and unallocated gains, finance costs, corporate and other unallocated expenses are excluded from such measurement.

Segment assets exclude, deferred tax assets, tax recoverable, balances with a director, related companies and related parties, an intangible asset and cash and cash equivalents as these assets are managed on a group basis.

Segment liabilities exclude interest-bearing bank borrowings, tax payable, deferred tax liabilities and balances with related companies as these liabilities are managed on a group basis.

Geographical information

For the years ended 31 December 2016 and 31 December 2017

	Hong Kong and Macau		Mainland China		Total	
	2016	**2017**	**2016**	**2017**	**2016**	**2017**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**
Segment revenue:						
Sales to external customers*	1,833,842	2,102,396	679,128	668,881	2,512,970	2,771,277
Revenue					2,512,970	2,771,277
Segment results	208,216	220,847	45,863	56,871	254,079	277,718
Reconciliation:						
Interest income from related companies					10,240	12,434
Finance costs					(16,587)	(19,611)
Profit before tax					247,732	270,541
Segment assets	975,255	1,076,959	273,408	396,518	1,248,663	1,473,477
Reconciliation:						
Corporate and other unallocated assets					998,137	260,910
Total assets					2,246,800	1,734,387
Segment liabilities	277,520	308,654	120,682	125,411	398,202	434,065
Reconciliation:						
Corporate and other unallocated liabilities					982,548	1,102,662
Total liabilities					1,380,750	1,536,727
Other segment information						
Depreciation and amortisation	70,828	85,770	58,167	47,626	128,995	133,396
Loss on disposal of items of property, plant and equipment	1,326	1,970	89	1,047	1,415	3,017
Loss on disposal of an investment property	—	2,275	—	—	—	2,275
Capital expenditure**	178,020	237,981	116,053	66,618	294,073	304,599
Non-current assets***	886,962	618,217	239,166	298,231	1,126,128	916,448
Fair value gain/(loss) on investment properties	981	2,542	—	(322)	981	2,220
Impairment of items of property, plant and equipment	650	—	11,063	2,646	11,713	2,646
Compensations of early termination of tenancy agreements	—	8,529	—	—	—	8,529

For the nine months ended 30 September 2017 (unaudited) and 30 September 2018

	Hong Kong and Macau		Mainland China		Total	
	2017	2018	2017	2018	2017	2018
	HK$'000 (unaudited)	HK$'000	HK$'000 (unaudited)	HK$'000	HK$'000 (unaudited)	HK$'000
Segment revenue:						
Sales to external customers*	1,542,178	1,809,951	502,258	538,991	2,044,436	2,348,942
Revenue					2,044,436	2,348,942
Segment results	162,785	341,475	63,032	12,253	225,817	353,728
Reconciliation:						
Interest income from related companies					8,991	1,181
Finance costs					(14,480)	(18,138)
[**REDACTED**] expenses					—	(6,536)
Profit before tax					220,328	330,235
Segment assets		739,912		360,911		1,100,823
Reconciliation:						
Corporate and other unallocated assets						269,072
Total assets						1,369,895
Segment liabilities		290,784		112,196		402,979
Reconciliation:						
Corporate and other unallocated liabilities						616,612
Total liabilities						1,019,591
Other segment information						
Depreciation and amortisation	64,583	70,188	37,693	38,229	102,276	108,417
Loss/(gain) on items of disposal of property, plant and equipment	1,812	2,346	—	(77)	1,812	2,269
Gain on non-current assets classified as held for sale	—	(162,614)	—	—	—	(162,614)
Loss on disposal of an investment property	2,275	—	—	—	2,275	—
Capital expenditure**	132,283	82,015	85,427	86,477	217,710	168,492
Non-current assets***	—	633,717	—	305,046	—	938,763
Fair value gain on investment properties	2,542	—	—	12	2,542	12
Compensations of early termination of tenancy agreements	8,529	—	—	—	8,529	—

* The revenue information above is based on the locations of the customers.

** Capital expenditure consists of additions to property, plant and equipment, prepaid land lease payments, investment properties and other intangible assets including assets from the acquisition of subsidiaries.

*** The non-current asset information above is based on the locations of the assets and excludes deferred tax assets.

Information about major customers

There was no revenue from customers individually contributing over 10% to the total revenue of the Group.

6. REVENUE, OTHER INCOME AND GAINS, NET

Revenue represents the amounts received and receivable from the operation and management of restaurants, and sales of food products, net of discounts. An analysis of the Group's revenue, other income and gains, net is as follows:

	Year ended 31 December		Nine months ended 30 September	
	2016	2017	2017	2018
	HK$'000	HK$'000	HK$'000 (unaudited)	HK$'000
Revenue				
Revenue from restaurant operations	2,454,686	2,711,956	1,999,590	2,296,982
Revenue from the sale of food products	58,284	59,321	44,846	51,960
	2,512,970	2,771,277	2,044,436	2,348,942
Timing of revenue recognition				
A point in time	2,512,970	2,771,277	2,044,436	2,348,942
Other income and gains, net				
Interest income from related companies	10,240	12,456	8,991	1,181
Bank interest income	238	1,035	575	1,293
Rental income	8,722	7,130	5,953	2,595
Royalty income	5,819	6,658	5,521	4,199
Subsidies received from utility companies for purchases of items of property, plant and equipment*	1,683	2,217	1,627	2,031
Government grant*	—	310	308	183
Cash coupon forfeited	1,883	1,954	1,593	1,105
Compensations of early termination of tenancy agreements	—	8,529	8,529	—
Fair value gain on investment properties, net *(note 16)*	981	2,220	2,542	12
Gain on disposal of subsidiaries *(note 35)*	—	—	—	472
Gain on deregistration of a subsidiary	1,605	—	—	1,270
Others	1,768	3,187	1,544	1,731
	32,939	45,696	37,183	16,072

* As at 31 December 2016 and 2017 and 30 September 2018, there were no unfulfilled conditions or other contingencies attaching to the subsidies that had been recognised by the Group.

7. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

		Year ended 31 December		Nine months ended 30 September	
		2016	2017	2017	2018
	Notes	HK$'000	HK$'000	HK$'000 (unaudited)	HK$'000
Cost of materials consumed		735,162	787,030	581,650	667,754
Depreciation	14	128,891	132,778	101,815	107,937
Amortisation of land lease payments	15	39	463	345	362
Amortisation of an intangible asset	17	65	155	116	118
Minimum lease payments under operating leases		288,709	332,101	246,807	277,409
Contingent rents under operating leases*		15,163	14,784	10,465	16,505
Auditor's remuneration		1,491	1,624	1,233	1,800
Employee benefit expenses (excluding directors' and chief executive's remuneration *(note 9)*):					
Salaries, allowances and benefits in kind		695,463	798,390	579,587	711,920
Pension scheme contributions		38,725	47,847	35,291	45,152
		734,188	846,237	614,878	757,072
Direct operating expenses (including repairs and maintenance) arising from rental-earning investment properties		125	128	60	41
Foreign exchange differences, net**		(1,315)	(307)	396	(906)
Impairment of items of property, plant and equipment	14	11,713	2,646	—	—
Bad debt written off		634	—	—	—
Loss on disposal of items of property, plant and equipment		1,415	3,017	1,812	2,269
Loss on disposal of an investment property		—	2,275	2,275	—
Gain on disposal of non-current assets classified as held for sale	26	—	—	—	(162,614)
Fair value loss/(gain) on financial assets at fair value through profit or loss		(239)	(433)	(338)	58
[REDACTED]		[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

* Contingent rents under operating leases are included in "Rental and related expenses" in profit or loss.

** Foreign exchange differences, net are included in "Other income and gains, net" in profit or loss.

8. FINANCE COSTS

An analysis of finance costs is as follows:

	Year ended 31 December		Nine months ended 30 September	
	2016	**2017**	**2017**	**2018**
	HK$'000	**HK$'000**	**HK$'000 (unaudited)**	**HK$'000**
Interest on bank borrowings	16,587	19,611	14,480	18,138

9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

The Company did not have any chief executive or independent non-executive directors at any time during the years ended 31 December 2016 and 2017 and the nine months ended 30 September 2018.

During the year ended 31 December 2017, Mr. Chan Wing On was appointed as an executive director of the Company on 11 December 2017. Subsequent to the end of the reporting period, on 14 December 2018, Mr. Yuen Chi Ming, Mr. Lau Hon Kee and Ms. Chan Shuk Fong were appointed as executive directors of the Company, and Mr. Ho Ping Kee was appointed as a non-executive director of the Company.

Certain of the directors received remuneration from the subsidiaries now comprising the Group for their appointment as directors or officers of these subsidiaries. The remuneration of each of these directors as recorded in the financial statements of the subsidiaries is set out below:

	Year ended 31 December		Nine months ended 30 September	
	2016	**2017**	**2017**	**2018**
	HK$'000	**HK$'000**	**HK$'000 (unaudited)**	**HK$'000**
Fees	—	—	—	—
Other emoluments:				
Salaries, allowances and benefits in kind	8,150	10,997	8,023	8,737
Performance-related bonuses	1,443	1,603	1,153	1,493
Pension scheme contributions	72	72	56	56
	9,665	12,672	9,232	10,286
Total	9,665	12,672	9,232	10,286

(a) Independent non-executive directors

No independent non-executive directors were appointed and there were no fees and other emoluments payable to the independent non-executive directors during the Track Record Periods and nine months ended 30 September 2017.

(b) Executive directors, non-executive directors and the chief executive

	Fees	Salaries, allowances and benefits in kind	Performance related bonuses	Pension scheme contributions	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Year ended 31 December 2016					
Executive directors					
Chan Wing On	—	4,555	488	18	5,061
Yuen Chi Ming	—	1,249	244	18	1,511
Lau Hon Kee	—	940	244	18	1,202
Chan Shuk Fong	—	1,406	467	18	1,891
	—	8,150	1,443	72	9,665
Non-executive director					
Ho Ping Kee	—	—	—	—	—
	—	—	—	—	—
Year ended 31 December 2017					
Executive directors					
Chan Wing On	—	6,447	540	18	7,005
Yuen Chi Ming	—	1,463	270	18	1,751
Lau Hon Kee	—	1,205	270	18	1,493
Chan Shuk Fong	—	1,882	523	18	2,423
	—	10,997	1,603	72	12,672
Non-executive director					
Ho Ping Kee	—	—	—	—	—
	—	—	—	—	—
Nine months ended 30 September 2017 (unaudited)					
Executive directors					
Chan Wing On	—	4,685	390	14	5,089
Yuen Chi Ming	—	1,098	195	14	1,307
Lau Hon Kee	—	904	195	14	1,113
Chan Shuk Fong	—	1,336	373	14	1,723
	—	8,023	1,153	56	9,232
Non-executive director					
Ho Ping Kee	—	—	—	—	—
	—	—	—	—	—
Nine months ended 30 September 2018					
Executive directors					
Chan Wing On	—	4,960	642	14	5,616
Yuen Chi Ming	—	1,143	201	14	1,358
Lau Hon Kee	—	933	201	14	1,148
Chan Shuk Fong	—	1,701	449	14	2,164
	—	8,737	1,493	56	10,286
Non-executive director					
Ho Ping Kee	—	—	—	—	—
	—	—	—	—	—

There was no arrangement under which a director waived or agreed to waive any remuneration during the Track Record Periods.

During the Track Record Periods, no remuneration was paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office.

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the years ended 31 December 2016 and 2017, and the nine months ended 30 September 2017 (unaudited) and 30 September 2018 all included 2 directors, details of whose remuneration are set out in note 9 above. Details of the remuneration of the remaining three non-director, highest paid employees during the years ended 31 December 2016 and 2017 and the nine months ended 30 September 2017 (unaudited) and 30 September 2018 are as follows:

	Year ended 31 December		Nine months ended 30 September	
	2016	2017	2017	2018
	HK$’000	HK$’000	HK$’000 (unaudited)	HK$’000
Salaries, allowances and benefits in kind	4,870	7,674	5,523	6,254
Performance related bonuses	1,265	1,566	1,133	1,074
Pension scheme contributions	89	139	104	108
	6,224	9,379	6,760	7,436

The number of the non-director, highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees			
	Year ended 31 December		Nine months ended 30 September	
	2016	2017	2017	2018
			(unaudited)	
HK$3,500,001 to HK$4,000,000	—	1	—	—
HK$3,000,001 to HK$3,500,000	—	1	—	—
HK$2,500,001 to HK$3,000,000	—	1	1	1
HK$2,000,001 to HK$2,500,000	2	—	1	2
HK$1,500,001 to HK$2,000,000	1	—	1	—
	3	3	3	3

During the Track Record Periods, no emoluments were paid by the Group to any of the non-directors, highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office.

11. INCOME TAX

Pursuant to the rules and regulations of the Cayman Islands and the BVI, the Group is not subject to any income tax in the Cayman Islands and the BVI. Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong for each of the Track Record Periods. PRC tax and Macau tax have been provided at the rate of 25% and 12% on the estimated profits arising in the PRC and Macau for each of the Track Record Periods, respectively.

	Year ended 31 December		Nine months ended 30 September	
	2016	2017	2017	2018
	HK$'000	HK$'000	HK$'000 (unaudited)	HK$'000
Current — Hong Kong				
Charge for the year	33,988	44,301	31,512	35,336
Underprovision/(overprovision) in prior years	(40)	353	319	51
Current — elsewhere	15,517	17,476	16,413	9,554
Deferred *(note 31)*	1,388	(1,222)	(888)	(4,003)
Total tax charge for the year/period	50,853	60,908	47,356	40,938

A reconciliation of the tax expense applicable to profit before tax at the statutory rates for the tax expense at the effective tax rate is as follows:

	Year ended 31 December		Nine months ended 30 September	
	2016	2017	2017	2018
	HK$'000	HK$'000	HK$'000 (unaudited)	HK$'000
Profit before tax	247,732	270,541	220,328	330,235
Tax at the statutory rates of different jurisdictions	44,840	49,906	42,033	55,241
Adjustments in respect of current tax of previous years	(40)	353	319	51
Effect of withholding tax at 5% on the distributable profits of the Group's PRC subsidiaries	1,298	2,400	1,786	287
Income not subject to tax	(406)	(634)	(604)	(29,303)
Expenses not deductible for tax	3,825	3,962	3,564	6,436
Tax losses utilised from previous years	(1,452)	(613)	(104)	(659)
Tax losses not recognised	1,756	5,306	473	7,524
Others	1,032	228	(111)	1,361
Tax charge at the Group's effective tax rate (December 2016: 20.5%; December 2017: 22.5%; September 2017: 21.5%; September 2018: 12.4%)	50,853	60,908	47,356	40,938

12. DIVIDENDS

The dividends declared/paid by the Company and the Company's subsidiaries to the then shareholders during the Track Record Periods were as follows:

	Year ended 31 December		Nine months ended 30 September	
	2016	2017	2017	2018
	HK$'000	HK$'000	HK$'000 (unaudited)	HK$'000
Interim dividends paid by the Company	—	—	—	20,000
Interim dividends paid by the Company's subsidiaries	14,000	891,400	15,400	102,600
	14,000	891,400	15,400	122,600

13. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

Earnings per share information is not presented as its inclusion, for the purpose of this report, is not considered meaningful due to the Reorganisation and the presentation of the results of the Group for the Track Record Periods on a consolidated basis as disclosed in note 2.1 above.

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings	Leasehold improvements	Furniture, fixtures and office equipment	Motor vehicles	Construction in progress	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
31 December 2016						
At 31 December 2015 and 1 January 2016:						
Cost	343,433	532,957	132,319	16,270	—	1,024,979
Accumulated depreciation and impairment	(48,556)	(280,484)	(69,793)	(10,354)	—	(409,187)
Net carrying amount	294,877	252,473	62,526	5,916	—	615,792
At 1 January 2016, net of accumulated depreciation and impairment	294,877	252,473	62,526	5,916	—	615,792
Additions	106,870	90,399	32,974	6,126	566	236,935
Acquisition of subsidiaries *(note 34)*	34,881	—	64	—	—	34,945
Disposals	—	(6,360)	(650)	(91)	—	(7,101)
Impairment *(note 7)*	—	(9,130)	(2,550)	(33)	—	(11,713)
Depreciation *(note 7)*	(10,469)	(89,663)	(25,093)	(3,666)	—	(128,891)
Transfer from investment properties *(note 16)*	9,695	—	—	—	—	9,695
Transfer to investment properties *(note 16)*	(17,424)	—	—	—	—	(17,424)
Exchange realignment	(3,201)	(6,046)	(1,184)	(109)	(24)	(10,564)
At 31 December 2016, net of accumulated depreciation and impairment	415,229	231,673	66,087	8,143	542	721,674
At 31 December 2016:						
Cost	479,606	557,750	153,298	21,519	542	1,212,715
Accumulated depreciation and impairment	(64,377)	(326,077)	(87,211)	(13,376)	—	(491,041)
Net carrying amount	415,229	231,673	66,087	8,143	542	721,674

	Leasehold land and buildings	Leasehold improvements	Furniture, fixtures and office equipment	Motor vehicles	Construction in progress	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
31 December 2017						
At 31 December 2016 and at 1 January 2017:						
Cost	479,606	557,750	153,298	21,519	542	1,212,715
Accumulated depreciation and impairment	(64,377)	(326,077)	(87,211)	(13,376)	—	(491,041)
Net carrying amount	415,229	231,673	66,087	8,143	542	721,674
At 1 January 2017, net of accumulated depreciation and impairment	415,229	231,673	66,087	8,143	542	721,674
Additions	97,723	141,036	33,616	3,337	28,887	304,599
Disposals	(14,989)	(2,488)	(1,330)	(247)	—	(19,054)
Impairment *(note 7)*	—	(2,606)	(40)	—	—	(2,646)
Depreciation *(note 7)*	(14,839)	(89,002)	(25,125)	(3,812)	—	(132,778)
Transfer from investment properties *(note 16)*	10,075	—	—	—	—	10,075
Transfer to investment properties *(note 16)*	(10,026)	—	—	—	—	(10,026)
Transfer to non-current assets classified as held for sale	(138,545)	—	—	—	—	(138,545)
Transfer	—	—	2,777	—	(2,777)	—
Exchange realignment	3,754	4,316	1,149	62	725	10,006
At 31 December 2017, net of accumulated depreciation and impairment	348,382	282,929	77,134	7,483	27,377	743,305
At 31 December 2017:						
Cost	400,249	658,214	185,032	23,549	27,377	1,294,421
Accumulated depreciation and impairment	(51,867)	(375,285)	(107,898)	(16,066)	—	(551,116)
Net carrying amount	348,382	282,929	77,134	7,483	27,377	743,305

	Leasehold land and buildings	Leasehold improvements	Furniture, fixtures and office equipment	Motor vehicles	Construction in progress	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
30 September 2018						
At 31 December 2017 and at 1 January 2018:						
Cost	400,249	658,214	185,032	23,549	27,377	1,294,421
Accumulated depreciation and impairment	(51,867)	(375,285)	(107,898)	(16,066)	—	(551,116)
Net carrying amount	348,382	282,929	77,134	7,483	27,377	743,305
At 1 January 2018, net of accumulated depreciation and impairment	348,382	282,929	77,134	7,483	27,377	743,305
Additions	—	110,240	40,168	1,583	16,501	168,492
Disposals	—	(3,380)	(2,148)	(598)	—	(6,126)
Disposal of subsidiaries *(note 35)*	(8,139)	—	—	—	—	(8,139)
Depreciation *(note 7)*	(10,017)	(73,875)	(20,919)	(3,126)	—	(107,937)
Transfer from investment properties *(note 16)*	6,993	—	—	—	—	6,993
Transfer	—	—	9,809	—	(9,809)	—
Exchange realignment	(2,414)	(3,955)	(2,353)	(58)	(1,338)	(10,118)
At 30 September 2018, net of accumulated depreciation and impairment	334,805	311,959	101,691	5,284	32,731	786,470
At 30 September 2018:						
Cost	399,976	739,990	208,115	22,525	32,731	1,403,337
Accumulated depreciation and impairment	(65,171)	(428,031)	(106,424)	(17,241)	—	(616,867)
Net carrying amount	334,805	311,959	101,691	5,284	32,731	786,470

During the years ended 31 December 2016 and 2017, leasehold land and buildings with carrying amounts of HK$17,424,000 and HK$10,026,000, respectively, were transferred to investment properties as a result of change in use from owner-occupied to rental purposes (note 16).

At 31 December 2016 and 2017 and 30 September 2018, the Group's building with carrying amount of approximately HK$207,073,000, HK$202,268,000 and HK$274,568,000, respectively, were pledged to secure general banking facilities granted to the Group (note 30).

15. PREPAID LAND LEASE PAYMENTS

	As at 31 December		As at 30 September
	2016	**2017**	**2018**
	HK$'000	**HK$'000**	**HK$'000**
Carrying amount at the beginning of the year/period	—	13,878	14,083
Acquisition of subsidiaries *(note 34)*	14,143	—	—
Recognised during the year/period *(note 7)*	(39)	(463)	(362)
Exchange realignment	(226)	668	(478)
Carrying amount at the end of the year/period	13,878	14,083	13,243
Current portion included in prepayments, deposits and other receivables	(452)	(475)	(458)
Non-current portion	13,426	13,608	12,785

16. INVESTMENT PROPERTIES

	As at 31 December		As at 30 September
	2016	**2017**	**2018**
	HK$'000	**HK$'000**	**HK$'000**
Carrying amount at 1 January	239,067	290,626	18,027
Additions	7,273	—	—
Transfer from property, plant and equipment	53,000	11,070	—
Disposal	—	(53,500)	—
Transfer to property, plant and equipment *(note 14)*	(9,695)	(10,075)	(6,993)
Transfer to non-current assets classified as held for sale *(note 26)*	—	(222,600)	—
Net gain from fair value adjustments *(note 6)*	981	2,220	12
Exchange realignment	—	286	(389)
	290,626	18,027	10,657

The Group's investment properties as of 31 December 2016, 31 December 2017 and 30 September 2018 consisted of 5, 1 and 1 commercial and 3, 1 and nil industrial properties, respectively, all of which are situated in Hong Kong and Mainland China and are held under medium to long term leases. The Directors have determined that during each of the year ended 31 December 2016 and 2017 and the nine months ended 30 September 2018, the investment properties consisted of 2, 2 and 1 classes of assets, respectively, based on the nature, characteristics and risks of each property as set out below.

The Group's investment properties were revalued on 31 December 2016, 31 December 2017 and 30 September 2018 based on valuations performed by two independent professionally qualified valuers, who hold recognised relevant professional qualification and have recent experience in the locations and segments of the investment properties valued, at aggregate balances of HK$290,626,000, HK$18,027,000 and HK$10,657,000, respectively. Each year, the Group's finance director decides, after approval from the directors, to appoint which external valuers to be responsible for the external valuations of the Group's properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Group's finance director has discussions with the valuers on the valuation assumptions and valuation results once a year when the valuation is performed for annual financial reporting.

At 31 December 2016, 31 December 2017 and 30 September 2018, the Group's investment properties with an aggregate carrying value of HK$274,050,000, nil and nil were pledged to secure general banking facilities granted to the Group (note 30).

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's investment properties:

	Fair value measurement as at 31 December 2016 using			
	Quoted price in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Recurring fair value measurement for:				
Commercial	—	—	274,050	274,050
Industrial	—	—	16,576	16,576
	—	—	290,626	290,626

	Fair value measurement as at 31 December 2017 using			
	Quoted price in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Recurring fair value measurement for:				
Commercial	—	—	11,034	11,034
Industrial	—	—	6,993	6,993
	—	—	18,027	18,027

	Fair value measurement as at 30 September 2018 using			
	Quoted price in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Recurring fair value measurement for:				
Commercial	—	—	10,657	10,657

During the years ended 31 December 2016 and 2017, and the nine months ended 30 September 2018, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

Reconciliation of fair value measurements categorised within Level 3 of the fair value hierarchy:

	Notes	Commercial properties HK$'000	Industrial properties HK$'000	Total HK$'000
Carrying amount at 1 January 2016		225,050	14,017	239,067
Additions		148	7,125	7,273
Transfer from property, plant and equipment	14	53,000	—	53,000
Transfer to property, plant and equipment	14	(5,600)	(4,095)	(9,695)
Net gains from fair value adjustments recognised in profit or loss	6	1,452	(471)	981
Carrying amount at 31 December 2016 and 1 January 2017		274,050	16,576	290,626
Disposal		(53,500)	—	(53,500)
Transfer from property, plant and equipment	14	11,070	—	11,070
Transfer to property, plant and equipment	14	—	(10,075)	(10,075)
Transfer to non-current asset classified as held for sale	26	(222,600)	—	(222,600)
Net gains from fair value adjustments recognised in profit or loss	6	1,728	492	2,220
Exchange realignment		286	—	286
Carrying amount at 31 December 2017 and 1 January 2018		11,034	6,993	18,027
Transfer to property, plant and equipment	14	—	(6,993)	(6,993)
Net gains from fair value adjustments recognised in profit or loss	6	12	—	12
Exchange realignment		(389)	—	(389)
Carrying amount at 30 September 2018		10,657	—	10,657

During the years ended 31 December 2016 and 2017, certain leasehold land and buildings were transferred from property, plant and equipment as a result of change in use from owner-occupied to for rental purposes (note 14). Such leasehold land and buildings were revalued as at the date of transfer at HK$53,000,000 and HK$11,070,000, respectively, resulting in fair value gain on revaluation of HK$35,576,000 and HK$1,044,000 respectively for the years ended 31 December 2016 and 2017.

Below is a summary of the valuation techniques used and the key inputs to the valuation of investment properties:

	Valuation techniques	Significant unobservable inputs	Range or weighted average
Commercial	Direct comparison method	Estimate market value (per square feet)	2016: HK$14,386 to HK$38,226; 2017: HK$6,046; 2018: HK$5,840
Industrial	Direct comparison method	Estimate market value (per square feet)	2016: HK$4,414 to HK$4,714; 2017: HK$5,550; 2018: Nil

Under the direct comparison method, fair value is estimated by making reference to the comparable market transactions as available. This method involves the identification of the highest and best use of the property, identification of comparable sales and adjustment of the comparable sales values to reflect their superior and inferior characteristics to the investment properties held by the Company. Factors to be considered in making the adjustments include the size, shape topography and location of the comparable sales.

A significant increase (decrease) in the estimated market value would result in a significant increase (decrease) in the fair value of the investment properties.

17. INTANGIBLE ASSET

	Licenses
	HK$'000
31 December 2016	
At 1 January 2016	—
Additions	777
Amortisation provided during the year *(note 7)*	(65)
At 31 December 2016, net of accumulated amortisation	712
At 31 December 2016	
Cost	777
Accumulated amortisation	(65)
Net carrying amount	712
31 December 2017	
At 1 January 2017	712
Amortisation provided during the year *(note 7)*	(155)
At 31 December 2017, net of accumulated amortisation	557
At 31 December 2017	
Cost	777
Accumulated amortisation	(220)
Net carrying amount	557
30 September 2018	
At 1 January 2018	557
Amortisation provided during the period *(note 7)*	(118)
At 30 September 2018, net of accumulated amortisation	439
At 30 September 2018	
Cost	777
Accumulated amortisation	(338)
Net carrying amount	439

18. INVENTORIES

	As at 31 December		As at 30 September
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Food and beverages, and other operating items for restaurant operations	39,709	39,157	41,365

19. TRADE RECEIVABLES

	As at 31 December		As at 30 September
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Trade receivables	8,127	19,327	16,538

The Group's trading terms with its customers are mainly on cash and credit card settlement. The credit period is generally one to two months. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An ageing analysis of the trade receivables as at 31 December 2016 and 2017 and 30 September 2018, based on the invoice date, is as follows:

	As at 31 December		As at 30 September
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Within 1 month	4,117	7,425	10,708
1 to 2 months	1,665	9,716	4,202
2 to 3 months	358	375	615
Over 3 months	1,987	1,811	1,013
	8,127	19,327	16,538

An ageing analysis of the trade receivables that are not individually nor collectively considered to be impaired is as follows:

	As at 31 December		As at 30 September
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Neither past due nor impaired	3,376	7,936	10,314
Less than 1 month past due	2,685	9,456	5,078
1 to 3 months past due	79	460	97
Over 3 months past due	1,987	1,475	1,049
	8,127	19,327	16,538

The Group applies the simplified approach to providing for expected credit losses prescribed by HKFRS 9 which permits the use of the lifetime expected loss provision for all trade receivables. The expected credit loss rate for the Group's trade receivables is minimal for all above bands of trade receivables.

Receivables that were neither past due nor impaired mainly relate to credit card receivables from banks for whom there was no recent history of default.

Receivables 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, the directors of the Company are of the opinion that no provision for impairment 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.

20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 31 December		As at 30 September
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Prepayments	37,117	64,295	57,624
Deposits and other receivables	133,864	156,923	174,459
	170,981	221,218	232,083
Less: Non-current portion	(99,690)	(140,951)	(128,412)
Current portion	71,291	80,267	103,671

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

21. BALANCES WITH RELATED COMPANIES/ PARTIES

Loan to related companies

Name	As at 1 January 2016	Maximum amount outstanding during the year	As at 31 December 2016	Maximum amount outstanding during the year	As at 31 December 2017	Maximum amount outstanding during the period	As at 30 September 2018
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Magic Top Limited	3,000	3,000	3,000	3,000	—	—	—
Bumper Gold Limited	12,270	12,270	8,950	8,950	—	—	—
Ever Beauty Limited	13,603	13,603	12,300	12,300	—	—	—
Welly Profit Development Limited	5,736	5,736	4,957	4,957	—	—	—
Win Long Development Limited	6,329	6,329	5,469	5,469	—	—	—
Beauty Capital Investment Limited	—	25,520	23,224	23,244	—	—	—
	40,938		57,900		—		—

Due from related companies

Name	As at 1 January 2016	Maximum amount outstanding during the year	As at 31 December 2016	Maximum amount outstanding during the year	As at 31 December 2017	Maximum amount outstanding during the period	As at 30 September 2018
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Beauty Capital Investment Limited	69,810	69,810	46,586	70,333	—	—	—
Best Option Investments Limited	36	48	42	48	—	—	—
Billion Score Limited	190,112	257,825	190,112	190,119	—	—	—
Billion Success Capital Investment Limited	56,523	56,523	56,523	57,533	—	—	—
Bumper Gold Limited	70,113	70,113	61,163	74,958	—	—	—
Century Sharp Limited	38	38	38	45	—	—	—
Dream Maker Investment Limited	20,394	20,394	20,394	20,975	—	—	—
Ever Beauty Limited	38,024	38,024	25,724	38,457	—	—	—
Glory Wise Limited	20,285	20,285	20,285	21,708	—	—	—
Golden Reward Development Limited	70,772	70,772	70,772	72,184	—	—	—
H.K. Jiaying Development Limited (a)	19	19	19	25	25	32	32
Joy Huge Limited	9,039	9,039	9,039	9,182	—	—	—
Magic Top Limited	67,319	67,319	64,319	70,913	—	—	—
Power Great (Hong Kong) Limited	14	14	14	41,200	—	—	—
Preamble-Six Limited	19,306	19,306	19,306	19,986	—	—	—
Profit Luck International Limited	14,291	14,291	14,291	15,008	—	—	—
Prosper Sign Limited	42	42	42	49	—	—	—
Reward Century Limited	95	95	95	110	110	122	122
Surplus Grand Limited	69,993	90,082	69,993	69,999	—	—	—
SWD Holdings Limited	8,514	8,514	8,514	8,681	—	—	—
Tai Hing Catering Group Limited	49	49	49	75,236	—	—	—
Tai Hing Contemporary Catering Management Co., Limited (b)	8,057	8,057	8,057	8,064	8,064	8,064	8,064
Tai Hing Holdings Limited	1,387	1,387	1,387	913,781	22,381	364,919	—
Well Asia Limited	42	42	42	39,217	—	—	—
Well Charm (Hong Kong) Limited	14	14	14	26,496	—	—	—
Welly Profit Development Limited	16,071	16,071	11,114	16,359	—	—	—
Win Long Development Limited	17,774	17,774	12,305	17,991	—	—	—
Winner Cheer Limited	3,569	3,569	3,569	35,234	—	—	—
太興現代飲食管理 (深圳)有限公司 (b)	7,633	23,484	23,484	24,210	24,210	26,365	26,239
嘉紅盈餐飲管理 (深圳)有限公司 (a)	7,512	7,512	7,512	10,800	10,800	10,800	7,942
廣州至之凱投資諮詢有限公司	—	—	—	—	—	27	27
	786,847		744,804		65,590		42,426

Notes:

All related companies listed above are controlled by the controlling shareholder of the Company's ultimate holding company except for those stated below:

(a) Mr. Chan Wing On, a director of the Company, is a director and controlling shareholder of these companies.

(b) A close family member of Mr. Chan Wing On, a director of the Company, is a director and controlling shareholder of these companies.

Due from related parties

Name	As at 1 January 2016	Maximum amount outstanding during the year	As at 31 December 2016	Maximum amount outstanding during the year	As at 31 December 2017	Maximum amount outstanding during the period	As at 30 September 2018
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Mr. Chan Ka Keung (c)	—	—	—	244	135	135	135
Mr. Ngai Chun Hung (d)	73	73	18	—	—	—	—
Mr. Lam Tai Po (d)	481	694	657	1,359	1,359	1,359	252
	554		675		1,494		387

Notes:

The related parties represent:

(c) A close family member of Mr. Chan Wing On, a director of the Company.

(d) Shareholders of the Company.

As at 31 December 2016, loans to related companies amounting to HK$57,900,000 were unsecured, interest-bearing from HIBOR plus 1.5% to 2.0% or prime rate minus 2.90% per annum and repayable on demand.

As at 31 December 2016 and 2017 and 30 September 2018, except for the amounts due from related companies amounting to HK$347,773,000, HK$22,381,000 and nil, respectively, which were interest-bearing at 2.5% per annum, all other balances with related companies were interest-free. All balances with related companies are unsecured and repayable on demand.

As at 31 December 2016 and 2017 and 30 September 2018, the balances with related parties are unsecured, interest-free and repayable on demand.

22. DUE FROM A DIRECTOR

The Group's balances due from a director, disclosed pursuant to section 383(1)(d) of the Hong Kong Companies Ordinance and Part 3 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, are as follows:

Name	As at 1 January 2016	Maximum amount outstanding during the year	As at 31 December 2016	Maximum amount outstanding during the year	As at 31 December 2017	Maximum amount outstanding during the period	As at 30 September 2018
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Chan Wing On	22,278	23,710	22,880	22,880	11,158	12,066	603

The balances due from a director are unsecured, interest-free and repayable on demand.

23. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December		As at 30 September
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Equity investments, at fair value	4,120	983	925

The above equity investments as at 31 December 2016 and 2017 and 30 September 2018 were classified as held for trading and were, upon initial recognition, designated by the Company as financial assets at fair value through profit or loss. The fair values of these equity investments are based on quoted market prices.

24. DEBT INVESTMENTS AT AMORTISED COST

	As at 31 December		As at 30 September
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Debt investments, at amortised cost	—	56,707	—

The debt investments at amortised cost represents investment in an unlisted debt instrument, with a principal guaranteed and fixed interest return.

25. CASH AND CASH EQUIVALENTS

	As at 31 December		As at 30 September
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Cash and bank balances	152,491	164,682	205,227

The cash and bank balances of the Group denominated in Renminbi ("RMB") as at 31 December 2016 and 2017 and 30 September 2018 amounted to approximately HK$62,660,000, HK$77,553,000 and HK$108,477,000, respectively. The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents approximate to their fair values.

26. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

	As at 31 December		As at 30 September
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Assets classified as held for sale	—	361,145	—

On 31 December 2017, the board of certain subsidiaries of the Group considered the market condition as well as offers from potential buyers and decided to dispose of its investment properties amounting to HK$222,600,000 and property, plant and equipment amounting to HK$138,545,000 with aggregate carrying amounts of HK$361,145,000. The disposals were expected to be completed within twelve months. The related assets were reclassified as held for sale as at 31 December 2017.

During the nine months ended 30 September 2018, these investment properties and property, plant and equipment were sold to independent third parties for aggregate considerations of HK$206,474,000 and related companies that are controlled by the same shareholders as the Company's ultimate holding company for aggregate considerations of HK$317,285,000 respectively, and a net gain on disposal of HK$162,614,000 was recognised (note 7).

The Group's non-current assets classified as held for sale with an aggregate carrying value of HK$361,145,000 as of 31 December 2017 were pledged to secure general banking facilities granted to the Group (note 30). Such pledge was released upon disposal of the non-current assets.

27. TRADE PAYABLES

An ageing analysis of the trade payables based on the invoice date as at the end of each of the Track Record Periods, is as follows:

	As at 31 December		As at 30 September
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Within 1 month	67,079	84,340	86,819
1 to 2 months	24,682	17,321	16,068
2 to 3 months	277	1,657	1,370
Over 3 months	5,172	9,968	4,703
	97,210	113,286	108,960

The trade payables are non-interest-bearing and are normally settled on 30-day to 120-day terms.

28. OTHER PAYABLES AND ACCRUALS

	As at 31 December		As at 30 September
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Other payables and accruals	194,486	178,599	178,543
Deposits received	1,970	1,318	39
Deferred rental expenses	21,730	43,182	50,882
Provision for reinstatement cost *(note)*	30,260	34,947	40,188
	248,446	258,046	269,652
Less: Non-current portion	(50,413)	(66,118)	(68,322)
Current portion	198,033	191,928	201,330

Other payables are non-interest-bearing and have an average term of 30 days to 90 days.

Note:

The movements in the provision for reinstatement during the year/period are as follows:

	Provision for reinstatement
	HK$'000
At 1 January 2016	26,558
Addition during the year	6,260
Utilised during the year	(2,189)
Exchange realignment	(369)
At 31 December 2016 and 1 January 2017	30,260
Addition during the year	7,295
Utilised during the year	(2,906)
Exchange realignment	298
At 31 December 2017 and 1 January 2018	34,947
Addition during the period	8,248
Utilised during the period	(2,665)
Exchange realignment	(342)
At 30 September 2018	40,188

Pursuant to the terms of the respective tenancy agreements entered into by the Group, the Group is required to return its leased properties to the conditions as stipulated in the tenancy agreements at the expiration of the corresponding lease term as appropriate. The provision for reinstatement costs was estimated based on certain assumptions and estimates made by the Group's management with reference to historical reinstatement costs and/or other available market information. The estimation basis is reviewed on an ongoing basis and revised where appropriate.

29. CONTRACT LIABILITIES

	As at 31 December		**30 September**
	2016	**2017**	**2018**
	HK$'000	**HK$'000**	**HK$'000**
Contract liabilities in relation to cash coupons	52,546	62,733	24,367

The contract liabilities represent the aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied in relation to the unredeemed cash coupons outstanding as of the end of each of the Track Record Periods. The Group expects the transaction price allocated to the unsatisfied performance obligations to be recognised as revenue when the related cash coupons are redeemed.

The following table shows the revenue recognised in the each of the Track Record Periods related to carried-forward contract liabilities:

	Year ended 31 December		**Nine months ended 30 September**	
	2016	**2017**	**2017**	**2018**
	HK$'000	**HK$'000**	**HK$'000 (unaudited)**	**HK$'000**
Revenue recognised that was included in the contract liabilities at the beginning of the years/period				
— Restaurant operation	38,781	40,387	34,676	39,897

The following table shows unsatisfied performance obligations as at 31 December 2016 and 2017 and 30 September 2018 resulting from restaurant operation.

	As at 31 December		As at 30 September
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Expected to be recognised within one year	52,546	62,733	24,367

30. INTEREST-BEARING BANK BORROWINGS

	As at 31 December						As at 30 September		
	2016			2017			2018		
	Effective interest rate per annum	Maturity	HK$'000	Effective interest rate per annum	Maturity	HK$'000	Effective interest rate per annum	Maturity	HK$'000
Current									
Bank loans — secured	1.6%-3.5%	2017 or on demand	889,638	2.5%-3.2%	2018 or on demand	1,019,178	3.6%-3.8%	2019	102,533
Non-Current									
Bank loans — secured			—			—	2.5%-4.2%	2019-2033	412,450
			889,638			1,019,178			514,983

	As at 31 December		As at 30 September
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Analysed into:			
Bank loans repayable:			
Within one year or on demand	889,638	1,019,178	102,533
In the second year	—	—	98,517
In the third to fifth years, inclusive	—	—	265,377
Beyond five years	—	—	48,556
	889,638	1,019,178	514,983

Notes:

(a) All of the Group's bank loans were secured by:

(i) personal guarantees given by the directors and corporate guarantees given by certain related companies of the Company which will be uplifted upon listing;

(ii) investment properties with an aggregate net carrying value of approximately HK$274,050,000 as at 31 December 2016 and property, plant and equipment of approximately HK$207,073,000, HK$202,268,000, HK$274,568,000 as at 31 December 2016 and 2017 and 30 September 2018 respectively;

(iii) non-current asset classified as held for sale with aggregate net carrying value of approximately HK$361,145,000 as at 31 December 2017; and

(iv) investment properties of certain related companies that are controlled by the same shareholders as the Company's ultimate holding company with aggregate net carrying values of approximately HK$825,700,000, HK$943,838,000 and nil as at 31 December 2016, 31 December 2017 and 30 September 2018, respectively.

(b) All borrowings were in Hong Kong dollars.

Ignoring the effect of any repayment on demand clause and based on the maturity terms of the bank loans, the amounts repayable in respect of the Group's interest-bearing bank loans are analysed as follows:

	As at 31 December		As at 30 September
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Analysed into:			
Bank loans and overdrafts repayable:			
Within one year	606,095	742,473	102,533
In the second year	84,603	109,953	98,517
In the third to fifth years, inclusive	154,989	145,753	265,377
Beyond five years	43,951	20,999	48,556
	889,638	1,019,178	514,983

31. DEFERRED TAX

The movements in deferred tax assets and liabilities during the Track Record Periods are as follows:

Deferred tax assets

	Tax losses	Others	Decelerated tax depreciation	Total
	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2016	5,992	4,117	6,054	16,163
Deferred tax credited/(charged) to profit or loss during the year	(885)	1,124	(666)	(427)
Exchange realignment	(273)	(220)	—	(493)
At 31 December 2016 and 1 January 2017	4,834	5,021	5,388	15,243
Deferred tax credited/(charged) to profit or loss during the year	(994)	639	1,956	1,601
Exchange realignment	174	254	—	428
At 31 December 2017 and 1 January 2018	4,014	5,914	7,344	17,272
Deferred tax credited/(charged) to profit or loss during the period	(837)	1,185	3,134	3,482
Exchange realignment	(15)	(270)	—	(285)
At 30 September 2018	3,162	6,829	10,478	20,469

Deferred tax liabilities

	Revaluation of PRC properties	Withholding taxes	Accelerated tax depreciation	Total
	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2016	—	3,716	6,387	10,103
Deferred tax charged/(credited) to profit or loss during the year	—	1,298	(337)	961
Exchange realignment	—	(265)	—	(265)
At 31 December 2016 and 1 January 2017	—	4,749	6,050	10,799
Deferred tax charged/(credited) to profit or loss during the year	469	2,400	(2,490)	379
Exchange realignment	10	298	—	308
At 31 December 2017 and 1 January 2018	479	7,447	3,560	11,486
Deferred tax charged/(credited) to profit or loss during the period	—	287	(808)	(521)
Exchange realignment	(15)	(282)	—	(297)
At 30 September 2018	464	7,452	2,752	10,668

For presentation purposes, certain deferred tax assets and liabilities have been offset in the statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	As at 31 December		As at 30 September
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Net deferred tax assets recognised in the consolidated statement of financial position	14,700	16,289	18,500
Net deferred tax liabilities recognised in the consolidated statement of financial position	(10,256)	(10,503)	(8,699)
	4,444	5,786	9,801

The Group had unrecognised tax losses arising in Hong Kong of approximately HK$21,210,000, HK$24,734,000 and HK$37,342,000 as at 31 December 2016 and 2017 and 30 September 2018, respectively, that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. The Group had unrecognised tax losses arising in Mainland China of approximately HK$85,301,000, HK$101,407,000 and HK$122,068,000 as at 31 December 2016, 31 December 2017 and 30 September 2018, respectively, that will expire in five years for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as, in the opinion of the directors, they have arisen in subsidiaries that have been loss-making for some time and it is not certain that taxable profits will be available against which the tax losses can be utilised.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate for the Track Record Periods is 5%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

At 31 December 2016, 31 December 2017 and 30 September 2018, deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings of the Group's subsidiaries established in Mainland China that are subject to withholding taxes.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

32. ISSUED CAPITAL

The Company was incorporated on 11 December 2017 with an initial authorised share capital of HK$380,000 divided into 38,000,000 share of a par value of HK$0.01 each. On the date of incorporation, 1 ordinary share was allotted and issued at par by the Company. On 18 December 2017, 99,999 shares were further allotted and issued at par by the Company.

There was no authorised and issued capital as at 31 December 2016 since the Company has not yet been incorporated by that time.

33. RESERVES

Group

The amounts of the Group's reserves and the movements therein during the Track Record Periods are presented in the consolidated statements of changes in equity.

Company

The amounts and movements of the Company's retained profits/(accumulated losses), during the Track Record Periods are as follows:

	Retained Profits/ (Accumulated losses)
	HK$'000
At 11 December 2017 (date of incorporation)	—
Net loss and total comprehensive loss for the period	(77)
At 31 December 2017 and 1 January 2018	(77)
Net profit and total comprehensive income for the period	147
At 30 September 2018	70

(a) Capital reserve

Capital reserve represents the contribution from an intermediate holding company with respect to the consideration for the acquisition of a subsidiary in prior years and the transfer from non-controlling interests upon the Group's acquisition of non-controlling interests on 27 December 2017.

(b) Exchange fluctuation reserve

The exchange fluctuation reserve comprises all relevant exchange differences arising from the translation of the financial statements of foreign operations.

(c) Statutory reserve

In accordance with the Company law of the PRC, certain subsidiaries of the Group which are domestic enterprises are required to allocate 10% of their profit after tax, as determined in accordance with the relevant PRC accounting standards to their respective statutory reserve until the reserve reaches 50% of their respective registered capital. Subject to certain restrictions set out in the Company law of the PRC, part of the statutory reserve may be converted to increase share capital, provided that the remaining balance after the capitalisation is not less than 25% of the restricted capital.

34. ACQUISITION OF ASSETS THROUGH ACQUISITION OF SUBSIDIARIES

On 30 November 2016, a wholly-owned subsidiary of the Company acquired a 100% equity interest in Bright Rich (China) Limited and its subsidiary from an independent third party, at an aggregate cash consideration of HK$47,500,000. Bright Rich (China) Limited and its subsidiary were dormant and held a property in Mainland China.

The above transaction was accounted for as an acquisition of assets and liabilities because the acquired subsidiaries have not carried out any significant business transactions prior to the date of acquisition.

The net assets acquired in the acquisition were as follows:

	Notes	HK$'000
Property, plant and equipment	14	34,945
Prepaid land lease payment	15	14,143
Prepayment, deposits and other receivables		3
Cash and bank balances		14
Other payables and accruals		(1,605)
Net assets		47,500
Satisfied by cash		47,500

An analysis of the cash flows in respect of the acquisition is as follows:

Cash consideration	47,500
Bank balances acquired	(14)
Net outflow of cash and cash equivalents	47,486

35. DISPOSAL OF SUBSIDIARIES

On 9 July 2018, the Group disposed of its 100% equity interest in Spring Market Investments Limited ("Spring Market") to a director of a corporate shareholder, for a consideration of RMB8,000,000 (approximately HK$9,680,000). Spring Market held 100% equity interest of 北京秀慧投資諮詢有限公司, which was engaged in property holding in PRC.

Details of net assets disposed of were as follows:

	Notes	HK$'000
Property, plant and equipment	14	8,139
Prepayment, deposits and other receivables		15
Cash and bank balances		120
Other payables and accruals		(42)
Net assets		8,232
Exchange fluctuation reserve		976
Gain on disposal of a subsidiary	6	472
Total consideration		9,680
Satisfied by cash		9,680

An analysis of the cash flows in respect of the disposal is as follows:

Cash consideration	9,680
Bank balances disposed	(120)
Net inflow of cash and cash equivalents	9,560

36. NOTE TO CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Major non-cash transactions

(i) During the year ended 31 December 2017 and the nine months ended 30 September 2018, three and one of the subsidiaries now comprising the Group distributed interim dividends of HK$876,000,000 and HK$102,600,000, respectively, to the then shareholders of the subsidiaries (note 12). The interim dividends were settled through current accounts with related companies.

(ii) The Group recognised estimated obligations to dismantle, remove and restore certain items of property, plant and equipment of HK$6,260,000, HK$7,295,000 and HK$8,248,000 as at 31 December 2016, 31 December 2017 and 30 September 2018 in respect of the premises under operating leases in the Group's property, plant and equipment which had been recorded under other payables and accruals.

(iii) During the nine months ended 30 September 2018, the Group sold certain non-current assets classified as held for sale to its related companies, at a total consideration of HK$317,285,000. The consideration was settled through current accounts with the related companies.

(b) Reconciliation of movement of financing activities

	Interest-bearing bank borrowings
	HK$'000
At 1 January 2016	744,352
New bank borrowings	748,531
Repayment of bank borrowings	(603,245)
At 31 December 2016 and 1 January 2017	889,638
New bank borrowings	655,209
Repayment of bank borrowings	(525,669)
At 31 December 2017 and 1 January 2018	1,019,178
New bank borrowings	732,298
Repayment of bank borrowings	(1,236,493)
At 30 September 2018	514,983

37. CONTINGENT LIABILITIES

At the end of the Track Record Periods, contingent liabilities not provided for in the Historical Financial Information were as follows:

	As at 31 December		As at 30 September
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Guarantees given to banks in connection with related companies	74,596	88,391	114,602

The banking facilities granted to related companies subject to guarantees given to banks by the Group were utilised to the extent of approximately HK$74,596,000, HK$88,391,000 and HK$114,602,000 as at 31 December 2016, 31 December 2017 and 30 September 2018, respectively.

38. OPERATING LEASE ARRANGEMENTS

As lessor

The Group leases its investment properties under operating lease arrangements, with leases negotiated for terms ranging from one to three years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

As at 31 December 2016, 31 December 2017 and 30 September 2018, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	As at 31 December		As at 30 September
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Within one year	6,223	577	256
In the second to fifth years, inclusive	3,611	274	—
	9,834	851	256

As lessee

The Group leases certain of its restaurants, staff quarters and office premises under operating lease arrangements. Leases for restaurants are negotiated for terms ranging from three to eleven years, while leases for staff quarters and office premises are negotiated for terms ranging from one to three years.

As at 31 December 2016 and 2017 and 30 September 2018, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	As at 31 December		As at 30 September
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Within one year	304,546	308,572	346,370
In the second to fifth years, inclusive	447,989	613,721	536,422
After five years	47,983	35,447	22,906
	800,518	957,740	905,698

The operating lease rentals of certain restaurants are payable on the higher of a fixed rent or a contingent rent based on the sales of those restaurants. In the opinion of the directors, as the future sales of those restaurants could not be accurately estimated, the relevant future lease commitments have not been included in the operating lease arrangements above.

39. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in the Historical Financial Information, the Group had the following transactions with related parties during the Track Record Periods:

		Year ended 31 December		Nine months ended 30 September	
		2016	2017	2017	2018
	Notes	HK$'000	HK$'000	HK$'000 (unaudited)	HK$'000
Interest income received from related companies	(i)	10,240	12,456	8,991	1,181
Rental expenses paid to related companies	(ii)	7,284	8,933	6,593	8,150
Sales of non-current assets classified as held for sale to related companies	26	—	—	—	317,285

The transactions were conducted at terms and conditions mutually agreed between the relevant parties. The Directors are of the opinion that those related party transactions in (i) and (ii) were conducted in the ordinary course of business of the Group.

Notes:

(i) Interest income received from related companies was charged from HIBOR plus 1.50% to 2.0% or prime rate minus 2.90% for the loans to related companies or 2.5% per annum on certain amounts due from related companies. Details of the loans to and due from related companies are disclosed in note 21 to the Historical Financial Information.

(ii) Rental expenses paid to related companies were paid for properties leased from related companies for restaurant operations and staff quarters based on rates determined between the parties, which approximated to market rates.

(b) Outstanding balances due from related companies and a director

Details of the Group's balances with related companies and a director and guarantees for banking facilities granted in favour of related companies as at 31 December 2016 and 2017 and 30 September 2018 are disclosed in notes 21, 22 and 37 to the Historical Financial Information, respectively.

(c) Other transactions with related parties

(i) Personal guarantees were given by the directors of the Company in favour of banks in respect of banking facilities granted to the Group during the Track Record Periods (note 30(a)(i)).

(ii) Investment properties of certain related companies with aggregate net carrying value of HK$825,700,000, HK$948,838,000 and nil as of 31 December 2016, 31 December 2017 and 30 September 2018, respectively, were pledged for the Group's bank borrowings (note 30(a)(iv)).

(iii) The Group also provided cross-guarantees to various banks in connection with banking facilities companies to related companies which were utilised to the extent of approximately HK$74,596,000, HK$88,391,000 and HK$114,602,000 as at 31 December 2016, 31 December 2017 and 30 September 2018, respectively (note 37).

(d) Commitment with related parties

During the Track Record Periods, certain subsidiaries of the Group enter into lease agreements with related companies, which are controlled by the same shareholders of the Group, to lease the investment properties for the Group's restaurant operations and staff quarters. The amounts of rental expenses paid to the related companies are included in note 39(a) to the financial statement. The leases are negotiated for one to three years with a one-month notice period for termination.

As at 31 December 2016 and 2017 and 30 September 2018, the Group had total future minimum lease payments under non-cancellable operating leases with related companies were HK$7,760,000, HK$4,898,000 and HK$5,236,000, respectively, for the properties owned by related companies.

(e) Compensation of key management personnel of the Group

	Year ended 31 December		Nine months ended 30 September	
	2016	**2017**	**2017**	**2018**
	HK$'000	**HK$'000**	**HK$'000 (unaudited)**	**HK$'000**
Short-term employee benefits	15,728	21,840	15,832	17,558
Post-employment benefits	161	211	160	164
Total compensation paid to key management personnel	15,889	22,051	15,992	17,722

The compensation of key management personnel of the Group for each reporting periods during the Track Record Periods included the directors' emoluments and five highest paid employees as disclosed in note 9 and note 10 to the Historical Finance Information.

40. CAPITAL COMMITMENT

In addition to the operating lease commitments detailed in note 38 above, the Group had the following capital commitments at the end of the Track Record Periods:

	As at 31 December		As at 30 September
	2016	**2017**	**2018**
	HK$'000	**HK$'000**	**HK$'000**
Contracted, but not provided for:			
Leasehold improvement and plant and machinery	3,338	77,120	24,497
Capital contribution payable to a subsidiary	—	—	6,551
	3,338	77,120	31,048

41. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of the Group's financial instruments as at 31 December 2016 and 2017 and 30 September 2018 are as follows:

Financial assets

	Financial assets through profit or loss	Financial assets at amortised cost	Total
	HK$'000	HK$'000	HK$'000
As at 31 December 2016			
Trade receivables	—	8,127	8,127
Financial assets included in prepayments, deposits and other receivables *(note 20)*	—	133,864	133,864
Loan to related companies	—	57,900	57,900
Due from related companies	—	744,804	744,804
Due from related parties	—	675	675
Due from a director	—	22,880	22,880
Financial assets at fair value through profit or loss	4,120	—	4,120
Cash and cash equivalents	—	152,491	152,491
	4,120	1,120,741	1,124,861
As at 31 December 2017			
Trade receivables	—	19,327	19,327
Financial assets included in prepayments, deposits and other receivables *(note 20)*	—	156,923	156,923
Due from related companies	—	65,590	65,590
Due from related parties	—	1,494	1,494
Due from a director	—	11,158	11,158
Financial assets at fair value through profit or loss	983	—	983
Debt investments at amortised cost	—	56,707	56,707
Cash and cash equivalents	—	164,682	164,682
	983	475,881	476,864
As at 30 September 2018			
Trade receivables	—	16,538	16,538
Financial assets included in prepayments, deposits and other receivables *(note 20)*	—	174,459	174,459
Amounts due from related companies	—	42,426	42,426
Amounts due from related parties	—	387	387
Amounts due from a director	—	603	603
Financial assets at fair value through profit or loss	925	—	925
Cash and cash equivalents	—	205,227	205,227
	925	439,640	440,565

Financial liabilities

	Financial liabilities at amortised cost		
	As at 31 December		As at 30 September
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Trade payables	97,210	113,286	108,690
Financial liabilities included in other payables and accruals	224,746	213,546	218,731
Due to related companies	64,337	42,735	42,190
Interest-bearing bank borrowings	889,638	1,019,178	514,983
	1,275,931	1,388,745	884,594

42. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, trade receivables, trade payables, interest-bearing bank borrowings, deposits and other receivables, financial liabilities included in other payables and accruals, balances with related companies, related parties and a director approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of non-current deposits and interest-bearing bank borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities, and were assessed to approximate to their carrying amounts.

The Group's finance department is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance department reports directly to the directors. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the directors.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

	Fair value measurement using quoted market price (Level 1)		
	As at 31 December		As at 30 September
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Equity investments	4,120	983	925

The Group did not have any financial liabilities measured at fair value as at 31 December 2016 and 2017 and 30 September 2018.

During the Track Record Periods, there were no transfers into or out of Level 1 for the financial asset of the Group.

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash and cash equivalents and interest-bearing bank borrowings. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables, deposits and other receivables, balances with related companies, related parties and a director, trade payables and other payables, which arise directly from the Group's operations.

The main risks arising from the Group's financial instruments are foreign currency risk, interest rate risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currencies.

The following table demonstrates the sensitivity at the end of the each of the Track Record Periods to a reasonably possible change in the Hong Kong dollar exchange rate, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities) and the Group's equity.

	Increase/ (decrease) in exchange rate	Increase/ (decrease) profit before tax	Increase/ (decrease) in equity*
	%	HK'000	HK'000
As at 31 December 2016			
If Renminbi weakens against HK$	10	418	—
If Renminbi strengthens against HK$	10	(418)	—
As at 31 December 2017			
If Renminbi weakens against HK$	10	(1,327)	—
If Renminbi strengthens against HK$	10	1,327	—
As at 30 September 2018			
If Renminbi weakens against HK$	10	(939)	—
If Renminbi strengthens against HK$	10	939	—

* Excluding retained profits

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's short term and long term debt obligations with floating interest rates. The Group's policy is to manage its interest cost using variable rate debts, which are regularly reviewed by senior management.

As at 31 December 2016 and 2017 and 30 September 2018, if the interest rates on borrowings had been 50 basis points higher, which was considered reasonably possible by management, with all other variables held constant, the profit before tax for the years would have been approximately HK$4,085,000, HK$4,772,000 and HK$3,835,000, respectively, which would have been lower as a result of higher interest expenses on interest-bearing bank borrowings.

Credit risk

HKAS 39 (Policy applicable before 1 January 2018)

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that only well-established customers will be considered for open account terms and the approval of credit terms is subject to stringent credit check procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, trade receivables, deposits and other receivables and balances with related companies, related parties and a director, arises from default of the counterparties, with a maximum exposure equal to the carrying amounts of these instruments.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. There are no significant concentrations of credit risk within the Group. Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 19 to the financial statements.

Liquidity risk

HKFRS 9 (Policy applicable from 1 January 2018)

The Group has applied the simplified approach to providing for impairment for expected credit losses ("ECLs") prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for impairment of all trade receivables. To measure the ECLs, trade receivables have been grouped based on shared credit risk characteristics and days past due. The ECLs also incorporate forward looking information.

Management considered that no provision for impairment of trade receivables is necessary for the nine months ended 30 September 2018.

All of the current portions of the other receivable balances are expected to be recovered within one year.

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets and projected cash flows from operations. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans and funds generated from operations.

The maturity profile of the Group's financial liabilities as at the end of each of the Track Record Periods, based on the contractual and undiscounted payments, is as follows:

	On demand	Within 1 year	2 to 5 years	Beyond 5 years	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As at 31 December 2016					
Trade payables	—	97,210	—	—	97,210
Financial liabilities included in other payables and accruals	—	198,033	26,713	—	224,746
Amounts due to related companies	64,337	—	—	—	64,337
Interest-bearing bank borrowings	889,638	—	—	—	889,638
	953,975	295,243	26,713	—	1,275,931
As at 31 December 2017					
Trade payables	—	113,286	—	—	113,286
Financial liabilities included in other payables and accruals	—	178,599	34,947	—	213,546
Amounts due to related companies	42,735	—	—	—	42,735
Interest-bearing bank borrowings	1,019,178	—	—	—	1,019,178
	1,061,913	291,885	34,947	—	1,388,745
As at 30 September 2018					
Trade payables	—	108,960	—	—	108,960
Financial liabilities included in other payables and accruals	—	178,543	40,188	—	218,731
Amounts due to related companies	42,190	—	—	—	42,190
Interest-bearing bank borrowings	—	120,219	393,010	57,907	571,136
	42,190	407,722	433,198	57,907	941,017

As at 31 December 2016 and 31 December 2017, the Group's term loans with a repayment on demand clause in the amounts of HK$889,638,000 and HK$1,019,178,000, respectively, were repayable over one year in accordance with the terms of the loans. The loan agreement contained a repayment on demand clause giving the bank the unconditional right to call in the loan at any time and therefore, for the purpose of the above maturity profile, the total amount was classified as "on demand".

Notwithstanding the above clause, the directors do not believe that these bank loans will be called in its entirety within 12 months, and they consider that these borrowings will be repaid in accordance with the maturity dates as set out in the loan agreements. This evaluation was made considering: (i) the financial position of the Group at the date of approval of the financial statements; (ii) the lack of events of default; and (iii) the fact that the Group has made previously scheduled repayments on time.

As at 31 December 2016, in accordance with the terms of the loans, the contractual undiscounted payments were HK$606,593,000 within one year, HK$80,811,000 in the second year and HK$241,742,000 beyond 2 years.

As at 31 December 2017, in accordance with the terms of the loans, the contractual undiscounted payments were HK$743,036,000 within one year, HK$96,640,000 in the second year and HK$217,999,000 beyond 2 years.

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders and return capital to shareholders. No changes were made in the objectives, policies or processes for managing capital during the Track Record Periods.

The Group monitors capital using a gearing ratio which is net debt divided by capital plus net debt. Net debt includes interest-bearing bank borrowings, contract liabilities, amounts due to related companies, trade payables, other payables and accruals, less cash and cash equivalents. Capital represents the equity attributable to owners of the Company. The gearing ratios as at the end of each of the Track Record Periods were as follows:

	As at 31 December		As at 30 September
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Trade payables	97,210	113,286	108,960
Other payables and accruals	248,446	258,046	269,652
Contract liabilities	52,546	62,733	24,367
Due to related companies	64,337	42,735	42,190
Interest-bearing bank borrowings	889,638	1,019,178	514,983
Less: Cash and cash equivalents	(152,491)	(164,682)	(205,227)
Net debt	1,199,686	1,331,296	754,925
Equity attributable to owners	477,912	191,660	350,304
Capital and net debt	1,677,598	1,522,956	1,105,229
Gearing ratio	71.5%	87.4%	68.3%

44. EVENTS AFTER REPORTING PERIOD

In November 2018, certain of the Company's shareholders transferred some of their equity interest in the Company to certain employees of the Company at fair value. The share transfers were settled by cash. No share-based payment expenses were recognised during the Track Record Periods.

45. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Group or any of its subsidiaries in respect of any period subsequent to 30 September 2018.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following is an illustrative statement of unaudited pro forma adjusted consolidated net tangible assets of the Group prepared in accordance with paragraph 4.29 of the Listing Rules and on the basis of the notes set out below for the purpose of illustrating the effect of the [**REDACTED**] on the consolidated net tangible assets of the Group attributable to owners of the Company as if the [**REDACTED**] had taken place on [30 September 2018]. This unaudited pro forma statement of adjusted consolidated net tangible assets of the Group has been prepared for illustrative purpose only and, because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group had the [**REDACTED**] been completed as at [30 September 2018] or any future dates:

	Consolidated net tangible assets of the Group attributable to owners of the Company as at [30 September 2018]	Estimated [REDACTED] from the [REDACTED]	Unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company	Unaudited pro forma adjusted consolidated net tangible assets per Share
	HK$'000	HK$'000	HK$'000	HK$
	(note 1)	*(note 2)*		*(note 3)*
Based on the [**REDACTED**] of HK$[**REDACTED**] per Share . .	[349,865]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Based on the [**REDACTED**] of HK$[**REDACTED**] per Share . .	[349,865]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]

Notes:

1. The consolidated is net tangible assets of the Group attributable to owners of the Company as at [30 September 2018] is based on consolidated net assets of the Group attributable to owners of the Company as at [30 September 2018] of approximately HK$[350,304,000] as extracted from the Accountants' Report set out in Appendix I to this document, after netting off intangible asset of approximately HK$439,000.

2. The estimated [**REDACTED**] from the [**REDACTED**] is calculated based on the indicative [**REDACTED**] range of HK$[**REDACTED**] and HK$[**REDACTED**] per share, after deduction of the [**REDACTED**] fees and related expenses payable by the Company [and does not take into account any shares which may be issued upon the exercise of the [**REDACTED**]].

3. The unaudited pro forma adjusted consolidated net tangible assets per Share is calculated based on [**REDACTED**] Shares in issue immediately following the completion of the [**REDACTED**], but takes no account of any Shares which may full to be issued under the [**REDACTED**] or any Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme, or any Shares which may be allotted, issued or repurchased by the Company.

4. No adjustment has been made to reflect any trading results or other transactions of the Group entered into subsequent to [30 September 2018].

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

仲量聯行

Jones Lang LaSalle Limited
Valuation Advisory Services
6/F Three Pacific Place1 Queen's Road East Hong Kong
Company Licence No. C-003464

[date]

The Board of Directors
Tai Hing Group Holdings Limited
13/F., Chinachem Exchange Square
1 Hoi Wan Street
Quarry Bay
Hong Kong

Dear Sirs

Re: Property Valuation for Tai Hing Group Holdings Limited

Instruction and Date of Valuation

In accordance with the instruction from Tai Hing Group Holdings Limited ("the **Company**") and its subsidiaries (hereinafter together referred to as the "**Group**"), we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we deem necessary to provide our opinion of the market value of the property interests as at 31 October 2018 ("**the date of valuation**"), for the purpose of incorporation in the listing document the Company.

Basis of Valuation

Our valuation has been prepared in accordance with the requirements as set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, "HKIS Valuation Standards 2017" published by The Hong Kong Institute of Surveyors (HKIS), "International Valuation Standards 2017" published by the International Valuation Standards Council (IVSC) and "RICS Valuation – Global Standards 2017" published by the Royal Institution of Chartered Surveyors (RICS) subject to variation to meet local established law. Our valuation of the property interests is made on the basis of Market Value as defined by IVSC and adopted by HKIS and RICS, set out as follows:

"the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."

We have applied the definition of market value to each unit of the properties independently. The valuation presented in this report represents the 100% interest of the Property and not the shareholdings of the company holding the property interest thereof.

Valuation Assumptions

Our valuation has been made on the assumption that the owner sells the properties on the market without the benefit of deferred terms contract, leaseback, joint venture, management agreement or any similar arrangement which could serve to affect the values of the properties.

No allowance has been made in our valuation for any unpaid land use fee or premium, compensation, charges, mortgages or amounts owing on the properties nor for any expenses or taxation that may be incurred in effecting a sale. Unless otherwise stated in Note 2 of the Valuation Certificate, it is assumed that the tile owner of the properties have an enforceable title of the properties are free from encumbrances, restrictions and outgoings of onerous nature that could affect their values.

Valuation Method

We have assessed the market value of the property interests which are owned and occupied by the Group by the direct comparison method. In applying the direct comparison method, we have compared the subject properties with comparable properties that were recently sold around the date of valuation. Appropriate adjustments have been considered in the course of assessment to reflect the difference between the subject properties and the comparables.

Source of Information

We have relied on the information provided by the Group and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, and all other relevant matters. We have no reason to doubt the truth and accuracy of the information provided to us. We were also advised by the Group that no material facts have been omitted from the information supplied and no material information has been withheld.

Dimensions, measurements and areas included in the valuation report are based on information contained in copies of documents provided to us and are therefore only approximations.

Measurements

All measurements are carried out in accordance with the "Code of Measuring Practice" booklet published by the HKIS. To suit the local practice, we declare our departure from the "RICS property measurement" published by RICS in May 2018. Unless otherwise stated, we do not physically measure the actual properties or verify the floor areas provided to us, unless we specifically agree in writing to do so, although we make reference to the registered floor plans.

Title Investigation

We have not been provided with copies of title documents of the property interests but we have conducted Land Registry searches at the Land Registry to obtain the title information documents. However, we have not examined the original documents to verify ownership or to ascertain the existence of any lease amendments which may not appear on the copies handed to us. All documents and leases have been used for reference only.

Property Inspection

We inspected the exterior and where possible the representative parts of the interior of the property interests on 7 November 2018 by our Tiffany Luk (Valuer), Amy Cheng (Senior Manager) and Alkan Au (Senior Director).

We have not conducted formal site and structural surveys and, as such, we cannot report that the property interests are free from rot, infestation or any other structural defects. We have not carried out building surveys, nor have we inspected those parts of the property interests, which are covered, unexposed or inaccessible and such parts have been assumed to be in good repair and condition. We cannot express an opinion about or advise upon the condition of uninspected parts and this report should not be taken as making any implied representation or statement about such parts. No tests have been carried out to any of the building services.

We were not instructed to arrange for any investigation to be carried out to determine whether or not any deleterious or hazardous material has been used in the construction of the property interests, or has since been incorporated, and therefore unable to report that the property interests are free from risk in this respect. For the purpose of this assessment, we have assumed that such investigations would not disclose the presence of any such material to any significant extent. Our valuation is prepared on the assumptions that these aspects are satisfactory.

Plant and Machinery

Our valuation normally includes all plant and machinery that form part of the building services installations. However, process plant, machinery and equipment which may have been installed wholly in connection with the occupiers' commercial processes, together with furniture and furnishings, tenants' fixtures and fittings are excluded in our valuation.

Currency

Unless otherwise stated, all monetary figures stated in this report are in Hong Kong Dollar (HK$).

Report

The Summary of Valuation and the Valuation Certificate are attached hereto.

Yours faithfully
For and on behalf of
Jones Lang LaSalle Limited

AU Kin Keung, Alkan
BA (Hons), MHKIS, MRICS, RPS (GP), MCIREA
Senior Director
Licence No.: E-181955

Note:

Mr Au is a Registered Professional Surveyor and a Senior Director with the Valuation Advisory Service Department of Jones Lang LaSalle Limited. He has about 25 years of valuation and advisory experience in Hong Kong.

Summary of Valuation

Property Interest Owned and Occupied by the Group in Hong Kong

Property	Market value as at 31 October 2018 (Aggregate) (HK$)	Interest attributable to the Group	Market value attributable to the Group as at 31 October 2018 (Aggregate) (HK$)
75 units and 5 car parking spaces, Wah Sang Industrial Building, Nos.14-18 Wong Chuk Yeung Street, Shatin, New Territories, Hong Kong	$692,700,000	100%	$692,700,000

Valuation Certificate

Property Interest Owned and Occupied by the Group

Property	Description, age and tenure	Particulars of occupancy	Market value as at 31 October 2018 (Aggregate)
75 units and 5 car parking spaces, Wah Sang Industrial Building, Nos.14-18 Wong Chuk Yeung Street, Shatin, New Territories, Hong Kong (the "**Properties**") (see Note 1) Aggregate of 447/1,725 undivided shares of and in Sha Tin Town Lot No.136	The Properties comprise a total of 75 workshop units located across various floors, and 1 open private car parking space and 4 covered lorry parking spaces on the 1/F of an 18-storey industrial building known as Wah Sang Industrial Building (the "**Building**") completed in 1987. The workshop units of the Properties have a total gross floor area and saleable area of about 171,120 ft² (15,897 m²) and about 119,784 ft² (11,128 m²) respectively. The Building is held under New Grant No. 11634 by the Government for industrial uses subject to a land lease term of 99 years commencing on 1 July 1898 and has been extended to 30 June 2047 subject to a payment of an annual Government Rent of 3% of the rateable value of the time being of the lot.	The Properties were occupied by the Group for workshop, storage and ancillary office uses as at the date of inspection.	HK$692,700,000 (100% interest attributable to the Group: HK$692,700,000

Notes:

1. The registered owners of the Properties are summarized as follows:

The Properties

Floor	Unit No.	Name of Owner	Date of Instrument	Memorial No.
Workshop				
2/F	1	Double Reward Ltd	6 Oct 2016	16100601490032
	2	Record Sino Limited	6 Oct 2016	16100601490044
	3	Gold Business International Company Ltd	6 Oct 2016	16100601490050
	4	Great Reward Enterprise Limited	6 Oct 2016	16100601490063
	7	Gold Business International Company Ltd	28 Apr 2017	17042802250103
	10	Gold Business International Company Ltd	18 Aug 2010	10081802390088
	11	Gold Business International Company Ltd	18 Aug 2010	10081802390088
	12	Gold Business International Company Ltd	3 Mar 2007	07030301500191
3/F	2	Double Reward Ltd	28 Oct 2016	16102801500123
	3	Record Sino Ltd	31 Oct 2016	16103101110055
	11	Gold Business International Company Ltd	4 Oct 2010	10100402500123
	12	Record Sino Ltd	12 Nov 2014	14111201030126
	13	Double Reward Ltd	12 Nov 2014	14111201030137
	16	Gold Business International Company Ltd	11 May 2012	12051102120125
	17	Gold Business International Company Ltd	11 May 2012	12051102120125
	18	Double Reward Ltd	11 May 2012	12051102120155
	19	Double Reward Ltd	11 May 2012	12051102120155
4/F	1	Double Reward Ltd	23 Jan 2018	18012302430064
	2	Gold Business International Company Ltd	23 Jan 2018	18012302430076
	3	Record Sino Ltd	23 Jan 2018	18012302430082
	4	Gold Business International Company Ltd	23 Jan 2018	18012302430097
	12	Gold Business International Company Ltd	21 Sep 2007	07092103280030
	14	Record Sino Ltd	20 Jun 2016	16062001630016
	20	Record Sino Ltd	23 Jan 2018	18012302430102
6/F	1	Gold Business International Company Ltd	25 Oct 2017	17102502020048
	2	Gold Business International Company Ltd	30 Oct 2017	17103001670165
	3	Record Sino Ltd	25 Oct 2017	17102502020053
	4	Double Reward Ltd	25 Oct 2017	17102502020068
	20	Record Sino Ltd	30 Oct 2017	17103001670158
7/F	1	Double Reward Ltd	26 Sep 2011	11092602380051
	2	Gold Business International Company Ltd	26 Sep 2011	11092602380067
	3	Record Sino Ltd	26 Sep 2011	11092602380075
	5	Record Sino Ltd	1 Dec 2015	15120101640040
	20	Tai Hing Catering Ltd	26 Sep 2011	11092602380083
8/F	2	Gold Business International Company Ltd	15 May 2009	09051502520168
	4	Gold Business International Company Ltd	9 Nov 2009	09110902480096
	6	Gold Business International Company Ltd	19 Mar 2017	07031901820070
	7	Gold Business International Company Ltd	19 Mar 2017	07031901820070
	8	Gold Business International Company Ltd	13 Jun 2007	07061302810107
	9	Gold Business International Company Ltd	2 Apr 2007	07040200340033
	10	Gold Business International Company Ltd	23 Aug 2007	07082302820219
11/F	1	Gold Business International Company Ltd	31 Jan 2007	07013102590284

The Properties

Floor	Unit No.	Name of Owner	Date of Instrument	Memorial No.
12/F	3	Record Sino Ltd	13 Jan 2017	17011301060214
	11	Gold Business International Company Ltd	27 May 2013	13052702010119
	12	Gold Business International Company Ltd	14 Apr 2017	07041401340129
	13	Gold Business International Company Ltd	4 Jan 2007	07010402680119
	17	Gold Business International Company Ltd	13 Jun 2014	14061300880108
	18	Double Reward Ltd	13 Jun 2014	14061300880090
	19	Record Sino Ltd	13 Jun 2014	14061300880115
	20	Gold Business International Company Ltd	5 Dec 2007	07120502900103
13/F	10	Record Sino Ltd	20 Oct 2017	18073002160179
	11	Double Reward Ltd	20 Oct 2017	17102002200135
	17	Gold Business International Company Ltd	21 Aug 2013	13082101760194
14/F	5	Double Reward Ltd	6 Dec 2012	12120601640182
	6	Gold Business International Company Ltd	6 Dec 2012	12120601640208
	10	Record Sino Ltd	17 Jan 2012	12011701450046
	11	Gold Business International Company Ltd	17 Jan 2012	12011701450066
	12	Double Reward Ltd	17 Jan 2012	12011701450035
	13	Great Reward Enterprise Ltd	17 Jan 2012	12011701450056
	14	Record Sino Ltd	8 Aug 2011	11080801390043
	16	Gold Business International Company Ltd		12030101280092
	17	Double Reward Ltd	1 Mar 2012	12091700970127
	18	Gold Business International Company Ltd	17 Sep 2012	12091700970134
	20	Record Sino Ltd	29 May 2015	15052902020071
16/F	2	Record Sino Ltd	6 Jan 2017	17010601610174
	6	Record Sino Ltd	19 Jul 2017	17071902050086
	7	Gold Business International Company Ltd	27 Jul 2017	17072701270080
	9	Gold Business International Company Ltd	6 Jan 2017	17010601610182
	10	Double Reward Ltd	6 Jan 2017	17010601610190
	13	Double Reward Ltd	31 Mar 2014	14033101600138
	14	Record Sino Ltd	2 Apr 2014	14040201290057
	15	Gold Business International Company Ltd	31 Mar 2014	14033101600094
17/F	13	Record Sino Ltd	29 Mar 2016	16032901620106
	15	Record Sino Ltd	7 Oct 2015	15100701500114
	18	Record Sino Ltd	27 July 2015	15072702260083
Car Parking Space				
1/F	21	Gold Business International Company Ltd	30 Nov 2010	10113002820359
	22	Gold Business International Company Ltd	30 Nov 2010	10113002820359
	23	Gold Business International Company Ltd	20 Dec 2010	10122002420303
	24	Gold Business International Company Ltd	20 Dec 2010	10122002420303
	42	Gold Business International Company Ltd	17 Jan 2012	12011701450024

2. According to the Land Registry Search conducted on 1 November 2018, the Properties were subject to the following encumbrances:

   i) Certificate of Compliance dated 14 December 1987 vide Memorial No. ST403757.

   ii) Management Agreement dated 16 December 1987 vide Memorial No. ST405675.

   iii) Deed of Mutual Covenant dated 16 December 1987 vide Memorial No. ST411463 (previously registered by Memorial No. ST405674).

   iv) Various Building Orders dated 19 Jan 2017 to 24 July 2018 vide different memorials. As advised by the Company, they have completed the required remedial works pending approval from the Building Authority.

   v) Various Mortgages dated 18 July 2016 to 31 July 2018 vide various memorials.

3. According to Approved Sha Tin Outline Zoning Plan No. S/ST/34 dated 8 June 2018, the Properties were zoned for "Industrial" use as at the date of valuation.

4. The assessed market value of the Properties is the aggregate of the market value of each individual unit of the Properties.

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman Islands company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 11 December 2017 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the "**Companies Law**"). The Company's constitutional documents consist of its Memorandum of Association (the "**Memorandum**") and its Articles of Association (the "**Articles**").

1. MEMORANDUM OF ASSOCIATION

(a) The Memorandum states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.

(b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on [●] 2019 with effect from the Listing Date. The following is a summary of certain provisions of the Articles:

(a) Shares

(i) Classes of shares

The share capital of the Company consists of ordinary shares.

(ii) Variation of rights of existing shares or classes of shares

Subject to the Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy (whatever the number of shares held by them) shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(iii) Alteration of capital

The Company may by ordinary resolution of its members:

(i) increase its share capital by the creation of new shares;

(ii) consolidate all or any of its capital into shares of larger amount than its existing shares;

(iii) divide its shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;

(iv) subdivide its shares or any of them into shares of smaller amount than is fixed by the Memorandum; or

(v) cancel any shares which, at the date of passing of the resolution, have not been taken and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(iv) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time.

Notwithstanding the foregoing, for so long as any shares are listed on the Stock Exchange, titles to such listed shares may be evidenced and transferred in accordance with the laws applicable to and the rules and regulations of the Stock Exchange that are or shall be applicable to such listed shares. The register of members in respect of its listed shares (whether the principal register or a branch register) may be kept by recording the particulars required by Section 40 of the Companies Law in a form otherwise than legible if such recording otherwise complies with the laws applicable to and the rules and regulations of the Stock Exchange that are or shall be applicable to such listed shares.

The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect of that share.

The board may, in its absolute discretion, at any time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

The board may decline to recognise any instrument of transfer unless a fee (not exceeding the maximum sum as the Stock Exchange may determine to be payable) determined by the Directors is paid to the Company, the instrument of transfer is properly stamped (if applicable), it is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in any newspaper or by any other means in accordance with the requirements of the Stock Exchange, at such times and for such periods as the board may determine. The register of members must not be closed for periods exceeding in the whole thirty (30) days in any year.

Subject to the above, fully paid shares are free from any restriction on transfer and free of all liens in favour of the Company.

(v) Power of the Company to purchase its own shares

The Company is empowered by the Companies Law and the Articles to purchase its own shares subject to certain restrictions and the board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by the Stock Exchange.

Where the Company purchases for redemption a redeemable share, purchases not made through the market or by tender must be limited to a maximum price determined by the Company in general meeting. If purchases are by tender, tenders must be made available to all members alike.

The board may accept the surrender for no consideration of any fully paid share.

(vi) Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

(vii) Calls on shares and forfeiture of shares

The board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

(b) Directors

(i) Appointment, retirement and removal

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification. Further, there are no provisions in the Articles relating to retirement of Directors upon reaching any age limit.

The Directors have the power to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and members of the Company may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated if:

(aa) he resigns by notice in writing delivered to the Company;

(bb) he becomes of unsound mind or dies;

(cc) without special leave, he is absent from meetings of the board for six (6) consecutive months, and the board resolves that his office is vacated;

(dd) he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;

(ee) he is prohibited from being a director by law; or (ff) he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed must, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(ii) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued (a) with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Directors may determine, or (b) on terms that, at the option of the Company or the holder thereof, it is liable to be redeemed.

The board may issue warrants or convertible securities or securities of similar nature conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of the Stock Exchange and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company are at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount to their nominal value.

Neither the Company nor the board is obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(iii) Power to dispose of the assets of the Company or any of its subsidiaries

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting.

(iv) Borrowing powers

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(v) Remuneration

The ordinary remuneration of the Directors is to be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors are also entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or past Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

The board may resolve to capitalise all or any part of any amount for the time being standing to the credit of any reserve or fund (including a share premium account and the profit and loss account) whether or not the same is available for distribution by applying such sum in paying up unissued shares to be allotted to (i) employees (including directors) of the Company and/or its affiliates (meaning any individual, corporation, partnership, association, joint-stock company, trust, unincorporated association or other entity (other than the Company) that directly, or indirectly through one or more intermediaries, controls, is controlled by or is under common control with, the Company) upon exercise or vesting of any options or awards granted under any share incentive scheme or employee benefit scheme or other arrangement which relates to such persons that has been adopted or approved by the members in general meeting, or (ii) any trustee of any trust to whom shares are to be allotted and issued by the Company in connection with the operation of any share incentive scheme or employee benefit scheme or other arrangement which relates to such persons that has been adopted or approved by the members in general meeting.

(vi) Compensation or payments for loss of office

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(vii) Loans and provision of security for loans to Directors

The Company must not make any loan, directly or indirectly, to a Director or his close associate(s) if and to the extent it would be prohibited by the Companies Ordinance (Chapter 622 of the laws of Hong Kong) as if the Company were a company incorporated in Hong Kong.

(viii) Disclosure of interests in contracts with the Company or any of its subsidiaries

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and upon such terms as the board may determine, and may be paid such extra remuneration therefor in addition to any remuneration provided for by or pursuant to the Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. The board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

No Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company must declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his close associates is materially interested, but this prohibition does not apply to any of the following matters, namely:

(aa) any contract or arrangement for giving to such Director or his close associate(s) any security or indemnity in respect of money lent by him or any of his close associates or obligations incurred or undertaken by him or any of his close associates at the request of or for the benefit of the Company or any of its subsidiaries;

(bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

(cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the [**REDACTED**] or [**REDACTED**] of the offer;

(dd) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company; or

(ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his close associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(c) Proceedings of the Board

The board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it considers appropriate. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(d) Alterations to constitutional documents and the Company's name

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

(e) Meetings of members

(i) Special and ordinary resolutions

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

Under the Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

(ii) Voting rights and right to demand a poll

Subject to any special rights or restrictions as to voting for the time being attached to any shares, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorized representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is, under the rules of the Stock Exchange, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(iii) Annual general meetings and extraordinary general meetings

The Company must hold an annual general meeting of the Company every year within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of not more than eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of the Stock Exchange.

Extraordinary general meetings may be convened on the requisition of one or more shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the board or the secretary for the purpose of requiring an extraordinary general meeting to be called by the board for the transaction of any business specified in such requisition. Such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit, the board fails to proceed to convene such meeting, the requisitionist(s) himself/herself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the board shall be reimbursed to the requisitionist(s) by the Company.

(iv) Notices of meetings and business to be conducted

An annual general meeting must be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days. All other general meetings must be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice is exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time and place of the meeting and particulars of resolutions to be considered at the meeting and, in the case of special business, the general nature of that business.

In addition, notice of every general meeting must be given to all members of the Company other than to such members as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to, among others, the auditors for the time being of the Company.

Any notice to be given to or by any person pursuant to the Articles may be served on or delivered to any member of the Company personally, by post to such member's registered address or by advertisement in newspapers in accordance with the requirements of the Stock Exchange. Subject to compliance with Cayman Islands law and the rules of the Stock Exchange, notice may also be served or delivered by the Company to any member by electronic means.

All business that is transacted at an extraordinary general meeting and at an annual general meeting is deemed special, save that in the case of an annual general meeting, each of the following business is deemed an ordinary business:

(aa) the declaration and sanctioning of dividends;

(bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;

(cc) the election of directors in place of those retiring;

(dd) the appointment of auditors and other officers; and

(ee) the fixing of the remuneration of the directors and of the auditors.

(v) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

The quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(vi) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and is entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy is entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise as if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

(f) Accounts and audit

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records must be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting. However, an exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles; however, subject to compliance with all applicable laws, including the rules of the Stock Exchange, the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

At the annual general meeting or at a subsequent extraordinary general meeting in each year, the members shall appoint an auditor to audit the accounts of the Company and such auditor shall hold office until the next annual general meeting. Moreover, the members may, at any general meeting, by special resolution remove the auditor at any time before the expiration of his terms of office and shall by ordinary resolution at that meeting appoint another auditor for the remainder of his term. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards which may be those of a country or jurisdiction other than the Cayman Islands. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor must be submitted to the members in general meeting.

(g) Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit.

The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

(h) Inspection of corporate records

Pursuant to the Articles, the register and branch register of members shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK$1.00 or such lesser sum specified by the board, at the office where the branch register of members is kept, unless the register is closed in accordance with the Articles.

(i) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman Islands law, as summarised in paragraph 3(f) of this Appendix.

(j) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

(i) if the Company is wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively; and

(ii) if the Company is wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company is wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(k) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the

Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman Islands law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Company operations

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium.

The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the "**Court**"), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

(c) Financial assistance to purchase shares of a company or its holding company

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Companies Law expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company is to be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company is not be treated as a member for any purpose and must not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share must not be voted, directly or indirectly, at any meeting of the company and must not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Law.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

The Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account. With the exception of the foregoing, there are no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits.

No dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

The Courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) Disposal of assets

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company must cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

An exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to the Tax Concessions Law of the Cayman Islands, the Company has obtained an undertaking:

(1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and

(2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from 3 January 2018.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double tax treaties.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

Members of the Company have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

(n) Register of members

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. A branch register must be kept in the same manner in which a principal register is by the Companies Law required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time.

There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

(o) Register of Directors and Officers

The Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within sixty (60) days of any change in such directors or officers.

(p) Beneficial Ownership Register

An exempted company is required to maintain a beneficial ownership register at its registered office that records details of the persons who ultimately own or control, directly or indirectly, more than 25% of the equity interests or voting rights of the company or have rights to appoint or remove a majority of the directors of the company. The beneficial ownership register is not a public document and is only accessible by a designated competent authority of the Cayman Islands. Such requirement does not, however, apply to an exempted company with its shares listed on an approved stock exchange, which includes the Stock Exchange. Accordingly, for so long as the shares of the Company are listed on the Stock Exchange, the Company is not required to maintain a beneficial ownership register.

(q) Winding up

A company may be wound up (a) compulsorily by order of the Court, (b) voluntarily, or (c) under the supervision of the Court.

The Court has authority to order winding up in a number of specified circumstances including where the members of the company have passed a special resolution requiring the company to be wound up by the Court, or where the company is unable to pay its debts, or where it is, in the opinion of the Court, just and equitable to do so. Where a petition is presented by members of the company as contributories on the ground that it is just and equitable that the company should be wound up, the Court has the jurisdiction to make certain other orders as an alternative to a winding-up order, such as making an order regulating the conduct of the company's affairs in the future, making an order authorising civil proceedings to be brought in the name and on behalf of the company by the petitioner on such terms as the Court may direct, or making an order providing for the purchase of the shares of any of the members of the company by other members or by the company itself.

A company (save with respect to a limited duration company) may be wound up voluntarily when the company so resolves by special resolution or when the company in general meeting resolves by ordinary resolution that it be wound up voluntarily because it is unable to pay its debts as they fall due. In the case of a voluntary winding up, such company is obliged to cease to carry on its business (except so far as it may be beneficial for its winding up) from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court therein, there may be appointed an official liquidator or official liquidators; and the court may appoint to such office such person, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court must declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court.

As soon as the affairs of the company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and how the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting must be called by at least 21 days' notice to each contributory in any manner authorised by the company's articles of association and published in the Gazette.

(r) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(s) Take-overs

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(t) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

4. GENERAL

Conyers Dill & Pearman, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents available for inspection" in Appendix VI to this document. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR GROUP

1 Incorporation

Our Company was incorporated as an exempted company in the Cayman Islands under the Cayman Islands Companies Law with limited liability on 11 December 2017.

Our Company has established a principal place of business in Hong Kong at 13/F, Chinachem Exchange Square, 1 Hoi Wan Street, Quarry Bay, Hong Kong. Our Company was registered with the [**REDACTED**] as a non-Hong Kong company under Part 16 of the Companies Ordinance on [●]. Ms. Chan Shuk Fong has been appointed as the authorised representative of our Company for the acceptance of service of process and notices on behalf of our Company in Hong Kong.

As our Company was incorporated in the Cayman Islands, we operate subject to Cayman Islands law and to the constitution comprising the Memorandum and Articles of Association. A summary of certain provisions of our Company's constitution and relevant aspects of the Cayman Islands company law is set out in Appendix IV to this [**REDACTED**].

2. Changes in the share capital of our Company

Our Company was incorporated on 11 December 2017 with an authorised share capital of HK$380,000 divided into 38,000,000 shares of HK$0.01 each. On the same day, one Share was allotted and issued, credited as fully paid, to our initial subscriber and was subsequently transferred to Chun Fat.

On 18 December 2017, as part of the Reorganisation, our Company allotted and issued 99,999 Shares, credited as fully paid. As at the Latest Practicable Date, a total of 100,000 Shares were issued. The shareholding structure of our Company is set out in the section headed "History, Development and Reorganisation" in this [**REDACTED**].

On [●] 2019, the authorised share capital of our Company was increased by HK$[99,620,000] by the creation of [9,962,000,000] Shares of HK$0.01 each to HK$[**REDACTED**] divided into [**REDACTED**] Shares of HK$0.01 each.

Conditional upon the share premium account of our Company being credited with the [**REDACTED**] of the [**REDACTED**], an appropriate sum will be capitalised and applied in paying up in full at par such number of shares in our Company to be allotted and issued to the then existing shareholders of our Company so that the number of Shares so allotted and issued, when aggregated with the number of Shares already owned by them, will constitute [**REDACTED**] of the issued share capital of our Company.

Assuming that the [**REDACTED**] and the [**REDACTED**] become unconditional and the issue of Shares is made pursuant thereto without taking into account any Shares that may be issued pursuant to the exercise of the [**REDACTED**] or the Share Options, the issued share capital of our Company immediately following the completion of the [**REDACTED**] and the [**REDACTED**] will be HK$[**REDACTED**] divided into [**REDACTED**] Shares, fully paid or credited as fully paid.

Saved as disclosed above and in the paragraphs headed "History, Development and Reorganisation" in this document and this Appendix, there has been no alteration in the share capital of our Company since its incorporation.

3. Changes in capital of our subsidiaries

Our material operating subsidiaries are listed in the section headed "History, Development and Reorganisation" in this document and all of our subsidiaries are listed in "II. Notes to the Historical Financial Information — 1. Corporate and Group Information" in Appendix I to this document. Save for the following alterations, there has been no change in the capital of our subsidiaries within two years immediately preceding the date of this document:

Tai Hing (BVI)

On 1 November 2017, one subscriber share was allotted and issued to Tai Hing (Samoa). On 30 November 2017, 21 shares was allotted and issued to Tai Hing (Samoa).

Nice Bloom Investment Limited

On 21 March 2018, the share capital of Nice Bloom Investment Limited increased from HK$1 divided into 1 share to HK$100 divided into 100 shares.

Nice Success International Development Limited

On 21 March 2018, the share capital of Nice Success International Development Limited increased from HK$1 divided into 1 share to HK$100 divided into 100 shares.

Niceway International Enterprise Limited

On 5 July 2017, the share capital of Niceway International Enterprise Limited increased from HK$1 divided into 1 share to HK$100 divided into 100 shares.

東莞永富食品有限公司 Dongguan Yongfu Food Limited*

On 17 January 2017, the registered capital of 東莞永富食品有限公司 Dongguan Yongfu Food Limited* increased from HK$21,350,000 to HK$81,350,000. On 7 September 2017, the registered capital of 東莞永富食品有限公司 Dongguan Yongfu Food Limited* increased from HK$81,350,000 to HK$101,350,000.

* *For identification purpose only*

4. Written resolutions of our Shareholders passed on [●] 2019

Our Shareholders passed written resolutions on [●] 2019 to resolve that, amongst other things:

(a) the Memorandum and the Articles were approved and conditionally adopted in substitution for and to the exclusion of the then existing memorandum and articles of association of our Company with effect from the Listing Date;

(b) the authorised share capital of our Company was increased by HK$[99,620,000] by the creation of an additional [9,962,000,000] Shares with par value of HK$0.01 each;

(c) conditional upon the share premium account of our Company being credited as a result of the issue of [**REDACTED**] pursuant to the [**REDACTED**], our Directors were authorised to allot and issue a total of [**REDACTED**] Shares (or any other number of Shares as any one Director may determine), credited as fully-paid at par, to our Shareholders whose names appear on the register of members of our Company at close of business on [**REDACTED**] (or such other date as our Directors may direct) in proportion (as nearly as possible without involving fractions so that no fraction of a Share shall be allotted) to their then respective shareholdings by way of capitalisation of the sum of HK$[**REDACTED**] (or any other amount as any one Director may determine) standing to the credit of the share premium account of our Company, and such Shares to be allotted and issued pursuant to the [**REDACTED**] shall rank pari passu in all respects with the then existing issued Shares and the Directors were authorized to give effect to such capitalisation;

(d) conditional on (i) the Listing Department of the Stock Exchange granting listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this document; (ii) the [**REDACTED**] having been determined; (iii) the execution and delivery of the [**REDACTED**] on or around the respective dates as mentioned in this document; (iv) the obligations of the [**REDACTED**] under the [**REDACTED**] becoming and remaining unconditional and not being terminated in accordance with the terms of the [**REDACTED**] or otherwise, in each case on or before the day falling 30 days after the date of this document:

(1) the [**REDACTED**] and the [**REDACTED**] were approved and our Directors were authorized to allot and issue the [**REDACTED**] pursuant to the [**REDACTED**] and such number of Shares as may be allotted and issued upon the exercise of the [**REDACTED**];

(2) the Listing was approved;

(3) the Share Option Scheme, the principal terms of which are set forth in the paragraph headed "— D. Share Option Scheme" in this Appendix

below, was approved and adopted and the Directors were authorised to approve any amendments to the rules of the Share Option Scheme as may be acceptable or not objected by the Stock Exchange, and at their absolute discretion to grant options to subscribe for Shares thereunder and to allot, issue and deal with Shares pursuant to the exercise of options which may be granted under the Share Option Scheme and to take all such steps as may be necessary, desirable or expedient to implement or give effect to the Share Option Scheme;

(4) a general unconditional mandate (the "**Issuing Mandate**") was given to the Directors to exercise all powers of our Company to allot, issue and deal with, otherwise than by way of rights issue, scrip dividend schemes or similar arrangements providing for allotment of Shares in lieu of the whole or in part of any dividend in accordance with the Articles, or pursuant to the exercise of any options which may be granted under, the Share Option Scheme or other arrangements regulated by Chapter 17 of the Listing Rules or any specific authority granted by the Shareholders in general meetings, Shares with an aggregate number not exceeding the sum of 20% of the aggregate number of Shares in issue immediately following completion of the [**REDACTED**] and the [**REDACTED**] (but excluding any shares that may be issued upon exercise of the [**REDACTED**]), such mandate to remain in effect until the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company is required by the Articles of Association or any applicable Cayman Islands law to be held, or the passing of an ordinary resolution by our Shareholders revoking or varying the authority given to the Directors, whichever is the earliest;

(5) a general unconditional mandate (the "**Repurchase Mandate**") was given to the Directors to exercise all powers of our Company to purchase Shares with total number not exceeding 10% of the total number of Shares in issue and to be issued immediately following the completion of the [**REDACTED**] and the [**REDACTED**] (but excluding any shares that may be issued upon exercise of the [**REDACTED**]), until the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company is required by the Articles of Association or any applicable Cayman Islands law to be held, or the passing of an ordinary resolution by our Shareholders revoking or varying the authority given to the Directors, whichever is the earliest; and

(6) the extension of the general mandate to allot, issue and deal with the Shares as mentioned in sub-paragraph (4) above by the addition to the aggregate number of Shares of our Company which may be allotted and issued or agreed (conditionally or unconditionally) to be allotted or issued by our Directors pursuant to such general mandate of an amount representing the aggregate number of Shares of our Company repurchased by our Company pursuant to sub-paragraph (5) above.

5. Reorganisation

In preparation for the Listing, the companies comprising our Group underwent the Reorganisation and our Company became the holding company of our Group.

See "History, Development and Reorganisation — Reorganisation" in this document for details of the Reorganisation arrangements undergone by our Group in preparation for the Listing, and the chart showing our Group's structure after the Reorganisation and immediately upon completion of the Capitalisation Issue and the [**REDACTED**].

6. Repurchases by our Company of its own securities

This section sets out information required by the Stock Exchange to be included in this document concerning the repurchase by our Company of our own securities.

(a) Provisions of the Listing Rules

The Listing Rules permit companies with a primary listing on the Stock Exchange to repurchase their own securities on the Stock Exchange subject to certain restrictions, the more important of which are summarised below:

(i) Shareholders' approval

All proposed repurchase of securities (which must be fully paid up in the case of shares) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders, either by way of general mandate or by specific approval.

(ii) Source of funds

Repurchases must be funded out of funds legally available for the purpose in accordance with the Memorandum and Articles of Association of our Company and the Listing Rules and the applicable laws of the Cayman Islands. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange. Subject to the foregoing, under the Companies Law any repurchases by our Company may be made out of our Company's profits, out of our Company's share premium account, out of the [**REDACTED**] of a new issue of Shares made for the purpose of the repurchase or, if authorised by the Articles and subject to the Companies Law, out of capital. Any amount of premium payable on the purchase over the par value of the Shares to be repurchased must be out of profits or from sums standing to the credit of our Company's share premium account or, if authorised by the Articles, and subject to the Companies Law, out of capital.

(iii) Trading Restrictions

The total number of shares which a listed company may repurchase on the Stock Exchange is the number of shares representing up to a maximum of 10% of the aggregate number of shares in issue and to be issued immediately following the completion of the [**REDACTED**] and the Capitalisation Issue. A company may not issue or announce a proposed issue of new securities for a period of 30 days immediately following a repurchase, whether on the Stock Exchange or otherwise (other than an issue of securities pursuant to an exercise of warrants, share options or similar instruments requiring our Company to issue securities which were outstanding prior to such repurchase) without the prior approval of the Stock Exchange. In addition, a listed company is prohibited from repurchasing its shares on the Stock Exchange if the purchase price is higher by 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Stock Exchange. The Listing Rules also prohibit a listed company from repurchasing its securities which would result in the number of the listed securities which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange. A company is required to procure that the broker appointed by it to effect a repurchase of securities discloses to the Stock Exchange such information with respect to the repurchase as the Stock Exchange may request.

(iv) Status of repurchased shares

All repurchased securities (whether effected on the Stock Exchange or otherwise) will be automatically delisted and the certificates for those securities must be cancelled and destroyed.

(v) Suspension of repurchase

A listed company shall not make any repurchase of securities on the Stock Exchange at any time after inside information has come to its knowledge until the information is made publicly available. In particular, during the period of one month immediately preceding the earlier of (a) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of a listed company's results for any year, half year, quarterly or any other interim period (whether or not required under the Listing Rules) and (b) the deadline for publication of an announcement of a listed company's results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), and ending on the date of the results announcement, the listed company may not repurchase its shares on the Stock Exchange other than in exceptional circumstances. In addition, the Stock Exchange may prohibit a repurchase of securities on the Stock Exchange if a listed company has breached the Listing Rules.

(vi) Reporting requirements

Certain information relating to repurchases of securities on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the following business day. In addition, a listed company's annual report is required to disclose details regarding repurchases of securities made during the year, including a monthly analysis of the number of securities repurchased, the purchase price per share or the highest and lowest price paid for all such purchase, where relevant, and the aggregate prices paid.

(vii) Core connected persons

A listed company is prohibited from knowingly repurchasing securities on the Stock Exchange from a "core connected person", that is, a director, chief executive or Substantial Shareholder of our Company or any of its subsidiaries or their close associates and a core connected person is prohibited from knowingly selling his securities to our Company.

(b) Reasons for repurchases

Our Directors believe that it is in the interests of our Company and our Shareholders for our Directors to have a general authority from our Shareholders to enable our Company to repurchase Shares in the market. Repurchases of Shares will only be made when our Directors believe that such repurchases will benefit our Company and our Shareholders. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value of our Company and its assets and/or its earnings per Share.

(c) Funding of repurchases and impact on working capital or gearing position

In repurchasing securities, our Company may only apply funds lawfully available for such purpose in accordance with its Memorandum and Articles of Association, the Listing Rules and the applicable laws of the Cayman Islands.

There could be a material adverse impact on the working capital or gearing position of our Company (as compared with the position disclosed in this document) in the event that the Repurchase Mandate were to be carried out in full at any time during the share repurchase period.

However, our Directors do not propose to exercise the general mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Company.

(d) General

The exercise in full of the Repurchase Mandate, on the basis of [**REDACTED**] Shares in issue immediately following the completion of the [**REDACTED**] and the Capitalisation Issue, could accordingly result in up to approximately [**REDACTED**] Shares being repurchased by our Company during the period prior to the earliest occurrence of any of the following:

(i) the conclusion of our next annual general meeting; or

(ii) the end of the period within which we are required by any applicable law or the Articles of Association to hold our next annual general meeting; or

(iii) when varied or revoked by an ordinary resolution of our Shareholders in general meeting.

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their close associates currently intends to sell any Shares to our Company.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws of the Cayman Islands and the Articles.

If, as a result of any repurchase of Shares, a Shareholder's proportionate interest in the voting rights of our Company is increased, such increase will be treated as an acquisition for the purposes of the Takeovers Code.

Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate. Any repurchase of Shares that results in the number of Shares held by the public being reduced to less than 25% of the Shares then in issue could only be implemented if the Stock Exchange agreed to waive the Listing Rules requirements regarding the public shareholding. It is believed that a waiver of this provision would not normally be given other than in exceptional circumstances.

No connected person of our Company has notified our Company that he or she has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of material contracts

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by our Company or our subsidiaries within the two years preceding the date of this document and are or may be material:

(a) a deed of non-competition undertakings dated [●] executed by our Controlling Shareholders as covenantors in favour of our Company, details of which are set out in "Relationship with Controlling Shareholders — Deed of Non-competition";

(b) a deed of indemnity dated [●] executed by our Controlling Shareholders in favor of our Company (for ourselves and as trustee for the subsidiaries stated therein) containing the indemnities more particularly referred to in the paragraph headed "— F. Other Information — 3. Indemnities Given by Our Controlling Shareholders" in this Appendix; and

(c) the [**REDACTED**].

2. Material intellectual property rights of our Group

Set out below is a summary of our material intellectual property rights. Our material intellectual property rights were determined by our Directors on the basis of their materiality to our business operation, financial position and prospects.

(a) Trademarks

As at the Latest Practicable Date, members of our Group were the registered owner of the following trademarks which we believe are material to our business:

Trademark	Place of Registration	Class	Registrant	Registration Number	Registration Date	Expiry Date
....	Hong Kong	30, 35	Our Group	303349765	26 March 2015	25 March 2025
....	Hong Kong	43	Our Group	301317889	3 April 2009	2 April 2029
....	Hong Kong	43	Our Group	302294145	25 June 2012	24 June 2022
....	Hong Kong	30, 43	Our Group	301208727	25 September 2008	24 September 2028
....	Hong Kong	43	Our Group	303454173	26 June 2015	25 June 2025
A B	Hong Kong	43	Our Group	304315167	26 October 2017	25 October 2027

Trademark	Place of Registration	Class	Registrant	Registration Number	Registration Date	Expiry Date
A. Phở Lệ B. Phở Lệ	Hong Kong	43	Our Group	303812896	20 June 2016	19 June 2026
A. 錦麗 B. 錦麗 C. 锦丽 D. 锦丽	Hong Kong	43	Our Group	303812904	20 June 2016	19 June 2026
PHOLÉ	Hong Kong	43	Our Group	304068298	7 March 2017	6 March 2027
A. TOKYO TSUKIJI 築地 B. TOKYO TSUKIJI 築地	Hong Kong	43	Our Group	303276612	22 January 2015	21 January 2025
A 漁牧 B 渔牧 C 漁牧 D 渔牧	Hong Kong	43	Our Group	303373515	15 April 2015	14 April 2025
....	Hong Kong	43	Our Group	304241862	15 August 2017	14 August 2027

Trademark	Place of Registration	Class	Registrant	Registration Number	Registration Date	Expiry Date
太興 TAI HING	Macau	43	Our Group	N/51146	29 December 2010	29 December 2024
TAI HING	PRC	43	Our Group	9379833	7 May 2012	6 May 2022
太興 TAI HING	PRC	43	Our Group	13396318	14 February 2015	13 February 2025
太興 TAI HING ...	PRC	29	Our Group	22046692	14 January 2018	13 January 2028
	PRC	30	Our Group	22046939	28 February 2018	27 February 2028
	PRC	31	Our Group	22047082	21 April 2018	20 April 2028
	PRC	32	Our Group	22056636	14 February 2018	13 February 2028
	PRC	35	Our Group	22056794	14 April 2018	13 April 2028
太兴 ...	PRC	29	Our Group	5414623	7 May 2009	6 May 2029
	PRC	30	Our Group	5414622	28 July 2009	27 July 2029
	PRC	31	Our Group	5414621	7 May 2009	6 May 2029
	PRC	32	Our Group	5414339	21 May 2009	20 May 2029
	PRC	43	Our Group	5414338	14 February 2010	13 February 2020
TEA WOOD ...	PRC	43	Our Group	13965614	7 September 2015	6 September 2025
TEA WOOD .	PRC	43	Our Group	13965615	7 September 2015	6 September 2025

Trademark	Place of Registration	Class	Registrant	Registration Number	Registration Date	Expiry Date
	PRC	9	Our Group	19435869	7 May 2017	6 May 2027
	PRC	29	Our Group	19435976	7 May 2017	6 May 2027
	PRC	31	Our Group	19435920	7 May 2017	6 May 2027
	PRC	32	Our Group	19435940	14 March 2018	13 March 2028
	PRC	33	Our Group	19435973	7 May 2017	6 May 2027
	PRC	9	Our Group	19435691	7 May 2017	6 May 2027
	PRC	29	Our Group	19435730	7 May 2017	6 May 2027
	PRC	31	Our Group	19435760	7 May 2017	6 May 2027
	PRC	32	Our Group	19435786	14 March 2018	13 March 2028
	PRC	33	Our Group	19435822	7 May 2017	6 May 2027
	PRC	43	Our Group	19435546	7 May 2017	6 May 2027
	PRC	43	Our Group	19435542	28 July 2017	27 July 2027
	PRC	43	Our Group	14907712	21 November 2016	20 November 2026
	PRC	43	Our Group	22983596	28 February 2018	27 February 2028
	PRC	43	Our Group	22983855	28 February 2018	27 February 2028
	PRC	43	Our Group	22983351	28 February 2018	27 February 2028
	PRC	43	Our Group	25987035	14 September 2018	13 September 2028

As at the Latest Practicable Date, members of our Group had applied for the registration of the following trademarks which we believe are material to our business:

Trademark	Place of Application	Class	Applicant	Application Number	Application Date
A 敏華 B 敏华	Hong Kong	43	Our Group	304671036	14 September 2018
Men Wah MEN WAH men wah	Hong Kong	43	Our Group	304671045	14 September 2018
T-Factory (three versions)	Hong Kong	43	Our Group	304695599	11 October 2018
T-Factory T-Factory T-Factory	Hong Kong	43	Our Group	304695634	11 October 2018
A 興喜 B 兴喜	Hong Kong	9,16, 35, 38, 41,42	Our Group	304775392	19 December 2018
太興	PRC	35	Our Group	29140096	5 February 2018

Trademark	Place of Application	Class	Applicant	Application Number	Application Date
敏華冰廳..............	PRC	43	Our Group	33669919	21 September 2018
Men Wah Bing Teng	PRC	43	Our Group	33683036	21 September 2018

(b) Patents

As at the Latest Practicable Date, members of the group were the owner of the following patents which are material to our business:

Patent	Type	Owner	Patent Number	Term
Automatic wok device with sound indication (發聲自動炒鍋裝置)	Utility model	Our Group	HK1245572	8 years from 11 May 2018
Automatic Wok Device (自動炒鍋裝置)	Utility model	Our Group	HK1179464	8 years from 18 June 2013
Smokeless Oven (無煙烤爐)	Utility model	Our Group	HK1192997	8 years from 22 May 2014

(c) Domain Names

As at the Latest Practicable Date, members of our Group had registered the following domain names which are material to our business:

Domain Name	Registrant	Registration Date	Expiration Date
www.taihingroast.com.hk	Our Group	4 October 2011	5 October 2021
www.teawood.hk	Our Group	22 June 2012	22 June 2022

The contents of the above websites, registered or licensed, do not form part of this document.

C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Particulars of Directors' services agreements

Each of our executive Directors has entered into a service agreement with our Company for an initial term of three years, commencing from the Listing Date (subject to termination in certain circumstances as stipulated in the relevant service agreement). The annual remuneration payable to our executive Director by our Group (excluding any discretionary bonus) is as follows:

Executive Director	Remuneration (per annum)
Mr. Chan Wing On	HK$[●]
Mr. Yuen Chi Ming	HK$[●]
Mr. Lau Hon Kee	HK$[●]
Ms. Chan Shuk Fong	HK$[●]

Each of our non-executive Directors and independent non-executive Directors has signed a letter of appointment with our Company for an initial term of [●], commencing from Listing Date (subject to termination in certain circumstances as stipulated in the relevant letter of appointment).

The annual remuneration payable to each of our non-executive Directors and independent non-executive Directors under the relevant letters of appointment is as follows:

Non-executive Director	Remuneration (per annum)
Mr. Ho Ping Kee	HK$[●]

Independent non-executive Director	Remuneration (per annum)
Mr. Mak Ping Leung (alias: Mak Wah Cheung)	HK$[●]
Mr. Wong Shiu Hoi Peter	HK$[●]
Ms. Sat Chui Wan	HK$[●]

All of our Directors [are] covered by the directors' and officers' liability insurance purchased by our Company.

2. Directors' and senior management's remuneration

(i) The aggregate emoluments paid and benefits in kind granted by our Group to the Directors in respect of FY2016, FY2017 and 9M2018 were approximately HK$9.7 million, HK$12.7 million and HK$10.3 million respectively. The aggregate emoluments paid and benefits in kind granted by our Group to our senior management (excluding our Directors) in respect of FY2016, FY2017 and 9M2018 were approximately HK$10.5 million, HK$15.8 million and HK$13.0 million respectively.

(ii) Under the arrangements currently in force, the aggregate emoluments (excluding discretionary bonus) payable by our Group to and benefits in kind receivable by our Directors (including our independent non-executive Directors in their capacity as Directors) for FY2019 are expected to be approximately HK$[●] million.

(iii) None of the Directors or any past directors of any member of our Group has been paid any sum of money for FY2016, FY2017 and 9M2018 (a) as an inducement to join or upon joining our Company or (b) for loss of office as a director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group.

(iv) There has been no arrangement under which a Director has waived or agreed to waive any emoluments for FY2016, FY2017 and 9M2018.

3. Disclosure of Interests

(a) Interests and short position of our Directors and the chief executive in the shares, underlying shares or debentures of our Company and the associated corporations

Immediately following the completion of the [**REDACTED**] and the Capitalisation Issue and without taking into account any Shares which may be issued pursuant to the exercise of the [**REDACTED**] and the Share Option Scheme, the interests or short positions of the Directors and the chief executive of our Company in the shares, underlying shares and debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our 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 which will be required, pursuant to Section 352 of the SFO, to be entered into in the register referred to in that section, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, to be notified to our Company and the Stock Exchange, once the Shares are listed will be as follows:

Name of Director	Nature of interest/ Capacity	Relevant company (including associated corporations)	Long position in number of shares in the relevant company	Approximate percentage of shareholding (%)
Mr. Chan	Interest in a controlled corporation	our Company	[**REDACTED**]	[**REDACTED**]
Mr. Chan	Beneficial interest	Chun Fat	141,342	70.7
Mr. Lau	Beneficial interest	Chun Fat	19,866	12.6
Mr. Ho	Beneficial interest	Chun Fat	13,676	9.9
Mr. Yuen	Beneficial interest	Chun Fat	25,116	6.8

Save as disclosed in the sections headed "History, Development and Reorganisation", "Relationship with Controlling Shareholders" and the paragraph headed "— C. Further information about our Directors and substantial Shareholders — 1. Particulars of Directors' service agreements" in this Appendix above, none of our Directors or their close associates was engaged in any dealings with our Group during the two years preceding the date of this document.

(b) Interests of Substantial Shareholders

Save as disclosed in "Substantial Shareholders — (a) Interest in our Company", so far as our Directors are aware, immediately following the completion of the [**REDACTED**] and the Capitalisation Issue and without taking into account any Shares which may be issued pursuant to the exercise of the [**REDACTED**] and the Share Option Scheme, no person will have an interest or short position in the Shares or the underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group.

4. Disclaimers

(a) Save as disclosed in the sections headed "History, Development and Reorganisation", "Relationship with Controlling Shareholders" and "— A. Further Information about Our Group — 5. Reorganisation" of this Appendix, none of our Directors nor any of the persons listed in "— F. Other Information — 8. Qualification of experts" below is interested in the promotion of, or in any assets which have been, within the two years immediately preceding the issue of this document, acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;

(b) Save as disclosed in sections headed "History, Development and Reorganisation", "Relationship with Controlling Shareholders" and "— A.

Further Information about our Group — 5. Reorganisation" of this Appendix, none of our Directors is materially interested in any contract or arrangement with the Group subsisting at the date of this document which is unusual in its nature or conditions or which is significant in relation to the business of our Group; and

(c) Save as disclosed in "— 1. Particulars of Directors' service agreements" above, none of our Directors has entered or has proposed to enter into any service agreements with our Company or any member of our Group (other than contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).

D. SHARE OPTION SCHEME

The following is a summary of the principal terms of the Share Option Scheme conditionally approved and adopted in compliance with Chapter 17 of the Listing Rules by the written resolutions of the Shareholder of our Company on [●]. The following summary does not form, nor is intended to be, part of the Share Option Scheme nor should it be taken as affective the interpretation of the rules of the Share Option Scheme.

(a) SUMMARY OF TERMS

1. Purposes of the Share Option Scheme

The purpose of the Share Option Scheme is to enable our Group to grant options to selected participants as incentives or rewards for their contribution to our Group. The Directors consider the Share Option Scheme, with its broadened basis of participation, will enable our Group to reward the employees, the Directors and other selected participants for their contributions to our Group. Given that the Directors are entitled to determine any performance targets to be achieved as well as the minimum period that an option must be held before an option can be exercised on a case by case basis, and that the exercise price of an option cannot in any event fall below the price stipulated in the Listing Rules or such higher price as may be fixed by the Directors, it is expected that grantees of an option will make an effort to contribute to the development of our Group so as to bring about an increased market price of the Shares in order to capitalise on the benefits of the options granted.

2. Who may join

The Directors may, at their absolute discretion, invite any person belonging to any of the following classes of participants, to take up options to subscribe for Shares:

(a) any employee (whether full-time or part-time including any executive director but excluding any non-executive director) of our Company, any of our subsidiaries or any entity ("**Invested Entity**") in which any member of our Group holds an equity interest;

(b) any non-executive directors (including independent non-executive directors) of our Company, any of our subsidiaries or any Invested Entity;

(c) any supplier of goods or services to any member of our Group or any Invested Entity;

(d) any customer of any member of our Group or any Invested Entity;

(e) any person or entity that provides research, development or other technological support to any member of our Group or any Invested Entity;

(f) any shareholder of any member of our Group or any Invested Entity or any holder of any securities issued by any member of our Group or any Invested Entity;

(g) any adviser (professional or otherwise) or consultant to any area of business or business development of any member of our Group or any Invested Entity;

(h) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of our Group;

and, for the purposes of the Share Option Scheme, the offer for the grant of option may be made to any company wholly owned by one or more persons belonging to any of the above classes of participants.

For avoidance of doubt, the grant of any options by our Company for the subscription of Shares or other securities of our Group to any person who falls within any of the above classes of participants shall not, by itself, unless the Directors otherwise determine, be construed as a grant of option under the Share Option Scheme.

The eligibility of any of the above class of participants to an offer for the grant of any option shall be determined by the Directors from time to time on the basis of the Directors' opinion as to his contribution to the development and growth of our Group.

3. Maximum number of the Shares

(a) The maximum number of Shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme adopted by our Group must not in aggregate exceed 30% of the share capital of our Company in issue from time to time.

(b) The total number of the Shares which may be allotted and issued upon the exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Share Option Scheme and any other Share Option Scheme of our Group) to be granted under the Share Option Scheme and any other share option scheme of our Group must not in aggregate exceed 10% of the Shares in issue (i.e. not exceeding [**REDACTED**] Shares) on the Listing Date ("**General Scheme Limit**").

(c) Subject to (a) above but without prejudice to (d) below, our Company may seek approval of the Shareholders in general meeting to refresh the General Scheme Limit provided that the total number of Shares which may be allotted and issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme of our Group must not exceed 10% of the Shares in issue (ie not exceeding [**REDACTED**] Shares) as at the date of approval of the refreshed limit and, for the purpose of calculating the refreshed limit, options (including those outstanding, cancelled, lapsed or exercised in accordance with the Share Option Scheme and any other share option scheme of our Group) previously granted under the Share Option Scheme and any other share option scheme of our Group will not be counted. The circular sent by our Company to the Shareholders shall contain, among other information, the information required under the Listing Rules.

(d) Subject to (a) above and without prejudice to (c) above, our Company may seek separate Shareholders' approval in general meeting to grant options under the Share Option Scheme beyond the General Scheme Limit or, if applicable, the extended limit refer to in (c) above to participants specially identified by our Company before such approval. In such event, our Company must send a circular to the Shareholders containing a generic description of the specified participants, the number and terms of options to be granted, the purpose of granting options to the specified participants with an explanation as to how the terms of the options serve such purpose and such other information required under the Listing Rules.

4. Maximum entitlement of each participant

The total number of Shares issued and which may fall to be issued upon the exercise of the options granted under the Share Option Scheme and any other share option scheme of our Group (including both exercised or outstanding options) to each grantee in any 12-month The period shall not exceed 1% of the number of Shares in issue for the time being ("**Individual Limit**"). Any further grant of Share Options in excess of the Individual Limit in any 12-month period up to and including the date of such further grant must be separately approved by the Shareholders in general meeting of our Company with such grantee and his close associates (or his associates if the grantee is a connected person) abstaining from voting. Our Company must send a circular to the Shareholders, which must disclose the identity of the participant, the number and terms of the Share Options to be granted (and the Share Options previously granted to such participant), the information required under Rule 17.02(2)(d) of the Listing Rules and the disclaimer required under Rule 17.02(4) of the Listing Rules. The number and terms (including the exercise price) of Share Options to be granted must be fixed before the approval of the Shareholders and the date of the Board meeting for proposing such further grant should be taken as the date of grant for the purpose of calculating the exercise price under note the Listing Rules.

5. Grant of Share Options to the Directors, chief executive or Substantial Shareholders of our Company or their respective associates

(a) Any grant of options under the Share Option Scheme to a Director, chief executive or Substantial Shareholder of our Company or any of their respective associates must be approved by independent non-executive Directors (excluding the independent non-executive Director who or whose associates is the proposed grantee of the Share Options).

(b) Where any grant of Share Options to a Substantial Shareholder or an independent non-executive Director or any of their respective associates would result in the Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

aa. representing in aggregate over 0.1% of the Shares in issue; and

bb. having an aggregate value, based on the closing price of the Shares at the date of each offer for the grant, in excess of HK$5 million;

such further grant of Share Options must be approved by Shareholders in general meeting (with such grantee, his associates and all core connected persons of our Company abstaining from voting in favour at such general meeting, except that such person may vote against the relevant resolution at the general meeting provided that his intention to do so has been stated in the circular to be sent by our Company to the Shareholders). Our Company must send a circular to the Shareholders containing the information required under the Listing Rules, within such time as may be specified in the Listing Rules, and where the Listing Rules shall so require, the vote at the shareholders' meeting convened to obtain the requisite approval shall be taken on a poll with those persons required under the Listing Rules abstaining from voting. Any change in the terms of Share Options granted to a Substantial Shareholder or an independent non-executive Director or any of their respective associates must be approved by the Shareholders in general meeting.

6. Time of acceptance and exercise of option

An Share Option may be accepted by a participant within 21 days from the date of the offer of grant of the option.

An Share Option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by the Directors to each grantee, which period may commence from the date of the offer for the grant of Share Options is made, but shall end in any event not later than 10 years from the date of grant of the Share Options subject to the provisions for early termination thereof. Unless otherwise determined by the Directors and stated in the offer for the grant of Share Options to a grantee, there is no minimum period required under the Share Option Scheme for the holding of an option before it can be exercised.

7. Performance targets

Unless the directors otherwise determined and stated in the offer for the grant of Share Options to a grantee, a grantee is not required to achieve any performance targets before any options granted under the Share Option Scheme can be exercised.

8. Subscription price for the Shares and consideration for the Share Option

The subscription price for the Shares under the Share Option Scheme shall be a price determined by the Directors, but shall not be less than the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet for trade in one or more board lots of the Shares on the date of the offer for the grant, which must be a business day; (ii) the average closing price of Shares as stated in the Stock Exchange's daily quotations for the five business days immediately preceding the date of the offer for the grant; and (iii) the nominal value of a Share.

A nominal consideration of HK$1 is payable on acceptance of the grant of a Share Option.

9. Ranking of the Shares

a. The Shares allotted and issued upon the exercise of an option will be subject to all the provisions of the Articles of our Company for the time being in force and will rank pari passu in all respects with the fully paid Shares in issue on the date on which the option is duly exercised or, if that date falls on a day when the register of members of our Company is closed, the first day of the re-opening of the register of members (the "**Exercise Date**") and accordingly will entitle the holders thereof to participate in all dividends or other distributions paid or made on or after the Exercise Date other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be before the Exercise Date. A Share allotted and issued upon the exercise of a Share Option shall not carry voting rights until the name of the grantee has been entered on the register of members of our Company as the holder thereof.

b. Unless the context otherwise requires, references to "Shares" in this paragraph include references to shares in the ordinary equity share capital of our Company of such nominal amount as shall result from a subdivision, consolidation, re-classification or re-construction of the share capital of our Company from time to time.

10. Restrictions on the time of the offer for the grant of Share Options

No offer for grant of Share Options shall be made after inside information has come to our Company's knowledge until we have announced the information. In particular, during the period commencing one month immediately preceding the earlier of (aa) the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules), and (bb) the deadline for our Company to publish an announcement of its results for any year, half-year, or quarterly or any other interim period (whether or not required under the Listing Rules) and ending on the date of the results announcement, no option for the grant of options may be made.

The Directors may not make any offer for the grant of Share Option to a participant who is a Director during the periods or times in which Directors are prohibited from dealing in Shares pursuant to Model Code for Securities Transactions by Directors of Listed Issuers prescribed by the Listing Rules or any corresponding code or securities dealing restrictions adopted by our Company.

11. Period of the Share Option Scheme

The Share Option Scheme will remain in force for a period of 10 years commencing on the date on which the Share Option Scheme is adopted.

12. Rights on ceasing employment

If the grantee of an option is an Eligible Employee and ceases to be an Eligible Employee for any reason other than death, ill-health or retirement in accordance with his contract of employment or the termination of his employment on one or more of the grounds referred to in sub-paragraph (14) below before exercising his Share Option in full, the option (to the extent not already exercised) will lapse on the date of cessation and shall not be exercisable unless the Directors otherwise determine in which event the grantee may exercise the Share Option (to the extent not already exercised) in whole or in part within such period as the Directors may determine following the date of such cessation, which will be taken to be the last day on which the grantee was at work with our Group or the Invested Entity whether salary is paid in lieu of notice or not.

"Eligible Employee" means any employee (whether full time or part time employee, including any executive director but not any non-executive director) of our Company, any of our subsidiaries or any Invested Entity.

13. Rights on death, ill-health or retirement

If the grantee of a Share Option is an Eligible Employee and ceases to be an Eligible Employee by reason of his death, ill-health or retirement in accordance with his contract of employment before exercising the Share Option in full, his personal representative(s), or, as appropriate, the grantee may exercise the option (to the extent not already exercised) in whole or in part within a period of 12 months following the date of cessation of employment which date shall be the last day on which the grantee was at work with our Group or the Invested Entity whether salary is paid in lieu of notice or not or such longer period as the Directors may determine.

14. Rights on dismissal

If the grantee of a Share Option is an Eligible Employee and ceases to be an Eligible Employee by reason of a termination of his employment on the grounds that he has been guilty of persistent or serious misconduct, or has committed any act of bankruptcy or has become insolvent or has made any arrangements or composition with his creditors generally, or has been convicted of any criminal offence (other than an offence which in the opinion of the Directors does not bring the grantee or our Group or the Invested Entity into disrepute), his Share Option (to the extent not already exercised) will lapse automatically on the date of cessation to be an Eligible Employee.

15. Rights on breach of contract

If the Directors shall at their absolute discretion determine that (aa) (1) the grantee of any Share Option (other than an Eligible Employee) or his close associate has committed any breach of any contract entered into between the grantee or his close associate on the one part and our Group or any Invested Entity on the other part; or (2) that the grantee has committed any act of bankruptcy or has become insolvent or is subject to any winding-up, liquidation or analogous proceedings or has made any arrangement or composition with his creditors generally; or (3) the grantee could no longer make any contribution to the growth and development of our Group by reason of the cessation of its relations with our Group or by other reason whatsoever; and (bb) the Share Option granted to the grantee under the Share Option Scheme shall lapse as a result of any event specified in sub-paragraph (1), (2) or (3) above, his Share Option will lapse automatically on the date on which the Directors have so determined.

16. Rights on a general offer, a compromise or arrangement

If a general or partial offer, whether by way of take-over offer, share re-purchase offer, or scheme of arrangement or otherwise in like manner is made to all the holders of Shares, or all such holders other than the offeror and/ or any person controlled by the offeror and/or any person acting in association or concert with the offeror, our Company shall use all reasonable endeavours to procure that such offer is extended to all the grantees on the same terms, mutatis mutandis, and assuming that they will become, by the exercise in full of the Share Options granted to them, Shareholders. If such offer becomes or is declared unconditional or such scheme or arrangement is formally proposed to Shareholders of our Company, a grantee shall, notwithstanding any other terms on which his Share Options were granted, be entitled to exercise his Share Option (to the extent not already exercised) to its full extent or to the extent specified in the grantee's notice to our Company in exercise of his Share Option at any time thereafter and up to the close of such offer (or any revised offer) or the record date for entitlements under such scheme of arrangement, as the case may be. Subject to the above, a Share Option will lapse automatically (to the extent not exercised on the date which such offer (or, as the case may be, revised offer) closed or the relevant date for entitlements under such scheme of arrangement, as the case may be.

17. Rights on winding up

In the event of a resolution being proposed for the voluntary winding-up of our Company during the Share Option period, the grantee may, subject to the provisions of all applicable laws, by notice in writing to our Company at any time not less than two business days before the date on which such resolution is to be considered and/or passed, exercise his Share Option (to the extent not already exercised) either to its full extent or to the extent specified in such notice in accordance with the provisions of the Share Option Scheme and our Company shall allot and Issue to the grantee the Shares in respect of which such grantee has exercised his Share Option not less than one business day before the date on which such resolutions to be considered and/or passed whereupon he shall accordingly be entitled, in respect of the Shares allotted and Issued to in a aforesaid manner, to participate in the distribution of the assets of our Company available in liquidation pari passu with the holders of the Shares in issue on the day prior to the date of such resolution. Subject thereto, all Share Options then outstanding shall lapse and determine on the commencement of the winding-up of our Company.

18. Grantee being a company wholly owned by eligible participants

If the grantee is a company wholly owned by one or more eligible participants:

(a) sub-paragraphs (12), (13), (14) and (15) shall apply to the grantee and to the Share Options to such grantee, mutatis mutandis, as if such Share Options had been granted to the relevant eligible participant, and such Share Options shall accordingly lapse or fall to be exercisable after the event(s) referred to in sub-paragraphs (12), (13), (14) and (15) shall occur with respect to the relevant eligible participant;

(b) the Share Options granted to the grantee shall lapse and determine on the date the grantee ceases to be wholly owned by the relevant eligible participant provided that the Directors may in their absolute discretion decide that such Share Options or any part thereof shall not so lapse or determine subject to such conditions or limitations as they may impose.

19. Adjustments to the subscription price

In the event of a capitalisation issue, rights issue, subdivision or consolidation of Shares or reduction of capital of our Company while any option remains exercisable, such corresponding alterations (if any) certified by the auditors for the time being of or an independent financial adviser to our Company as fair and reasonable will be made to the number of Shares to which the Share Option Scheme or any Share Option relates (insofar as it is/they are unexercised) and/or the subscription price of the Share Option concerned and/or (unless the grantee of the option elects to waive such adjustment) the number of Shares comprised in a Share Option or which comprised in a Share Option, provided that (aa) any such adjustments shall give a grantee the same proportion of the number of issued Shares as that to which he was entitled prior to such alteration; (bb) no such adjustment shall be made to the extent that a Share would be issued at less than its nominal value; (cc) the issue of Shares or other securities of our Group as consideration in a transaction may not be regarded as a circumstance requiring such adjustment; and (dd) any adjustment must be made in compliance with the Listing Rules and such rules, codes and guidance notes of the Stock Exchange from time to time. In addition, in respect of any such adjustments, other than any adjustment made on a capitalisation issue, such auditors or independent financial adviser must confirm to our Directors in writing that the adjustments satisfy the requirements of the relevant provision of the Listing Rules.

20. Cancellation of Share Options

Subject to the terms of the Share Option Scheme, any cancellation of Share Options granted but not exercised must be subject to the prior written consent of the relevant grantee and the approval of the Directors, except where the grantee sells, transfers, charges, mortgages, encumbers or otherwise disposes of or creates any interest whatsoever in favour of any third party over or in relation to any Share Option granted to him/her or enters into any agreement so to do in contrary to the terms of the Share Option Scheme, in which case our Company shall be entitled to cancel any Share Option granted to such grantee to the extent not already exercised.

When our Company cancels any Share Option granted to a grantee but not exercised and issues new Share Option (s) to the same grantee, the issue of such new Share Option (s) may only be made with available unissued Share Options (excluding, for this purpose, the Share Options so cancelled) within the General Scheme Limit or the new limits approved by the Shareholders pursuant sub-paragraphs (3) (b) and (c) above.

21. Termination of the Share Option Scheme

Our Company may by resolution in general meeting at any time terminate the Share Option Scheme and in such event no further Share Options shall be offered but in all other respects the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any Share Options (to the extent not already exercised) granted prior to the termination or otherwise as may be required in accordance with the provisions of the Share Option Scheme. Share Options (to the extent not already exercised) granted prior to such termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

22. Rights are personal to the grantee

A Share Option is personal to the grantee and shall not be transferable or assignable and no grantee shall in any way sell, transfer, charge, mortgage, encumber or otherwise dispose of or create any interest whatsoever in favour of any third party over or in relation to any option or enter into any agreements so to do.

23. Lapse of option

A Share Option shall lapse automatically (to the extent not already exercised) on the earliest of:

(a) the expiry of the Share Option period in respect of such Share Option;

(b) the expiry of the periods or dates referred to in paragraph (12), (13), (14), (15), (16), (17) and (18); and

(c) the date on which the Directors exercise our Company's right to cancel the Share Option by reason of a breach of paragraph (22) above by the grantee.

24. Miscellaneous

(a) The Share Option Scheme is conditional on the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, such number of Shares to be allotted and issued pursuant to the exercise of any Share Options which may be granted under the Share Option Scheme, such number being not less than that of the General Scheme Limit.

(b) The terms and conditions of the Share Option Scheme relating to the matters set out in the Listing Rules shall not be altered to the advantage of grantees of the Share Options except with the approval of the Shareholders in general meeting.

(c) Any alterations to the terms and conditions of the Share Option Scheme which are of a material nature or any change to the terms of Share Options granted must be approved by the Shareholders in general meeting, except where the alterations take effect automatically under the existing terms of the Share Option Scheme.

(d) The terms of the Share Option Scheme and any amended terms of the Share Option Scheme or the Share Options shall comply with the relevant requirements of the Listing Rules.

(e) Any change to the authority of the Directors or the scheme administrators in relation to any alteration to the terms of the Share Option Scheme shall be approved by the shareholders of our Company in general meeting.

(b) PRESENT STATUS OF THE SHARE OPTION SCHEME

1. Approval of the Listing Committee required

The Share Option Scheme is conditional on the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, such number of Shares to be issued pursuant to the exercise of any Share Options which may be granted under the Share Option Scheme, such number being not less than that of the General Scheme Limit.

2. Application for approval

Application has been made to the Listing Committee of the Stock Exchange for the listing of and permission to deal in the Shares to be issued within the General Scheme Limit pursuant to the exercise of any Share Options which may be granted under the Share Option Scheme.

3. Grant of Share Options

As at the date of this document, no Share Options have been granted or agreed to be granted under the Share Option Scheme.

4. Value of Share Options

The Directors consider it inappropriate to disclose the value of options which may be granted under the Share Option scheme as if they had been granted as at the Latest Practicable Date. Any such valuation will have to be made on the basis of certain option pricing model or other methodology, which depends on various assumptions including, the exercise price, the exercise period, interest rate, expected volatility and other variables. As no Share Options have been granted, certain variables are not available for calculating the value of Share Options. The Directors believe that any calculation of the value of Share Options as at the Latest Practicable Date based on a number of speculative assumptions would not be meaningful and would be misleading to investors.

5. Compliance with the Listing Rules

The Share Option Scheme complies with Chapter 17 of the Listing Rules.

F. OTHER INFORMATION

1. Estate Duty

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company and that the Cayman Islands currently has no estate duty, inheritance tax or gift tax.

2. Taxation

Dealings in Shares registered on our Company's Hong Kong branch register of members will be subject to stamp duty. The current rate charged on each of the purchaser and seller is 0.1% of the consideration or, if higher, the fair value of our Shares being sold or transferred. Profits from the dealings in Shares arising in or derived from Hong Kong may also be subject to profits tax in Hong Kong. Under the present Cayman Islands law, there is no stamp duty payable in the Cayman Islands on transfer of shares of our Company so long as our Company does not hold any interest in land in the Cayman Islands. Intending holders of our Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in our Shares. None of our Company, our Directors, or parties involved in the [**REDACTED**] accepts responsibility for any tax effect on, or liabilities of holders of Shares resulting from their subscription form purchase, holding, disposal or dealing in our Shares.

3. Indemnities given by our Controlling Shareholders

Under the Deed of Indemnity, each of our Controlling Shareholders (together the "**Indemnifiers**") have jointly and severally undertaken to and covenanted with our Company that they will indemnify and at all times keep our Group fully indemnified against any actions, claims, losses, liabilities, damages, costs, charges or expenses which may be made, suffered or incurred by any of them in respect of or arising directly or indirectly from any claims which are covered by the indemnities in relation to taxation, estate duty and claims (as set out below) including, but not limited to, all reasonable costs (including legal costs), charges, expenses, penalties and other liabilities which our Group may reasonably and properly incur in connection with:

(a) the investigation, assessment or the contesting of any claim;

(b) the settlement of any claim;

(c) any legal proceedings in which our Group claims under or in respect of the Deed of Indemnify and in which judgment is given in favour of our Group;

(d) the enforcement of any such settlement or judgment in respect of any claim;

(e) any further removal or reinforcement work in relation to unreleased building orders under the paragraph headed "Business — Properties — Owned properties — Building orders registered against our owned properties" in this document upon request of the Building Department;

(f) the non-compliances as disclosed under the paragraph headed "Business — Legal Proceedings and Compliance — Non-compliance of our Group" except that specific provision reserve or allowance has been made for such liabilities; or

(g) the non-registration of lease agreements and inconsistency with the permitted usage in respect of our PRC leased properties as disclose under "Business — Properties — Leased Properties" in this document.

4. Litigation

As of the Latest Practicable Date, no member of our Group is engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance is known to our Directors to be pending or threatened by or against our Group member, that would have a material adverse effect on our results of operations or financial condition of our Group.

5. Promoters

Our Company has no promoter for the purpose of the Listing Rules.

6. Sponsor and the application for listing

The Sole Sponsor has made an application on behalf of our Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Capitalisation Issue and the [**REDACTED**] and any Shares which may be issued upon the exercise of the [**REDACTED**] or any options which may be granted under the Share Option Scheme.

The Sole Sponsor is independent from our Company pursuant to Rule 3A.07 of the Listing Rules.

7. Preliminary expenses and the Sole Sponsor's fees

The preliminary expenses of our Company are estimated to be approximately HK$43,000 and are payable by our Company. The Sole Sponsor will be paid by our Company an aggregate fee of HK$2.8 million to act as the sole sponsor to the [**REDACTED**].

8. Qualifications of experts

The qualifications of the experts who have given opinions and/or whose names are included in this document are as follows:

Name	Qualification
BOCOM International (Asia) Limited	a licensed corporation under the SFO to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities (as defined in the SFO)
Ernst & Young	Certified Public Accountants
Conyers Dill & Pearman	Cayman Islands attorneys-at-law
Chan Chung	Legal counsel
Russell Bedford Hong Kong	Tax adviser
Deacons	Qualified Hong Kong lawyers
Jingtian & Gongcheng	Qualified PRC lawyers
Rato, Ling, Lei & Cortés — Advogados	Qualified Macau lawyers
Frost & Sullivan	Independent industry consultants
Jones Lang LaSalle Limited	Property valuer

9. Consents of experts

Each of the experts referred to above has given and has not withdrawn its consent to the issue of this document with the inclusion of its report and/or letter and/or legal opinion (as the case may be) and references to its name included in the form and context in which it respectively appears. Each of the experts' statements have been made on the date of this document and were made by such expert for incorporation in this document.

As at the Latest Practicable Date, none of the experts referred to above has any shareholding in any member of our Group or the right (whether legally enforceable for not) to subscribe for or nominate persons to subscribe for securities in any member of our Group, and none of such experts is materially interested in any contract or arrangement subsisting at the date of this document which is significant in relation to the business of our Group taken as a whole.

10. Binding effect

This document shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of Sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance insofar as applicable.

11. Miscellaneous

Except as disclosed in this document:

(a) within the two years immediately preceding the date of this document, no share or loan capital of our Company or any of our subsidiaries has been issued or agreed to be issued fully or partly paid for either cash or a consideration other than cash;

(b) within the two years immediately preceding the date of this document, no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

(c) within the two years immediately preceding the date of this document, no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries;

(d) since 30 September 2018 (being the date to which the latest audited consolidated financial statements of our Group were made up) there has not been any material adverse effect in the financial or trading position of our Group;

(e) no founder, management or deferred shares or debentures of our Company or any of our subsidiaries have been issued or agreed to be issued;

(f) no company within our Group is presently listed on any stock exchange or traded or any trading system;

(g) there is no arrangement under which future dividends are waived or agreed to be waived;

(h) there has not been any interruption in the business of our Group which may have or have had a significant effect on the financial position of our Group in the twenty-four (24) months immediately preceding the date of this document; and

(i) our Company has no outstanding convertible debt securities as at the Latest Practicable Date.

12. Bilingual document

The English language and Chinese language versions of this document are being published separately, in reliance upon the exemption provided by Section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this document delivered to the Registrar of Companies in Hong Kong for registration were copies of the [**REDACTED**], the written consents referred to in "Statutory and General Information — F. Other Information — 8. Consents of experts" in Appendix V to this document and copies of the material contracts referred to in "Statutory and General Information — B. Further Information about Our Business — 1. Summary of material contracts" in Appendix V to this document.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Deacons at 5/F, Alexandra House, 18 Chater Road, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this document:

(a) the Memorandum of Association and the Articles of Association;

(b) the accountants' report of our Group issued by Ernst & Young, the text of which is set out in Appendix I to this document;

(c) the audited combined financial statements of the Company and where applicable, companies now comprising our Group during the Track Record Period;

(d) the letter issued by Ernst & Young on the unaudited pro forma financial information of our Group, the text of which is set out in Appendix II to this document;

(e) the letter prepared by Conyers Dill & Pearman summarising certain aspects of Cayman Islands company law referred to in Appendix IV to this document;

(f) the Cayman Islands Companies Law;

(g) the Hong Kong legal opinion prepared by Deacons, our legal advisers as to Hong Kong law, summarizing the Hong Kong laws and regulations applicable to our Group and referred to in "Regulatory Overview" and in respect of our operational and corporate matters in Hong Kong;

(h) the legal opinion issued by Mr. Chan Chung, our legal counsel, in relation to certain non-compliances of our Group;

(i) the tax report issued by Russell Bedford Hong Kong, our tax adviser, in relation to certain tax matters of our Group;

(j) the legal opinion issued by our PRC legal advisers, Jingtian & Gongcheng, in respect of the general matters of our Group in Mainland China;

(k) the legal opinion issued by our Macau legal advisers, Rato, Ling, Lei & Cortés — Advogados, in respect of certain aspects of our Group in Macau;

(l) the industry report prepared by Frost & Sullivan as referred to in "Industry Overview" of this document;

(m) the letter, summary of valuation and valuation certificate relating to the property interests of our Group prepared by Jones Lang LaSalle Limited, the text of which are set out in Appendix III to this document;

(n) the material contracts referred to "B. Further Information about Our Business — 1. Summary of material contracts" in Appendix V to this document;

(o) the service contracts and appointment letters referred to in "C. Further Information about Our Directors and Substantial Shareholders — 1. Particulars of Directors' services agreements" in Appendix V to this document;

(p) the written consents referred to in "Statutory and General Information — F. Other Information — 9. Consents of experts" in Appendix V to this document; and

(q) the rules of the Share Option Scheme.