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## SUMMARY

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*This summary aims to give you an overview of the information contained in this prospectus. As this is a summary, it does not contain all of the information which may be important to you and is qualified in its entirety by, and should be read in conjunction with, the full text of this prospectus. You should read the whole prospectus including the appendices hereto, which constitute an integral part of this prospectus, before you decide to invest in the Placing Shares.*

*There are risks associated with any investment. Some of the particular risks in investing in the Placing Shares are summarised in the section headed “Risk Factors” in this prospectus. You should read that section carefully before you decide to invest in the Placing Shares.*

### OVERVIEW

The Group is a Chinese restaurant group in Hong Kong operating five full-service restaurants and is recognised for delivering Chinese cuisine and Chinese wedding banquet and dining services. The Group maintains a business philosophy of offering food and services at competitive prices. It is committed to providing memorable dining experiences to its customers by offering food dishes emphasising fresh ingredients and a carefully designed dining environment at affordable prices. With this price-value proposition, it seeks to serve food at affordable prices with emphasis on food quality.

In December 2010, Lam Tei Red Seasons, one of the Group’s restaurants, was awarded by the Michelin Guide Hong Kong Macau 2011 the Michelin Bib Gourmand, the Michelin Guide distinction awarded to those restaurants which are judged to be “wonderful restaurants with top-quality cuisine at highly affordable prices”. The Michelin Guide was first published in 1900 and is currently published annually covering 23 countries. The Directors believe that the Michelin Guide is one of the world’s most well-known and influential restaurant guides to date.

The Group’s business can be classified into two major service categories:

- serving Chinese cuisine including Cantonese dim sum and main courses, fresh seafood delicacies and specialty Chinese cuisine such as roast suckling pigs, dishes cooked with charcoal stoves and traditional walled village cuisine (圍村風味菜)
- providing Chinese wedding banquet and dining services for large-scale events

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As at the Latest Practicable Date, the Group operated five restaurants under two brands, namely *Red Seasons Aroma Restaurant* (季季紅風味酒家) and *Plentiful Delight Banquet* (喜尚嘉喜宴會廳). The Group is in the process of establishing its sixth restaurant under *Red Royalty Banquet* (紅爵御宴) (i.e. Red Royalty Banquet Restaurant), which will become its third brand.

Name of restaurant	Brand	Date of commencement of operation	Location	Featured services/cuisine
1. Lam Tei Red Seasons	<i>Red Seasons Aroma Restaurant</i> (季季紅風味酒家)	25 October 2006	Lam Tei	Lam Tei Red Seasons is renowned as a specialist in serving dishes cooked with charcoal stoves which are not common in Hong Kong nowadays.  Provision of specialty cuisine such as roast suckling pigs cooked with charcoal stoves and other dishes.
2. Plentiful Delight Banquet Restaurant	<i>Plentiful Delight Banquet</i> (喜尚嘉喜宴會廳)	8 February 2007	Yuen Long	Plentiful Delight Banquet Restaurant serves Cantonese dim sum, fresh seafood delicacies and specialty Chinese cuisine such as traditional walled village cuisine (圍村風味菜).  Provision of Chinese wedding banquet and dining services for large-scale events. It is equipped with banquet facilities and has a seating capacity of 100 12-seat banquet tables enabling it to serve up to 1,200 guests on a single occasion.
3. Tuen Mun Red Seasons	<i>Red Seasons Aroma Restaurant</i> (季季紅風味酒家)	28 August 2009	Tuen Mun	Provision of Cantonese dim sum, main courses and seasonal Chinese cuisine.
4. Shatin Red Seasons	<i>Red Seasons Aroma Restaurant</i> (季季紅風味酒家)	28 January 2010	Shatin	Provision of Cantonese dim sum, main courses and seasonal Chinese cuisine.
5. Tsuen Wan Red Seasons	<i>Red Seasons Aroma Restaurant</i> (季季紅風味酒家)	28 June 2010	Tsuen Wan	Provision of Cantonese dim sum, main courses and seasonal Chinese cuisine.
6. Red Royalty Banquet Restaurant	<i>Red Royalty Banquet</i> (紅爵御宴)	To be launched in the fourth quarter of 2011 tentatively	Yuen Long	Provision of premium and deluxe Chinese wedding banquet and dining services.

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The Group's current restaurant business principally targets the medium-end restaurant market. It will continue to expand its restaurant network strategically through expanding its market share and promoting brand recognition. It plans to open more restaurants in optimal locations with continuous and steady flow of potential customers and well-developed transportation networks, and identify premises suitable for holding wedding banquets and large-scale events.

To further promote the Group's business in the market, the Group plans to implement a new branding strategy as discussed above. The major step will include the opening of the Group's sixth restaurant in Yuen Long under *Red Royalty Banquet* (紅爵御宴) (i.e. Red Royalty Banquet Restaurant), which will become the third brand established by the Group. The Directors believe that the new branding strategy can assist the Group in addressing the different needs of customers and enlarging its market share in the Chinese restaurant industry in Hong Kong which will further promote the Group's business. The Group also targets to open one more restaurant under the brand of *Red Seasons Aroma Restaurant* (季季紅風味酒家) in early 2013 and plans to explore business opportunities concerning the opening of other food outlets. For details of the rationale behind the Group's branding strategy, please refer to the sub-paragraph headed "Diversify service and product offerings with the implementation of a new branding strategy" of the paragraph headed "Business strategies" in the section headed "Future Plans and Use of Proceeds" in this prospectus.

### Sales and marketing

The table below sets forth a breakdown of the Group's revenue as derived from each restaurant and as a percentage of its total revenue during the Track Record Period:

	Year ended 31 December			
	2009		2010	
	<i>HK\$'000</i>	<i>% of total revenue</i>	<i>HK\$'000</i>	<i>% of total revenue</i>
Plentiful Delight Banquet				
Restaurant	84,302	66.7	91,715	43.6
Lam Tei Red Seasons	28,330	22.4	35,387	16.8
Tuen Mun Red Seasons	13,844	10.9	36,055	17.1
Shatin Red Seasons	–	–	27,434	13.1
Tsuen Wan Red Seasons	–	–	19,729	9.4
<b>Total</b>	<b>126,476</b>	<b>100.0</b>	<b>210,320</b>	<b>100.0</b>

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The revenue derived from the brand of *Red Seasons Aroma Restaurant* (季季紅風味酒家) as a percentage of the total revenue of the Group surged from 33.3% for the year ended 31 December 2009 to 56.4% for the year ended 31 December 2010. Plentiful Delight Banquet Restaurant also benefited from the improvement of the general economic condition following the recent economic downturn. The revenue of Plentiful Delight Banquet Restaurant increased by approximately 8.8% for the year ended 31 December 2010. For details of the financial performance of the Group, please refer to the section headed “Financial Information” in this prospectus.

### **Raw materials and suppliers**

The major raw materials purchased by the Group are food ingredients, including but not limited to, vegetables, meat, seafood, dried food, frozen food, beverages and seasonings. The Group centralises the procurement of certain selected food ingredients required by all the Group’s restaurants, which allows the Group to achieve consistent quality and obtain bulk purchase discount, and ensures that the purchase prices remain at competitive levels. The Group has developed a well-thought out supplier selection system based on the Group’s senior management’s experience in the restaurant industry. For details of the raw materials and suppliers of the Group, please refer to the paragraph headed “Raw materials and suppliers” in the section headed “Business” in this prospectus.

### **Restaurant network expansion**

The Group’s senior management team is responsible for expanding the Group’s restaurant network through well-planned and stringent site selection criteria, which helps the Group capture its target customers with different preferences, spending patterns and needs. Site selection is a critical consideration in the Group’s restaurant network expansion strategy. An optimal site should be visible, accessible, convenient and attractive to the target market. The Group would consider comprehensive data and relevant location requirements in selecting an optimal site. The senior management team maintains a restaurant opening manual setting out the Group’s major site selection criteria in determining an optimal location before opening a new restaurant. For details of the restaurant network expansion, please refer to the paragraph headed “Restaurant network expansion” in the section headed “Business” in this prospectus.

All of the Group’s restaurants are strategically opened in optimal locations with heavy target customer traffic. For site information of the Group’s restaurants, please refer to the paragraph headed “Business and restaurants” in the section headed “Business” in this prospectus.

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### LICENCES AND APPROVAL

The table below sets out details of the general restaurant licences, water pollution control licences and liquor licences in respect of each of the Group's restaurants:

Name of the restaurant	Address of the restaurant as shown in the general restaurant licence	Date of commencement of operation	Validity period of the current general restaurant licence	Validity period of the current liquor licence	Validity period of the current water pollution control licence
Plentiful Delight Banquet Restaurant	G/F (Portions) and 1/F, Ho Shun Tai Building, 10 Sai Ching Street, Yuen Long, New Territories	8 February 2007	6 September 2010 to 5 September 2011	6 February 2011 to 5 February 2012	18 May 2011 to 31 May 2016
Lam Tei Red Seasons	G/F, & 1/F, 1 Main Street, Lam Tei, Tuen Mun, New Territories	25 October 2006	1 July 2010 to 30 June 2011 (renewed for 1 July 2011 to 30 June 2012)	1 April 2011 to 31 March 2012	4 March 2011 to 31 March 2016
Tuen Mun Red Seasons	Level 1 (Portion) and Shop Nos. 6, 8S1, 8T1, 8U1 & 11, Level 3, Waldorf Garden, 1 Tuen Lee Street, Tuen Mun, New Territories	28 August 2009	26 August 2010 to 25 August 2011	26 January 2011 to 25 January 2012	5 January 2011 to 31 January 2016
Shatin Red Seasons	Shop No 33, G/F & Level 2, Garden Rivera, STTL 202, Sha Tin, New Territories	28 January 2010	1 July 2010 to 30 June 2011 (renewed for 1 July 2011 to 30 June 2012)	18 November 2010 to 17 November 2011	9 May 2011 to 31 May 2016
Tsuen Wan Red Seasons	G/F (Portion), 1/F-2/F, Victory Court, 185 Castle Peak Road, Tsuen Wan, New Territories	28 June 2010	21 March 2011 to 20 March 2012	22 March 2011 to 26 July 2011	17 June 2011 to 30 June 2016

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Save as disclosed above, as at the Latest Practicable Date, a general restaurant licence, a water pollution control licence and a liquor licence were issued in respect of the premises in which each of the Group's restaurants operates. The expiry dates of these existing licences fall between 26 July 2011 to 30 June 2016. The application for renewal of liquor licence by Tsuen Wan Red Seasons which will expire on 26 July 2011 was made on 3 May 2011. The Group expects to obtain the renewed liquor licence for Tsuen Wan Red Seasons prior to its expiry date. In any event, the Group will not sell or supply liquor without a valid liquor licence. The Group has not encountered any difficulty or rejection in obtaining or renewing any of its licences in the past and thus the Directors do not foresee any impediments in renewing all such licences.

### REGULATORY NON-COMPLIANCE

#### *General restaurant licence*

In Hong Kong, any person carrying on restaurant business is required to obtain a general restaurant licence granted by the DFEH under the Public Health and Municipal Services Ordinance (Chapter 132 of the Laws of Hong Kong) and the FBR before commencing the restaurant business. A person who is not the named licensee of the relevant restaurant licence shall not carry on any restaurant business.

The holder of the general restaurant licence in respect of Lam Tei Red Seasons was Tin Ho (a subsidiary of the Company) instead of Sencas (a subsidiary of the Company) which actually operated Lam Tei Red Seasons. On 30 September 2006, Mr. Wong KM, through Queenmax, acquired controlling interest in Tin Ho, which was incorporated on 14 December 1979 and operated Chinese restaurants prior to such acquisition. The Directors considered that the long establishment of Tin Ho may result in hidden liabilities which may in turn jeopardise the operations of Lam Tei Red Seasons. The Directors thus decided to operate the restaurant under the newly set up Sencas. The Directors were not aware that having separate companies to hold the general restaurant licence and operate the restaurant business may result in the violation of FBR. Lam Tei Red Seasons has a long history of business operation and the charcoal stoves used in its operation were installed before certain current requirements of the Fire Services Department and the EPD relating to the use of fuel and consumption of charcoal came into effect. The Directors worried that the administrative procedures relating to an application of a new restaurant licence by Sencas for the operation of Lam Tei Red Seasons may be burdensome as applications for general restaurant licences may be referred by the FEHD to other departments concerned for comments and such departments concerned may have more comments on the charcoal stoves of Lam Tei Red Seasons in the case of a new licence application than a renewal of licence. In view of the burdensome administrative procedures involved in the application of new relevant restaurant licences for Lam Tei Red Seasons by Sencas due to Tin Ho's long history of establishment, Lam Tei Red Seasons was operated by Sencas while the relevant restaurant licence remained to be held by Tin Ho. Since the acquisition of the controlling interest in Tin Ho on 30 September 2006, no unrecorded liabilities have been revealed. Therefore, by the time the Directors became aware of the relevant requirements of FBR after consulting with the Company's Hong Kong legal advisers

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in 2010, the Directors consider that the possibility of Tin Ho having hidden liabilities is remote and are of the view that there is no material adverse impact on Lam Tei Red Seasons to transfer the business operation from Sencas to Tin Ho. Having considered that (i) the possibility of Tin Ho having hidden liabilities is remote; and (ii) the burdensome administrative procedures which may be involved in the application of new relevant restaurant licences for Lam Tei Red Seasons by Sencas due to Tin Ho's long history of establishment as explained above, the Directors decided to transfer the business operations from Sencas to Tin Ho after considering the aforementioned factors and based on their experience. The Directors confirm that such arrangement was not carried out to avoid any possible safety requirements on the charcoal stoves of Lam Tei Red Seasons which may otherwise be imposed by the FEHD on the Group if the Group instead applied for a new licence. Further, regular inspection has been conducted by the FEHD on Lam Tei Red Seasons and the Group has not received any notice regarding any action that may be taken or fines that may be imposed by the FEHD in respect of the charcoal stoves of Lam Tei Red Seasons. In December 2010, the Group made arrangements to transfer the business operations of Lam Tei Red Seasons from Sencas to Tin Ho. All business operations were transferred on 1 January 2011.

The holder of the general restaurant licence in respect of Plentiful Delight Banquet Restaurant was Jubilant (a wholly-owned subsidiary of the Company) instead of Gayety (a wholly-owned subsidiary of the Company) which actually operated the Plentiful Delight Banquet Restaurant. Prior to the opening of Plentiful Delight Banquet Restaurant in February 2007, the Directors had simply replicated the arrangement adopted by Tin Ho and Sencas with respect to the operations of Lam Tei Red Seasons, that is, to have separate companies holding the general restaurant licence and operating the restaurant business. The Directors were not aware that such arrangement may result in the violation of FBR. Having considered that (i) the transfer of the business operations from Gayety to Jubilant will involve, among others, the arrangement to novate the existing contracts made by Gayety and the relationship management with suppliers which may incur additional time, resources and cost for the Group; and (ii) the general restaurant licence was only granted to Jubilant in February 2007, the Directors considered that, based on their experience, it would be more efficient to transfer the general restaurant licence from Jubilant to Gayety. In November 2010, the Group made an application for the transfer of the general restaurant licence from Jubilant to Gayety. The FEHD approved such transfer in March 2011 and a general restaurant licence was issued for Plentiful Delight Banquet Restaurant in the name of Gayety.

The Directors consider both choices of transferring the restaurant operation to the general restaurant licence holder in the case of Lam Tei Red Seasons or the general restaurant licence to the restaurant operating company in the case of Plentiful Delight Banquet Restaurant fulfilled the purpose of alignment of business operations of the restaurant with the company which holds the general restaurant licence for such restaurant in order to avoid the violation of FBR in the future, and such decisions were made primarily based on the experience of the Directors with reference to the time and resources required for execution. For the avoidance of doubt, the Group will align the business operations of the restaurant with the company which holds the general restaurant licence for such restaurant in order to avoid the violation of FBR in the future.

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If the Group is found to have been in breach of section 31(1) of FBR for carrying on the restaurant business by a person who is not the named licensee of the relevant restaurant licence, the maximum penalty is a fine of HK\$50,000 and imprisonment for six months to which the person who causes, permits or suffers to be carried on the restaurant business in such manner shall be liable and, in the case of continuing offences, an additional daily fine of HK\$900. The court may also impose a prohibition order prohibiting the use of the premises for the restaurant business or, in the case of a breach of the prohibition order, a closure order closing down the premises.

The Company's Hong Kong legal advisers are of the opinion that the Group violated section 31(1) of FBR for carrying on the restaurant business of each of Plentiful Delight Banquet Restaurant and Lam Tei Red Seasons (the "**Relevant Restaurants**") by a company who is not the named licensee of the relevant restaurant licence. As advised by the Company's Hong Kong legal advisers, the likelihood of the Group being penalised for such violation or any regulatory action on the violation by the FEHD is remote for the following reasons:

- (i) since the commencement of the business of the Relevant Restaurants until the Latest Practicable Date, the Group had not been required by the FEHD to change the holder of the restaurant licence or suspend or cease operations;
- (ii) both of the Relevant Restaurants are operated by the Group in the same respective premises at all times;
- (iii) each of the general restaurant licences in respect of the Relevant Restaurants currently held is valid, not expired and has not otherwise been revoked;
- (iv) the Group has not encountered any difficulty or rejection in obtaining and renewing any of the general restaurant licences in respect of the Relevant Restaurants in the past;
- (v) no member of the Group has been questioned by the FEHD in respect of the identity of the licensee of the general restaurant licence during the annual renewal process and regular inspections; and
- (vi) as at the Latest Practicable Date, the restaurant businesses of the Relevant Restaurants were carried on by persons who are the named licensees of the relevant restaurant licences and the Group was no longer in violation of section 31(1) of FBR since, in respect of Plentiful Delight Banquet Restaurant, the transfer of the general restaurant licence from Jubilant to Gayety was completed and a general restaurant licence in the name of Gayety was issued on 29 March 2011 and, in respect of Lam Tei Red Seasons, the transfer of all business operations from Sencas to Tin Ho was completed on 1 January 2011.

The FEHD was aware that the Relevant Restaurants were not operated by the named licensees as described above. The Group has made verbal consultation with the FEHD on whether it will be penalised for violation of the FBR as described above. Based on the reply of the FEHD, the Directors are of the view that the Group will not be penalised in such circumstances.



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Taking into account the opinion of the Company's Hong Kong legal advisers as set out above, the Directors confirm that the restaurant business of both of the Relevant Restaurants can continue to be operated after completion of such transfers, and the chance of imposing the maximum penalty for violating the provisions of the FBR in the past is unlikely.

### *Water pollution control licence*

In Hong Kong, discharges of trade effluents into specific water control zones are subject to control and the discharger is required to obtain a water pollution control licence granted by the DEP under the WPCO before commencing the discharge.

In addition, applications for the water pollution control licence have not been made for any of the Group's restaurants before commencing the discharge of trade effluents into specific water control zones as the relevant Directors and senior management did not know that the water pollution control licence needs to be obtained under the WPCO. Since then, the relevant Directors and senior management personnel of the Group have received training by the Company's Hong Kong legal advisers on the licensing requirements in this regard. In December 2010, the Group made applications for water pollution control licence. As at the Latest Practicable Date, the Group had obtained valid water pollution control licence for each of its restaurants.

Pursuant to section 11(1) of the WPCO, if the Group is found to have been in breach of section 8(1), 8(2), 9(1) or 9(2) of the WPCO for any prohibited discharges thereunder, the maximum penalty is imprisonment for six months to which the person who commits the offence shall be liable and, in the case of a first offence, a fine of HK\$200,000, in the case of a subsequent offence, a fine of HK\$400,000, and in the case of a continuing offence, an additional daily fine of HK\$10,000.

The Company's Hong Kong legal advisers are of the view that pursuant to section 11(1) of the WPCO, the Group violated sections 8(1), 8(2), 9(1) and 9(2) of the WPCO for the discharge of trade effluents into specific water control zones by its restaurants as none of which had a valid water control pollution licence. As advised by the Company's Hong Kong legal advisers, the likelihood of the Group being penalised for such violation or any regulatory action on the violation by the EPD is remote, since the Group had not received any notice regarding any action that may be taken or fines that may be imposed by the EPD and the EPD had already approved the applications for the water pollution control licence for each of the Group's five restaurants.

The EPD was aware that the Group did not obtain water pollution control licence for its restaurants as described above. The Group has made verbal consultation with the EPD on whether it will be penalised for violation of the WPCO as described above. Based on the reply of the EPD, the Directors are of the view that the Group will not be penalised for the violation of the WPCO as discussed in this section.

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Apart from the above licences, certain members of the Group have not complied fully with the relevant requirements of the Companies Ordinance in relation to the laying of accounts within the prescribed period and the convening of annual general meetings in the past. For details of the non-compliance with Companies Ordinance, please refer to the paragraph headed “Non-compliance with Companies Ordinance” in the section headed “Business” in this prospectus.

To ensure the Group’s compliance with the relevant licensing requirements in the future, the Group will only open a new restaurant if all requirements under the applicable laws and regulations are complied with prior to its opening. The Group has also implemented a set of internal compliance guidelines in relation to the opening of restaurants covering the monitoring of application and maintenance of the licences, approvals, permits and registrations of its restaurants. The chairman and the respective restaurant managers of the Group are responsible for overseeing the implementation of the guidelines to ensure that all the requirements are complied with prior to the opening of any new restaurants. The Group would procure external consultants to prepare and submit the necessary documents to the relevant government authorities approximately two months prior to the expected opening date of the restaurant. The Company would then arrange for on-site visits of the government officials from, among others, the FEHD, the Buildings Department and the Fire Services Department and obtain the consents for issuing the general restaurant licences. The proposed restaurant manager of the new restaurant would make the relevant application to obtain the liquor licence three months prior to the expected opening date of the restaurant. The Directors considered that based on their past experience in obtaining the relevant licences, the time for application of the relevant licences would be sufficient. In any event, the Group will open a new restaurant only if all required licences are obtained.

In respect of the existing licences and approvals of the Group’s restaurants, a table listing out the validity periods of each licence and approval would be maintained and reviewed by the Directors monthly to ensure that all licences and approvals are valid and subsisting and that renewals of such licences are made in a timely manner. The relevant Directors and senior management personnel of the Group have also received training by the Company’s Hong Kong legal advisers on the above licensing and approval requirements.

In addition, the Group has adopted the following internal control measures: (i) the Company has appointed the Company’s Hong Kong legal advisers to advise the Company on all applicable laws and regulations in Hong Kong after Listing; (ii) the Directors have undertaken to attend annual training on the laws and regulations related to the business operations of the Group, including the GEM Listing Rules and the Companies Ordinance to be provided by the Company’s Hong Kong legal advisers; (iii) the Company will appoint an independent internal control consultant within 3 months after Listing to review the Group’s compliance with the applicable laws and regulations on an annual basis; (iv) the Company has adopted the measure that the company secretary of the Company will review the Group’s compliance with the applicable laws and regulations on a quarterly basis; and (v) the Company has sought advice from the Company’s Hong Kong legal advisers on a timely basis on matters including but not limited to, opening of new restaurants of the Group, renewal of existing licences and implementation of any laws and regulations related to the Group.

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Mr. Wong KM and Ms. Lau LY, each a Controlling Shareholder, have undertaken to indemnify the Group, on a joint and several basis, against any costs, expenses, claims, liabilities, penalties, losses or damages incurred or suffered by the Group arising from or in connection with the Group's restaurants operating without a general restaurant licence, water pollution control licence or liquor licence as discussed above prior to Listing.

### COMPETITIVE STRENGTHS

The Directors believe that the following competitive strengths of the Group have contributed to its success and enabled it to compete effectively in the Chinese restaurant industry in Hong Kong:

- Successful business strategy of providing quality food at competitive prices
- High standard of quality control throughout all production processes
- Sourcing capabilities supported by a strong profile of quality suppliers
- Specialty dishes which are not common in Hong Kong
- Reliable and professional services to customers
- Strong and experienced senior management team
- Well-executed restaurant network expansion strategy

### BUSINESS OBJECTIVES AND STRATEGIES

The Group's primary objectives are to strengthen its position in the Chinese restaurant industry in Hong Kong, opportunistically diversify its service and product offerings and further expand its business operations. To achieve such objectives, the Group intends to implement the following strategies:

- Diversify service and product offerings with the implementation of a new branding strategy
- Upgrade existing restaurant facilities
- Strengthen staff training
- Enhance marketing activities to promote brands awareness
- Formation of strategic partnerships or cooperation arrangements with reputable industry partners in Hong Kong and China

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### SUMMARY FINANCIAL INFORMATION

The following tables summarise the combined financial information of the Group during the Track Record Period, which is extracted from the Accountant's Report set out in Appendix I to this prospectus. The summary financial data should be read in conjunction with the combined financial information in the Accountant's Report set out in Appendix I to this prospectus.

#### Combined statements of comprehensive income

	Year ended 31 December	
	2009	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	126,476	210,320
Other income	449	1,332
Cost of inventories consumed	(45,410)	(75,558)
Employee benefits expenses	(33,671)	(61,784)
Depreciation	(5,538)	(7,718)
Operating lease rental expenses	(10,107)	(22,101)
Utilities expenses	(8,299)	(15,702)
Other gains – net	35	564
Other operating expenses	(9,813)	(14,229)
	<u>14,122</u>	<u>15,124</u>
Operating profit	14,122	15,124
Finance costs – net	(552)	(669)
	<u>13,570</u>	<u>14,455</u>
Profit before income tax	13,570	14,455
Income tax expenses	(2,387)	(3,177)
	<u>11,183</u>	<u>11,278</u>
Profit and total comprehensive income for the year	<u>11,183</u>	<u>11,278</u>
Attributable to:		
Owners of the Company	9,402	9,960
Non-controlling interests	1,781	1,318
	<u>11,183</u>	<u>11,278</u>
Dividends	<u>2,390</u>	<u>1,536</u>

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During the years ended 31 December 2009 and 2010, the Group generated revenue of approximately HK\$126.5 million and HK\$210.3 million, representing an increase of approximately 66.3%. The increase was primarily attributable to, among others, addition of new restaurants and the recovery of consumer confidence in Hong Kong from the economic downturn.

The profit attributable to owners of the Company for the year ended 31 December 2010 amounted to approximately HK\$10.0 million, representing an increase of approximately 5.9% as compared with that for the year ended 31 December 2009. The net profit margin, calculated as profit attributable to owners of the Company divided by revenue decreased from approximately 7.4% for the year ended 31 December 2009 to approximately 4.7% for the year ended 31 December 2010, primarily as a result of the initial set up cost, including kitchen consumables, operation staff cost and operating lease rental expenses incurred before the commencement of the two new restaurants, Shatin Red Seasons and Tsuen Wan Red Seasons, during the year ended 31 December 2010. In order to ensure the smooth operation of the new restaurants, operation staffs were recruited prior to the establishment of Shatin Red Seasons and Tsuen Wan Red Seasons during the year ended 31 December 2010 while the Group also incurred operating lease rental expenses prior to the commencement of operation of the new restaurants for renovation and preparation of the restaurant opening.

Moreover, minimum wage requirements in Hong Kong have increased and could continue to increase the Group's labour costs in the future. The salary level of employees in the restaurant industry in Hong Kong has been increasing in the past several years. The Group may not be able to increase its prices in order to pass these increased labour costs on to its customers, in which case the Group's profit margin would be negatively affected. The new law in respect of statutory minimum wage came into force on 1 May 2011 and the initial statutory minimum wage rate is HK\$28 per hour. The new law provides more protection for employees and imposes more obligations on the employers. The Group estimates that its annual labour cost will increase by approximately HK\$1.7 million for each of the two years ending 31 December 2012 as a result of the implementation of such new law, based on the number of headcount and level of employee benefits offered by the Group as at 31 December 2010. The Directors will revisit the work allocation of the employees of the Group from time to time in order to minimise the impact of the new regulation to the Group. The Directors confirm that the Group complies with the new law in respect of the minimum wage requirements. The Group is training its human resource management personnel and restaurant management personnel on the provisions and implications of the new law after conducting a comprehensive review of the past practices of the Group and has maintained a comprehensive employee list which sets out details of the monthly salaries and working hours of the employees in order to ensure compliance with the relevant statutory requirements. As such, the Group may incur additional compliance cost in this regard.

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The net profit margin going forward will depend, among others, on cost components of the Group such as the cost of inventories consumed, employee benefits expenses and operating lease rental expenses. Even in times of cost pressures, the Group is capable of adjusting the ingredients used, preparation method and time, preparation equipment and labour required with an aim to maintain the portion size and quality of food. As such, the cost of inventories consumed remained consistent at 35.9% for the years ended 31 December 2009 and 2010. However, the employee benefits expenses and operating lease rental expenses as a percentage of revenue increased from approximately 26.6% and 8.0% for the year ended 31 December 2009 to approximately 29.4% and 10.5% for the year ended 31 December 2010 respectively. Such increases were primarily due to the establishment of two new restaurants during the year ended 31 December 2010.

### Combined Statements of Financial Position

	<b>As at 31 December</b>	
	<b>2009</b>	<b>2010</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	15,050	21,938
Rental deposits	3,283	5,387
Prepayment for acquisition of property, plant and equipment	416	429
Deferred income tax assets	468	999
	19,217	28,753
	19,217	28,753
<b>Current assets</b>		
Inventories	1,610	3,393
Trade receivables	488	459
Deposits, prepayments and other receivables	2,390	7,974
Income tax recoverable	–	281
Amount due from a related company	208	670
Amounts due from directors	12,207	2,604
Amount due from a non-controlling shareholder of a subsidiary	–	1,100
Financial assets at fair value through profit or loss	1,974	905
Pledged bank deposit	–	1,500
Cash and cash equivalents	13,802	16,968
	32,679	35,854
	32,679	35,854
<b>Total assets</b>	<b>51,896</b>	<b>64,607</b>

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## SUMMARY

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	<b>As at 31 December</b>	
	<b>2009</b>	<b>2010</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>EQUITY</b>		
Equity attributable to owners of the Company		
Capital reserve	486	486
Retained earnings	9,709	18,181
	<u>10,195</u>	<u>18,667</u>
Non-controlling interests	737	2,007
	<u>10,932</u>	<u>20,674</u>
<b>Total equity</b>	<u>10,932</u>	<u>20,674</u>
<b>LIABILITIES</b>		
<b>Non-current liabilities</b>		
Provision for reinstatement costs	1,618	2,209
Deferred income tax liabilities	113	33
	<u>1,731</u>	<u>2,242</u>
<b>Current liabilities</b>		
Trade payables	7,504	9,769
Other payables, accruals and deposits received	7,328	12,684
Income tax payable	4,069	6,246
Amounts due to directors	3,395	12,988
Amounts due to non-controlling shareholders of a subsidiary	675	4
Bank borrowings	16,262	–
	<u>39,233</u>	<u>41,691</u>
<b>Total liabilities</b>	<u>40,964</u>	<u>43,933</u>
<b>Total equity and liabilities</b>	<u>51,896</u>	<u>64,607</u>
<b>Net current liabilities</b>	<u>(6,554)</u>	<u>(5,837)</u>
<b>Total assets less current liabilities</b>	<u>12,663</u>	<u>22,916</u>

As at 31 December 2009 and 2010, the Group had net current liabilities of approximately HK\$6,554,000 and HK\$5,837,000 respectively.

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## SUMMARY

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### Combined Cash Flow Statements

	<b>Year ended 31 December</b>	
	<b>2009</b>	<b>2010</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Cash flows from operating activities</b>		
Cash generated from operations	6,621	27,891
Interest paid	(514)	(588)
Hong Kong profits tax paid	—	(1,892)
	<u>6,107</u>	<u>25,411</u>
<b>Net cash generated from operating activities</b>	<u>6,107</u>	<u>25,411</u>
<b>Cash flows from investing activities</b>		
Interest received	1	—
Purchase of property, plant and equipment	(4,318)	(14,859)
Proceeds from disposal of property, plant and equipment	42	1,503
Prepayment for acquisition of property, plant and equipment	(416)	(13)
	<u>(4,691)</u>	<u>(13,369)</u>
<b>Net cash used in investing activities</b>	<u>(4,691)</u>	<u>(13,369)</u>
<b>Cash flows from financing activities</b>		
Proceeds from borrowings	12,940	—
Repayment of borrowings	(1,079)	(16,262)
Decrease in amounts due to related companies	(1,953)	—
Increase in amounts due to directors	2,387	9,593
Decrease in amount due to former immediate holding company of a subsidiary	(1,022)	—
Decrease in amounts due to non-controlling shareholders of a subsidiary	(73)	(671)
Dividends paid	(2,390)	(1,536)
	<u>(2,390)</u>	<u>(1,536)</u>
<b>Net cash generated from/(used in) financing activities</b>	<u>8,810</u>	<u>(8,876)</u>
Net increase in cash and cash equivalents	10,226	3,166
Cash and cash equivalents at the beginning of year	<u>3,576</u>	<u>13,802</u>
Cash and cash equivalents at the end of year	<u><u>13,802</u></u>	<u><u>16,968</u></u>



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## SUMMARY

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### STATISTICS OF THE PLACING

	<b>Based on a Placing Price of HK\$0.60 per Placing Share</b>	<b>Based on a Placing Price of HK\$1.00 per Placing Share</b>
Market capitalisation of the Shares ( <i>Note 1</i> )	HK\$192 million	HK\$320 million
Historical price/earnings multiple ( <i>Note 2</i> )	19.3 times	32.1 times
Unaudited pro forma adjusted net tangible asset value per Share ( <i>Note 3</i> )	HK\$0.15	HK\$0.25

*Notes:*

- (1) The calculation of the market capitalisation of the Shares is based on the respective Placing Prices of HK\$0.60 and HK\$1.00 per Placing Share and 320,000,000 Shares in issue immediately after completion of the Placing and the Capitalisation Issue, but takes no account of any Share which may fall to be allotted and issued pursuant to the general mandate for the allotment and issue of Shares or any Shares which may be repurchased by the Company pursuant to the general mandate for repurchase of Shares referred to in the paragraph headed “Resolutions in writing passed by the sole Shareholder on 25 June 2011” in Appendix V to this prospectus.
- (2) The calculation of the historical price/earnings multiple is based on the historical earnings per Share for the year ended 31 December 2010, the respective Placing Prices of HK\$0.60 and HK\$1.00 per Placing Share and on the assumption that 320,000,000 Shares, comprising Shares in issue as at the date of this prospectus and Shares to be issued pursuant to the Placing, had been in issue throughout the year.
- (3) The unaudited pro forma adjusted net tangible asset value per Share has been arrived at after the adjustments referred to in the section headed “Financial Information” in this prospectus, and on the basis of the respective Placing Prices of HK\$0.60 and HK\$1.00 per Placing Share and 320,000,000 Shares in issue immediately following completion of the Placing and the Capitalisation Issue.

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## SUMMARY

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### SHAREHOLDING STRUCTURE

Set out below are the respective shareholding structures of the Company immediately before and after completion of the Placing and the Capitalisation Issue:

Name	Date on which shareholding interest in the Company was first acquired	Number of Shares held immediately before the completion of the Placing and the Capitalisation Issue	Approximate percentage of shareholding in the Company immediately before the completion of the Placing and the Capitalisation Issue	Number of Shares to be held immediately after the completion of the Placing and the Capitalisation Issue	Approximate percentage of shareholding in the Company immediately after the completion of the Placing and the Capitalisation Issue
KMW ( <i>Note 1</i> )	10 February 2011	38,000,000	100%	240,000,000	75%
Public ( <i>Note 2</i> )	N/A	N/A	N/A	80,000,000	25%

*Notes:*

- (1) The entire issued share capital of KMW is owned as to 50% by Mr. Wong KM and 50% by Ms. Lau LY.
- (2) 80,000,000 Placing Shares are being offered by the Company under the Placing.

### DIVIDEND AND DIVIDEND POLICY

For the year ended 31 December 2009 and 2010, the Group declared and paid dividends of approximately HK\$2,390,000 and HK\$1,536,000 respectively to the shareholders of the companies now comprising the Group.

In March 2011 and May 2011, the Group declared and paid interim dividends of HK\$16.0 million and HK\$7.0 million respectively.

After completion of the Placing, the Shareholders will be entitled to receive dividends only when declared by the Directors. The payment and the amount of any future dividends will be at the discretion of the Directors and will depend on the future operations and earnings, capital requirements and surplus, general financial condition and other factors that the Directors deem relevant. As these factors and the payment of dividends is at the discretion of the Board, which reserves the right to change its plan on the payment of dividends, there can be no assurance that any particular dividend amount, or any dividend at all, will be declared and paid in the future. Investors should note that historical dividend distributions are not indicative of the Group's future dividend distribution policy.

Cash dividends on the shares, if any, will be paid in Hong Kong dollars.

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## SUMMARY

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### REASONS FOR THE PLACING

The Company intends to raise funds by the Placing in order to pursue its business objectives as described above. The Directors believe that the Listing will enhance the Group's profile and recognition and the net proceeds from the Placing will strengthen the Group's financial position such that the Group is fully equipped to pursue the business plans set out in the paragraph headed "Implementation plan" in the section headed "Future Plans and Use of Proceeds" in this prospectus.

### USE OF PROCEEDS

Assuming a Placing Price of HK\$0.8 per Placing Share, being the mid-point of the indicative Placing Price range of HK\$0.60 to HK\$1.00 per Placing Share, the net proceeds from the Placing, after deducting related expenses, are estimated to amount to approximately HK\$46.5 million. Such net proceeds are intended to be used as follows:

- approximately 73.1% of the net proceeds, or approximately HK\$34.0 million, for the diversification of service and product offerings with the implementation of a new brand strategy, among which:
  - approximately 51.6% of the net proceeds, or approximately HK\$24.0 million will be applied for the opening of Red Royalty Banquet Restaurant;
  - approximately 19.4% of the net proceeds, or approximately HK\$9.0 million will be applied for the opening of one other new restaurant; and
  - approximately 2.1% of the net proceeds, or approximately HK\$1.0 million will be applied for the opening of other food outlets;
- approximately 2.1% of the net proceeds, or approximately HK\$1.0 million, for the upgrading of existing restaurant facilities;
- approximately 4.1% of the net proceeds, or approximately HK\$1.9 million, for the strengthening of staff training;
- approximately 6.5% of the net proceeds, or approximately HK\$3.0 million, for the enhancement of marketing activities to promote brand awareness;
- approximately 4.3% of the net proceeds, or approximately HK\$2.0 million for the formation of strategic partnerships or cooperation arrangements with reputable industry partners in Hong Kong and China; and
- the remaining approximately 9.9% of the net proceeds, or approximately HK\$4.6 million as additional general working capital of the Group.

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## SUMMARY

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According to current estimates, the Group expects that the net proceeds from the Placing of approximately HK\$46.5 million, the cash in bank and on hand as at the Latest Practicable Date together with the projected cash flow from operations will be sufficient to finance the implementation of the Company's future plans up to 31 December 2013.

If the final Placing Price is set at the highest or lowest point of the indicative Placing Price range, the net proceeds of the Placing will increase or decrease by approximately HK\$15.6 million, respectively. In such event, the net proceeds will be used in the same proportions as disclosed above irrespective of whether the Placing Price is determined at the highest or lowest point of the indicative Placing Price range.

### IMPLEMENTATION PLAN

The Directors have drawn up an implementation plan for the period up to 31 December 2013 with a view to achieve the business objectives along with the strategies as described above. Details of the future plans are set out in the paragraph headed "Implementation plan" in the section headed "Future Plans and Use of Proceeds" in this prospectus.

In summary, the implementation of the future plans for the period from the Latest Practicable Date to 31 December 2013 will be entirely funded by the net proceeds from the Placing as follows:

	<b>From the Latest Practicable Date to 31 December 2011 (HK\$ million)</b>	<b>For the six months ending 30 June 2012 (HK\$ million)</b>	<b>For the six months ending 31 December 2012 (HK\$ million)</b>	<b>For the six months ending 30 June 2013 (HK\$ million)</b>	<b>For the six months ending 31 December 2013 (HK\$ million)</b>	<b>Total (HK\$ million)</b>
Diversify service and product offerings with the implementation of a new branding strategy	18.2	3.2	3.2	4.7	4.7	34.0
Upgrade existing restaurant facilities	0.2	0.2	0.2	0.2	0.2	1.0
Strengthen staff training	0.6	0.3	0.3	0.3	0.4	1.9
Enhance marketing activities to promote brands awareness	1.0	0.5	0.5	0.5	0.5	3.0
Formation of strategic partnerships or cooperation arrangements with reputable industry partners in Hong Kong and China	0.4	0.4	0.4	0.4	0.4	2.0
<b>Total</b>	<b>20.4</b>	<b>4.6</b>	<b>4.6</b>	<b>6.1</b>	<b>6.2</b>	<b>41.9</b>

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## SUMMARY

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The remaining balance of approximately HK\$4.6 million will be used as additional general working capital of the Group.

### **RISK FACTORS**

The Directors consider that the business of the Group and its performance are subject to a number of risk factors which can be categorised into (i) risks relating to the business of the Group; (ii) risks relating to the industry; (iii) risks relating to the Placing; and (iv) risks relating to statements made in this prospectus. These risks are set out in the section headed “Risk Factors” in this prospectus, the headings of which are as follows:

#### **Risks relating to the business of the Group**

- The future growth of the Group relies on its ability to open and profitably operate new restaurants and the Group’s new restaurants may not operate as successful as the Group anticipates
- The Group’s branding strategies may not achieve desired results
- All of the Group’s revenue during the Track Record Period was derived from its restaurant business in Hong Kong
- The success of the Group depends in part on its ability to meet customer expectations and anticipate and respond to changing customer preferences
- The Group may not be able to renew, amend or transfer its licences for operating its restaurants or obtain new licences for its new restaurants
- The Group has no long-term contract with its existing suppliers for the constant supply of quality food ingredients
- The availability and price fluctuations of food ingredients and other supplies, in particular, the continued increases in the prices of food and other supplies in the PRC, will affect the business and financial performance of the Group
- Decline in the quality of food ingredients that the Group purchases will affect the financial performance of the Group
- Disruptions to any of the Group’s restaurants will affect its financial conditions and results of operation
- The Group’s business may be affected by the outbreak of food-related diseases or contagious diseases, any adverse publicity or complaints on food safety or services
- Current restaurant locations may become unattractive, and attractive new locations may not be available for a commercially reasonable price, if at all

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## SUMMARY

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- The Group may be required to relocate its business
- The Group has a history of net current liabilities
- Seasonality and other factors may affect the financial performance of the Group
- The Group may encounter difficulty in sustaining profitability
- The Group is heavily dependent on its key executives and personnel
- Any failure to maintain effective quality control systems of the Group's restaurants could have a material adverse effect on the Group's business and operations
- The operation of the Group's restaurants opened during the Track Record Period may not be as smooth as the Group anticipates
- The Group may be unable to detect, deter and prevent all instances of fraud or other misconduct committed by the Group's employees, customers or other third parties
- The Group's operations are cash intensive, and its business could be adversely affected if it fails to maintain sufficient levels of working capital
- The Group relies on information technology systems, which may be susceptible to failures
- The Group may be unable to adequately protect its intellectual property, which could harm the value of its brands and adversely affect its business
- If there is any legal action or claim against the Group or any member of the Board or senior management of the Group, the Group's performance, business reputation and profitability could be adversely affected
- If the Group fails to continue to improve its infrastructure, management or operational systems or to obtain financial resources to support its expansion, the Group may be unable to achieve its expansion objectives and its business and operations may be harmed
- The Company is a holding company and relies on dividend payments from its subsidiaries

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## SUMMARY

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### **Risks relating to the industry**

- The Group's business depends on the macro-economic situation in Hong Kong and may be adversely affected by reductions in discretionary consumer spending as a result of downturns in the economy and increase in inflation
- The Group operates in a highly competitive industry
- The restaurant business in Hong Kong may be subject to stringent licensing requirements, environmental protection regulations and hygiene standards which can increase the operating costs
- Labour shortages or increases in labour costs could slow its growth, harm its business and reduce its profitability
- The Group's business may be negatively affected in instances of contagious disease of animals, food-borne illness and outbreaks of other diseases, as well as negative publicity relating to such instances in Hong Kong or other markets in which the Group operates

### **Risks relating to the Placing**

- There has been no prior public market for the Shares, and the liquidity, market price and trading volume of the Shares may be volatile
- An active trading market of the Shares may not develop
- Purchasers of the Placing Shares will experience an immediate dilution and may experience further dilution if the Company issues additional Shares or other securities in the future
- Future sales by existing Shareholders of a substantial number of Shares in the public market could materially and adversely affect the prevailing market price of the Shares
- Historical dividends may not be indicative of the amount of future dividend payments or the Group's future dividend policy

### **Risks relating to the statements made in this prospectus**

- Statistics and facts in this prospectus have not been independently verified