You should read the following discussion and analysis of the Group's financial condition and results of operations in conjunction with the Group's combined financial information included in the Accountant's Report, which has been prepared in accordance with HKFRSs, as set out in Appendix I to this prospectus, and the unaudited pro forma financial information included in Appendix II to this prospectus, in each case together with the accompanying notes. This discussion contains forward-looking statements that involve risks and uncertainties. The Group's actual results and timing of selected events could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under the section headed "Risk Factors" and elsewhere in this prospectus.

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 a 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.

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

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), to carry out the Group's business. 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.

For the years ended 31 December 2009 and 2010, the Group generated revenue of approximately HK$126.5 million and HK$210.3 million, respectively and profit attributable to owners of the Company of approximately HK$9.4 million and HK$10.0 million, respectively.

BASIS OF PREPARATION

The combined financial information of the Group has been prepared on a basis in accordance with the principles of the Auditing Guideline 3.340 "Prospectus and the Reporting Accountant" issued by the Hong Kong Institute of Certified Public Accountants. The combined statements of financial position, combined statements of comprehensive income, combined cash flow statements and combined statements of changes in equity of the Group for the Track Record Period have been prepared using the financial information of the companies engaged in the operation of Chinese restaurants in Hong Kong. The net assets and results of the Group were combined using the existing book values from the perspective of the Controlling Shareholders.

Further information on the basis of preparation of financial information is set out in note 2.1 in section II of the Accountant's Report contained in Appendix I to this prospectus.

FACTORS AFFECTING RESULTS OF OPERATIONS

The results of operations and financial condition of the Group have been and will continue to be affected by a number of factors, including those discussed below.

The business is affected by any material change in the economic condition in Hong Kong

The Group's results of operations are vulnerable to the economy in Hong Kong. The Group offers Chinese wedding banquet, dining services for large-scale events and serves Chinese cuisines to the customers. The results of operations of the Group are therefore directly affected by the demand for dining out and such events, which is dependent upon, among others, the disposable income of the target customers. The target customers are more willing to host such events, spend more money in dining services and wedding banquet with higher disposable income of the target customers.

The ability of the Group to adjust its menu in response to change in consumer's taste

The Group is keen on developing innovative and specialty Chinese cuisine utilising authentic and ancient recipes to attract customers and differentiate itself from competitors, the Group may not be able to promptly adapt to the change in the consumer's taste. If the Group fails to satisfy the needs of its target customer by promptly adjust its recipes and menu, the operating results and financial performance of the Group could be affected.

The ability of the Group to adjust the pricing policy in response to the changing market conditions

In deciding the prices for each menu item, the Group takes into account the costs of raw materials and food ingredients, target profit margin, general market trends, spending patterns and purchasing power of customers and prices set by competitors. The prices of each menu item also depend on the ability of the Group to continue to reach the target customers. If the Group fails to attract the target customers or to adjust the pricing strategy in response to the changing market environment, the operating results and financial performance of the Group could be affected.

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 seasoning, which are mainly sourced from Hong Kong and China. The Group has no long-term contract with its suppliers and is not able to control the price levels of food ingredients. The costs of food ingredients and price fluctuations will have a direct impact on the Group's profitability.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of the combined financial information requires management to make judgements, estimates and assumptions that affect revenue, expenses, carrying amounts of assets and liabilities and the disclosure of contingent liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from those estimates. The following sets out certain critical accounting policies that our management considers to be critical in the portrayal of the financial position and results of operations.

Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) Revenue from restaurant operation

Revenue is recognised when the related catering services are rendered to customers.

(b) Sub-letting income

Sub-letting income is recognised on a straight-line basis over the term of the lease.

(c) Management fee income

Management fee income is recognised when services are rendered.

(d) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables are recognised using the original effective interest rate.

Property, plant and equipment

Property, plant and equipment are stated in the combined statement of financial position at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the carrying amount of an item of property, plant and equipment or recognised as a separate item of property, plant and equipment, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other costs, such as repairs and maintenance and overhaul costs, are recognised in the combined statement of comprehensive income as an expense in the period in which they are incurred.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal within 'Other gains – net' in the combined statement of comprehensive income.

Depreciation on property, plant and equipment is calculated to write off the cost of items of property, plant and equipment using the straight-line method to their residual values over their estimated useful lives as follows:

Land and building	Shorter of 40 years and the unexpired lease term
Leasehold improvements	Shorter of 5 years and the unexpired lease term
Air-conditioning	Shorter of 5 years and the unexpired lease term
Equipment and kitchen utensils	5 years
Furniture and fixtures	5 years
Motor vehicles	5 years

The property, plant and equipment's residual value and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

The property, plant and equipment's carrying amount is written down immediately to its recoverable amount if the property, plant and equipment's carrying amount is greater than its estimated recoverable amount.

Impairment of property, plant and equipment

Property, plant and equipment is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may be not recoverable. The recoverable amounts have been determined based on fair value less costs to sell calculations or value-in-use valuations. These calculations require the use of judgements and estimates.

Management judgement is required in the area of asset impairment particularly in assessing: (i) whether an event has occurred that may indicate that the related asset value may not be recoverable; (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs to sell or net present value of future cash flows which are estimated based upon the continued use of the asset in the business; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management in assessing impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could affect the net present value used in the impairment test and as a result affect the Group's financial position and results of its operations.

Income tax

The Group is subject to current income tax. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current income tax and deferred income tax provision in the period in which such determination is made.

Deferred income tax assets relating to certain temporary differences and tax losses are recognised when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different.

SUMMARY OF RESULTS OF OPERATIONS

The following is a summary of the Group's combined results for the Track Record Period which has been extracted from the Accountant's Report set out in Appendix I to this prospectus. The combined results were prepared on the basis set out in note 2.1 in section II of the Accountant's Report contained in Appendix I to this prospectus.

	Year ended 31 December	
	2009	**2010**
	HK$'000	*HK$'000*
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)
Operating profit	14,122	15,124
Finance costs – net	(552)	(669)
Profit before income tax	13,570	14,455
Income tax expenses	(2,387)	(3,177)
Profit for the year	11,183	11,278
Attributable to:		
Owners of the Company	9,402	9,960
Non-controlling interests	1,781	1,318
	11,183	11,278

PRINCIPAL INCOME STATEMENT COMPONENTS

Revenue

The Group is principally engaged in the provision of food catering services through a chain of Chinese restaurants in Hong Kong. The table below sets forth a breakdown of the Group's revenue in each restaurant and as a percentage of its total revenue during the Track Record Period:

	Year ended 31 December					
	2009			2010		
	Revenue (HK$'000)	*% of total revenue*	*Operating margin (%) (Note 1)*	*Revenue (HK$'000)*	*% of total revenue*	*Operating margin (%) (Note 1)*
Plentiful Delight Banquet Restaurant	84,302	66.7	8.9	91,715	43.6	13.4
Lam Tei Red Seasons	28,330	22.4	18.9	35,387	16.8	18.6
Tuen Mun Red Seasons	13,844	10.9	9.1	36,055	17.1	0.4
Shatin Red Seasons	–	–	–	27,434	13.1	(7.1)
Tsuen Wan Red Seasons	–	–	–	19,729	9.4	(13.3)
	126,476	100.0		210,320	100.0	

Note:

1. The operating margin of a restaurant was calculated as the operating profit (excluding intercompany management fee) divided by the revenue of the respective restaurant.

The Group offered Chinese wedding banquet and dining services for large-scale events, and served Chinese cuisine to customers during the Track Record Period. The wedding banquet and dining services offered by the Group are normally settled by cash or credit cards. For patrons of the Group's dining services for wedding banquets or celebratory events, customers can also settle bills by cashier orders.

Plentiful Delight Banquet Restaurant

The operating margin of Plentiful Delight Banquet Restaurant increased from approximately 8.9% for the year ended 31 December 2009 to approximately 13.4% for the year ended 31 December 2010. The Plentiful Delight Banquet Restaurant has been benefited by the increase in revenue of approximately HK$7.4 million for the year ended 31 December 2010. The operating lease rental expenses and depreciation as a percentage of revenue has decreased as a result of the increase in revenue during the year. In addition, the Plentiful Delight Banquet Restaurant has improved its operating efficiency, in particular, the kitchen consumable expenses decreased by approximately 40.9% from approximately HK$2.2 million for the year ended 31 December 2009 to approximately HK$1.3 million for the year ended 31 December 2010.

Lam Tei Red Seasons

The operating margin of Lam Tei Seasons remain relatively stable at approximately 18.9% and 18.6% for the year ended 31 December 2009 and 2010 respectively.

Tuen Mun Red Seasons

The operating margin of Tuen Mun Red Seasons decreased from approximately 9.1% for the year ended 31 December 2009 to approximately 0.4% for the year ended 31 December 2010. The decrease in operating margin was mainly attributable to the reduction in the monthly revenue for the restaurant during the year ended 31 December 2010. The Director consider the decrease in monthly revenue for the restaurant was due to temporary appeal of other newly renovated Chinese restaurants in the region to customers of the Group during the year ended 31 December 2010. With the Directors' briefing of the decrease in revenue would be temporary, the decrease in monthly revenue for the year ended 31 December 2010 had resulted in an increase in operating costs, among others, utilities expenses, staff costs and operating lease rental expenses as a percentage of revenue for the year ended 31 December 2010.

Shatin Red Seasons and Tsuen Wan Red Seasons

The Shatin Red Seasons and Tsuen Wan Red Seasons, which were opened in January 2010 and June 2010 respectively, incurred operating loss for the year ended 31 December 2010. The operating loss were primarily the result of the initial set up cost, including kitchen consumables, operation staff cost and operating lease rental expenses incurred before the commencement of the respective restaurants during the year ended 31 December 2010.

Other income

The other income comprises mainly (i) sub-letting income of approximately HK$300,000 and HK$600,000 for the years ended 31 December 2009 and 2010, respectively; and (ii) management fee income of approximately HK$16,000 and HK$670,000 for the years ended 31 December 2009 and 2010 respectively. The sub-letting income represents rental income received from Independent Third Parties for sub-letting the warehouse in Tuen Mun. The management fee income represented administrative, accounting and introduction services provided to U-Cellar. U-Cellar experienced staffing difficulties as a result of staff turnover. As such, the Group provided such management service to U-Cellar since late 2009 which resulted in the increase. The provision of management services has been ceased in 2011.

Cost of inventories consumed

The cost of inventories consumed mainly represents food ingredients for the restaurant operations. The major food ingredients purchased by the Group includes, but not limited to, vegetables, meat, seafood, dried food, frozen food, beverages and seasoning. While the Group has not entered into any long-term contract with its existing suppliers from whom it purchases food ingredients, the Group procures to purchase its food ingredients from a list of approved food ingredient supplier. The Directors believe that supplier selection plays an important role in the management of restaurant business and is one of the competencies essential to maximising sourcing capabilities.

Despite the growing inflation, in particular, on food prices in recent years, cost of inventories consumed represented approximately 35.9% and 35.9% of the revenue of the Group for the years ended 31 December 2009 and 2010 respectively, which remained at a consistent level during the Track Record Period.

Employee benefits expenses

Staff costs primarily consist of salaries, wages and allowances, pension costs, provision for unutilised annual leave and other employee benefits. The table below sets forth the employee benefits expenses by category during the Track Record Period:

	Year ended 31 December			
	2009		**2010**	
	HK$'000	*%*	*HK$'000*	*%*
Salaries, wages and allowances	30,831	91.5	56,934	92.1
Pension costs – defined contribution plans	1,394	4.2	2,600	4.2
Provision of unutilised annual leave	235	0.7	278	0.5
Other employee benefits	1,211	3.6	1,972	3.2
	33,671	100.0	61,784	100.0

For the years ended 31 December 2009 and 2010, the employee benefits expenses accounted for approximately 26.6% and 29.4% of the revenue of the Group respectively.

The Directors did not receive any remuneration during the Track Record Period. In consultation with the remuneration committee of the Company, the Group plans to remunerate Directors in the future fairly but not excessively for their efforts, time and contributions made to the Group and the remuneration of Directors would be determined with reference to the performance of each director, the performance of the Group for the financial year concerned and the prevailing market conditions.

Depreciation

Depreciation represents depreciation charges for property, plant and equipment including, among others, land and building, leasehold improvements, equipment and kitchen utensils, furniture and fixtures, air-conditioning and motor vehicles of the Group.

Operating lease rental expenses

Operating lease rental expenses represent the rental expenses paid for the restaurant operations, office and warehouse. For the years ended 31 December 2009 and 2010, operating lease rental expenses accounted for approximately 8.0% and 10.5% of the revenue of the Group respectively.

Utilities expenses

Utilities expenses primarily consist of gas expenses, electricity expenses and water supplies of the Group. For the years ended 31 December 2009 and 2010, the utilities expenses accounted for approximately 6.6% and 7.5% of the revenue of the Group respectively.

Other gains – net

Other gains mainly include the gain or loss on disposal of property, plant and equipment, fair value gain or loss on financial assets at fair value through profit or loss and realised gain or loss on financial assets at fair value through profit or loss which related to listed securities in Hong Kong and investment fund.

Other operating expenses

The other operating expenses represent mainly expenses incurred for the Group's operations, including kitchen consumables, laundry expenses, cleaning expenses, repair and maintenance expenses, insurance, credit card and Octopus card commission, printing and stationery expenses and legal and professional fee. The table below sets forth the other operating expenses by category during the Track Record Period:

	Year ended 31 December			
	2009		**2010**	
	HK$'000	*%*	*HK$'000*	*%*
Kitchen consumables	2,962	30.2	3,593	25.3
Laundry expenses	1,121	11.4	1,752	12.3
Cleaning expenses	928	9.5	1,424	10.0
Repair and maintenance expenses	1,181	12.0	1,309	9.2
Insurance	796	8.1	1,088	7.6
Credit card and Octopus card commission	370	3.8	899	6.3
Printing and stationery	483	4.9	848	6.0
Legal and professional fee	159	1.6	540	3.8
Others	1,813	18.5	2,776	19.5
	9,813	100.0	14,229	100.0

For the years ended 31 December 2009 and 2010, the other operating expenses accounted for approximately 7.8% and 6.8% of the revenue of the Group respectively.

Finance costs – net

Finance costs mainly represent interest charged on the bank loans and bank overdrafts, unwinding of discount of provision for reinstatement cost after netting off the interest income from cash at bank. Provision for reinstatement costs is initially recognised for the present value of costs to be incurred for the reinstatement of the properties used by the Group for its operations upon expiration of the relevant leases. Provisions are measured at the present value of the reinstatement costs expected to be required to settle the obligation. Such provision is unwinded and charged to the income statement as interest expense as a result of passage of time.

Income tax expenses

The income tax of the Group is provided for at the applicable tax rates in accordance with the relevant law and regulations in Hong Kong. The Group had no tax obligation arising from other jurisdictions during the Track Record Period. Hong Kong profits tax had been provided on the estimated assessable profits arising in Hong Kong at the applicable tax rate of 16.5% during the Track Record Period. The effective tax rates for the years ended 31 December 2009 and 2010 were 17.6% and 22.0% respectively. The increase in effective tax rate for the year ended 31 December 2010 as compared to that for the year ended 31 December 2009 was mainly due to the tax losses of two restaurants of the Group amounting to approximately HK$4,425,000 for which no deferred tax asset has been recognized because of the uncertainty as to whether future taxable profit will be generated by these restaurants against which the tax losses can be utilised given the relatively short operating history of these restaurants.

Non-controlling interests

Non-controlling interests represent the interests of non-controlling shareholders in the net results of the non-wholly owned subsidiaries of the Group.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE RESULTS OF THE OPERATIONS

The following set forth the management's discussion and analysis of the results of the operations during the Track Record Period. The following discussion should be read in conjunction with the combined financial information of the Group during the Track Record Period in the Accountant's Report, the text of which is set forth in Appendix I to this prospectus.

Comparison of the Group's results for the year ended 31 December 2010 with those for the year ended 31 December 2009

Revenue

The revenue for the year ended 31 December 2010 amounted to approximately HK$210.3 million, representing an increase of approximately 66.3% as compared with that of the year ended 31 December 2009. 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. Given that the Group aims to maintain its positioning in the medium-end market, it strives to provide quality cuisine at competitive prices. 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. For example, although the costs of raw materials and food ingredients from China increased dramatically at the end of 2010, the Group did not increase food prices to a large extent in order to maintain customer confidence in the Group in offering quality food at competitive and affordable prices. The Directors believe that such pricing policy helps to create an attractive price-value proposition typically favoured by customers.

The revenue of the Group is primarily driven by the reputation of the restaurant and also its brand. 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 restaurants judged to be "wonderful restaurants with top-quality cuisine at highly affordable prices". The revenue of Lam Tei Red Seasons increased by approximately HK$7.1 million or approximately 24.9% for the year ended 31 December 2010 as compared with that of the year ended 31 December 2009. In addition, the Group expanded the restaurant network with the addition of three restaurants since August 2009, among which, Shatin Red Seasons and Tsuen Wan Red Seasons, which opened in January 2010 and June 2010 respectively, contributed revenue of approximately HK$47.2 million for the year ended 31 December 2010. Tuen Mun Red Seasons, which opened in August 2009, commenced full year operation in 2010 and contributed an increase of HK$22.2 million for the year ended 31 December 2010. The revenue derived from the brand of *Red Seasons Aroma Restaurant* (季季紅風味酒家) as a percentage of 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%, from approximately HK$84.3 million for the year ended 31 December 2009 to approximately HK$91.7 million for the year ended 31 December 2010.

Other income

The other income increased from approximately HK$449,000 for the year ended 31 December 2009 to approximately HK$1,332,000 for the year ended 31 December 2010, representing an increase of approximately 196.7%. Such increase was mainly due to (i) the increase in sub-letting income for part of the warehouse in Tuen Mun rented to an Independent Third Party since mid-2009, and (ii) the increase in management fee income from U-Cellar for services rendered by the Group during the year ended 31 December 2010. U-Cellar experienced staffing difficulties as a result of staff turnover. As such, the Group provided such management service to U-Cellar since late 2009 which resulted in the increase. The provision of management services have been ceased in 2011.

Cost of inventories consumed

The cost of inventories consumed for the year ended 31 December 2010 amounted to approximately HK$75.6 million, representing an increase of approximately 66.4% as compared with that of the year ended 31 December 2009. The increase was in line with the increase of revenue of the Group for the year ended 31 December 2010. The cost of inventories consumed remained consistent at 35.9% for the years ended 31 December 2009 and 2010.

Employee benefits expenses

The employee benefits expenses for the year ended 31 December 2010 amounted to approximately HK$61.8 million, representing an increase of approximately 83.5% as compared with that of the year ended 31 December 2009. The number of staff increase from 334 as at 31 December 2009 to 539 as at 31 December 2010, representing an increase of approximately 61.4% as compared with that of the year ended 31 December 2009. Such increase was primarily due to the establishment of two new restaurants 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. The employee benefits expenses as a percentage of revenue increased from approximately 26.6% for the year ended 31 December 2009 to approximately 29.4% for the year ended 31 December 2010.

Depreciation

The depreciation for the year ended 31 December 2010 amounted to approximately HK$7,718,000, representing an increase of approximately 39.4% as compared with that of the year ended 31 December 2009. Such increase was in line with the increase in the additions in property, plant and equipment as a result of the opening of two new restaurants for the year ended 31 December 2010.

Operating lease rental expenses

The operating lease rental expenses for the year ended 31 December 2010 amounted to approximately HK$22.1 million, representing an increase of approximately 118.7% as compared with that of the year ended 31 December 2009. The Group had entered into three additional lease agreements for the opening of three new restaurants since August 2009. The Group incurred operating lease rental expenses prior to the commencement of operation of the new restaurants for renovation and preparation of the restaurant opening. As such, the operating lease rental expenses as a percentage of revenue increased from approximately 8.0% for the year ended 31 December 2009 to approximately 10.5% for the year ended 31 December 2010.

Utilities expenses

The utilities expenses for the year ended 31 December 2010 amounted to approximately HK$15.7 million, representing an increase of approximately 89.2% as compared with that of the year ended 31 December 2009. The increase was primarily due to the establishment of the Shatin Red Seasons, Tsuen Wan Red Seasons and Tuen Mun Red Seasons since August 2009. The utilities expenses, which consist of gas expenses, electricity expenses and water supplies of the Group, surged according to the consumption of the respective services and were primarily driven by the expansion in the restaurant network of the Group. The utilities expenses as a percentage of revenue of the Group remained stable at approximately 6.6% and 7.5% for the years ended 31 December 2009 and 2010 respectively.

Other gains – net

The other gains increased from approximately HK$35,000 for the year ended 31 December 2009 to approximately HK$564,000 for the year ended 31 December 2010. Such increase was mainly due to the gain on disposal of property, plant and equipment of approximately HK$740,000 which was partially offset by the effect of loss on disposal of listed securities in Hong Kong and investment fund of approximately HK$96,000 and fair value loss of investment fund of approximately HK$80,000.

Other operating expenses

The other operating expenses for the year ended 31 December 2010 amounted to approximately HK$14,229,000, representing an increase of approximately 45.0% as compared with that of the year ended 31 December 2009. Such increase was primarily due to the increase in operating expenses as a result of opening of Shatin Red Seasons, Tsuen Wan Red Seasons and Tuen Mun Red Seasons since August 2009.

The other operating expenses as a percentage of the revenue remained stable at approximately at 7.8% and 6.8% for the years ended 31 December 2009 and 2010 respectively.

Finance costs – net

The finance costs for the year ended 31 December 2010 amounted to approximately HK$669,000, representing an increase of approximately 21.2% as compared with that of the year ended 31 December 2009. The borrowings were fully settled during the year ended 31 December 2010, most of which were settled towards the end of 2010, resulting in an increase in finance costs in 2010 as compared to that of 2009.

Income tax

The income tax expenses for the year ended 31 December 2010 amounted to approximately HK$3,177,000, representing an increase of approximately 33.1% as compared to the year ended 31 December 2009.

The effective income tax rate for the years ended 31 December 2009 and 2010 were 17.6% and 22.0% respectively. The increase in effective income tax rate for the year ended 31 December 2010 as compared with that of 2009 was primarily due to the unrecognised deferred tax asset of approximately HK$730,000 as at 31 December 2010 in respect of the tax loss amounting to approximately HK$4,425,000 arising from the newly established restaurants in 2010, Shatin Red Seasons and Tsuen Wan Red Seasons.

Non-controlling interests

Non-controlling interests decreased by approximately 26.0%, from approximately HK$1,781,000 for the year ended 31 December 2009 to approximately HK$1,318,000 for the year ended 31 December 2010. Such decrease was attributable to the decrease in the aggregate amount of profits made by the non wholly-owned subsidiaries during the year ended 31 December 2010.

Profit attributable to owners of the Company and net profit margin

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 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.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group generally finances the operations through a combination of advances from the directors, internal generated cash flows and bank borrowings. As at 31 December 2010, the Group had cash and cash equivalents of approximately HK$16,968,000.

The capital requirements in the past mainly related to opening and upgrading of restaurants in Hong Kong. The Group has historically met its capital requirements principally with cash generated from the operations, and met its remaining capital requirement through advances from the directors and bank borrowings. The capital requirements in the coming years will include the opening of restaurants in Hong Kong. The management of the Group expects that the planned capital expenditure will be met by the estimated net proceeds from the Placing and other financial resources available including net cash generated from operating activities.

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.

	As at 31 December		As at 30 April
	2009	**2010**	**2011**
	HK$'000	*HK$'000*	*HK$'000*
			(unaudited)
Current assets			
Inventories	1,610	3,393	3,237
Trade receivables	488	459	757
Deposits, prepayments and other receivables	2,390	7,974	11,205
Income tax recoverable	–	281	281
Amount due from a related company	208	670	917
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	967
Pledged bank deposits	–	1,500	1,500
Cash and cash equivalents	13,802	16,968	16,462
Total current assets	32,679	35,854	35,326
Current liabilities			
Trade payables	7,504	9,769	8,565
Other payables, accruals and deposits received	7,328	12,684	10,757
Income tax payable	4,069	6,246	4,138
Amounts due to directors	3,395	12,988	23,222
Amounts due to non-controlling shareholders of a subsidiary	675	4	–
Bank borrowings	16,262	–	–
Total current liabilities	39,233	41,691	46,682
Net current liabilities	(6,554)	(5,837)	(11,356)

The net current liabilities of the Group as at 31 December 2009, 31 December 2010 and 30 April 2011 was primarily due to the short-term bank borrowings of approximately HK$16,262,000 as at 31 December 2009, the net amounts due to directors of approximately HK$10,384,000 as at 31 December 2010 and amounts due to directors of approximately

HK$23,222,000 as at 30 April 2011, resulting from financing of renovation of existing restaurants, opening of new restaurants and declaration of dividend. The short-term bank borrowings as at 31 December 2009 accounted for approximately 41.4%, the net amounts due to directors as at 31 December 2010 accounted for approximately 24.9% and amount due to directors as at 30 April 2011 accounted for approximately 49.8% of the total current liabilities. The major factor which attributable to the net current liabilities position of the Group as at 31 December 2009, 31 December 2010 and 30 April 2011 despite the healthy operating cash inflow was the expenditure in relation to the opening of new restaurants during the respective years and the declaration of dividend in March 2011. To maintain the adequate level of working capital of the Group, the Directors have provided financial assistance to the Group in meeting the capital expenditure of the Company and replaced the bank borrowings of the Group which result in increased level of amount due to Directors.

The balances of amounts due from a related company, amounts due from/ to directors and amounts due from/ to a non-controlling shareholder of a subsidiary as at 30 April 2011 will be settled before listing.

In order to better manage the cash flow and liquidity of the Group, the management of the Group plans to:

1) enhance the quality of services and improve profitability to increase the cash flow generated from operating activities;

2) maintain an optimal capital structure to reduce the cost of capital;

3) obtain support from banks to secure financing;

4) control budget to balance funding needs and supply; and

5) prioritise and plan the capital expenditures carefully and avoid excessive spending.

Based on the current financial conditions, the management of the Group believes the cash and cash equivalents, the cash inflow from operations, and the net proceeds from the Placing will enable the Group to meet its working capital, capital expenditures and other funding requirements for the foreseeable future. The management of the Group does not foresee any material capital expenditure, apart from the budgeted opening of new restaurants, in the foreseeable future. The management of the Group believes that, with the continuous net cash generated from operating activities, and the net proceeds from the Placing, the Group will be able to improve its liquidity position.

The following table summaries the Group's cash flows for the year ended 31 December 2009 and 2010:

	Year ended 31 December	
	2009	**2010**
	HK$'000	*HK$'000*
Net cash generated from operating activities	6,107	25,411
Net cash used in investing activities	(4,691)	(13,369)
Net cash generated from/(used in) financing activities	8,810	(8,876)
Net increase in cash and cash equivalents	10,226	3,166
Cash and cash equivalents at the beginning of year	3,576	13,802
Cash and cash equivalents at the end of year	13,802	16,968

Cash flow generated from operating activities

The Group derives the cash inflow from operations principally from the receipts for the restaurant operations, whereas the cash outflow from operations is principally for the payment of the purchase of food ingredients and raw materials, operating lease rental, staff costs, utilities and kitchen consumables.

Net cash generated from operating activities for the year ended 31 December 2010 was approximately HK$25,411,000. The Group generated net cash from operating activities before movements in working capital of approximately HK$22,278,000, and adjusted for net working capital inflow of approximately HK$5,613,000, interest paid of approximately HK$588,000 and Hong Kong profit tax paid of approximately HK$1,892,000. The increase in net working capital was primarily attributable to the repayment of amount due from directors of the Company of approximately HK$9,603,000 as a results of the payment of the expenditures in relation to the opening of two new restaurants of the Group during the year by the financial assistance provided by the Directors, and increase in trade payables and other payables, accruals and deposits received of approximately HK$2,265,000 and HK$5,356,000 respectively as a results of the expansion of the restaurant business and partially offset by the increase in deposits, prepayments and other receivables of approximately HK$7,688,000 arise from the deposit paid for professional fees for Listing, the rental deposits and the utilities deposit paid for the opening of two restaurants during the year.

Net cash generated from operating activities for the year ended 31 December 2009 was approximately HK$6,107,000. The Group generated net cash from operating activities before movements in working capital of approximately HK$19,625,000, and adjusted for net working capital outflow of approximately HK$13,004,000 and interest paid of approximately

HK$514,000. The decrease in net working capital was primarily attributable to the increase in amounts due from directors of the Company by approximately HK$12,058,000, as a result of advances to directors of the Company which were financed by the bank borrowings obtained by the Group during the year ended 31 December 2009, increase in deposits, prepayments and other receivables of approximately HK$3,132,000 arising from the rental deposit and utilities deposit paid for the opening of new restaurant, and partially offset by the increase in trade payables and other payables, accruals and deposits received of approximately HK$1,570,000 and HK$2,605,000 respectively as a result of the expansion of the restaurant business.

Cash flow used in investing activities

The Group derives the cash inflow from investing activities primarily from proceeds of disposal of property, plant and equipment. The cash outflow from investing activities is primarily for the acquisition and prepayment for acquisition of the property, plant and equipment.

Net cash used in investing activities for the year ended 31 December 2010 was approximately HK$13,369,000. This was primarily due to the purchase of property, plant and equipment of approximately HK$14,859,000 as a result of opening of two new restaurants, and partially offset by the proceeds from the disposal of property, plant and equipment of approximately HK$1,503,000.

Net cash used in investing activities for the year ended 31 December 2009 was approximately HK$4,691,000. This was primarily due to the purchase of property, plant and equipment of approximately HK$4,318,000 as a result of opening of a new restaurant and prepayment for acquisition of property, plant and equipment of approximately HK$416,000.

Cash flow generated from/(used in) financing activities

The Group derives the cash inflow from financing activities principally from bank borrowings and advances from directors. The cash outflow from financing activities is principally due to repayment of bank borrowings, dividend payment and repayment to related companies.

Net cash used in financing activities for the year ended 31 December 2010 was approximately HK$8,876,000. The cash outflow mainly represented repayment of borrowings of approximately HK$16,262,000 and dividends paid of approximately HK$1,536,000, and partially offset by the advances of approximately HK$9,593,000 from directors of the Company for the expansion and general working capital use of the Group.

Net cash generated from financing activities for the year ended 31 December 2009 amounted to approximately HK$8,810,000. The cash inflow mainly represented the net proceeds from borrowings of approximately HK$11,861,000 and increase in amounts due to directors of approximately HK$2,387,000, and partially offset by the dividend payment, repayment to related companies and former immediate holding company of a subsidiary of approximately HK$2,390,000, HK$1,953,000 and HK$1,022,000 respectively.

Working capital

Taking into account the financial resources available to the Group, including the internally generated funds, and the estimated net proceeds of the Placing, the directors of the Company are of the opinion that the Group has sufficient working capital for its present requirements, that is for at least the next 12 months from the date of this prospectus.

PRINCIPAL COMPONENTS OF STATEMENT OF FINANCIAL POSITION

Property, plant and equipment

As at 31 December 2009 and 2010, the net book value of property, plant and equipment amounted to approximately HK$15,050,000 and HK$21,938,000 respectively. The increase in the property, plant and equipment as at 31 December 2010 by approximately 45.8%, as compared with that as at 31 December 2009, was mainly due to the additions of leasehold improvements of approximately HK$8,451,000, equipment and kitchen utensils of approximately HK$3,666,000, furniture and fixtures of approximately HK$1,161,000 and air-conditioning of approximately HK$1,451,000 as a result of the opening of two new restaurants for the year ended 31 December 2010, which was offset by the increase in the corresponding depreciation charges for these additional items.

Rental deposits paid

Rental deposits represented the non-current portion of the deposits paid for the leasing of the Group's leased properties. As at 31 December 2009 and 2010, the rental deposits paid amounted to approximately HK$3,283,000 and HK$5,387,000 respectively. The increase in rental deposits as at 31 December 2010 by approximately 64.1%, as compared with that as at 31 December 2009, was mainly due to the increase in rental deposits paid for the two newly opened restaurants during the year ended 31 December 2010.

Deferred income tax assets

Deferred income tax assets were mainly recognised on the temporary differences in respect of tax depreciation. As at 31 December 2009 and 2010, the deferred tax assets were approximately HK$468,000 and HK$999,000 respectively. The increase in deferred tax assets as at 31 December 2010 by approximately 113.5%, as compared with that as at 31 December 2009, was mainly attributable to the recognition of temporary differences in respect of tax depreciation for the year ended 31 December 2010 as a result of the addition of property, plant and equipment.

Inventories

As at 31 December 2009 and 2010, the inventories were approximately HK$1,610,000 and HK$3,393,000 respectively. The increase in inventories as at 31 December 2010 by approximately 110.7%, as compared to that as at 31 December 2009, was mainly due to the opening of two new restaurants during the year ended 31 December 2010. The subsequent sale and usage of inventories up to the Latest Practicable Date accounted for approximately 95.9% of the total inventories as at 31 December 2010.

The inventory turnover days were stable at both years ended 31 December 2009 and 2010. The following table sets out the inventory turnover days for the Track Record Period:

	Year ended 31 December	
	2009	**2010**
Inventory turnover days *(Note)*	10	10

Note: Inventory turnover days for the years ended 31 December 2009 and 2010 are computed by the average of the beginning and ending food and beverages balances included in the inventories for the year, divided by the cost of inventories consumed for the year and multiplied by 365 days.

Trade receivables

The wedding banquet and dining services offered by the Group are normally settled by cash or credit cards. Accordingly, our trade receivables balance as at the year-end date mainly represented the credit card receivables in relation to the revenue generated on the year end date in the respective financial years, and such receivables were normally settled in the week immediately after the year end date.

As at 31 December 2009 and 2010, trade receivables remained stable at approximately HK$488,000 and HK$459,000 respectively. The following table sets forth the aging analysis of trade receivables of the Group as at the end of each year during the Track Record Period:

	As at 31 December	
	2009	**2010**
	HK$'000	*HK$'000*
Current to 30 days	349	435
31 to 60 days	9	2
61 to 90 days	27	4
More than 90 days	103	18
	488	459

The following table sets out the trade receivable turnover days for the Track Record Period:

	Year ended 31 December	
	2009	**2010**
Trade receivable turnover days *(Note)*	1	1

Note: Trade receivable turnover days for the years ended 31 December 2009 and 2010 are computed by the average of the beginning and ending trade receivable balances, divided by the total revenue for the year and multiplied by 365 days.

The trade receivable turnover days were stable for both years ended 31 December 2009 and 2010. As at the Latest Practicable Date, all the trade receivables as at 31 December 2010 were subsequently settled.

Deposits, prepayments and other receivables

Deposits, prepayments and other receivables represent mainly utilities and other deposits paid, prepayments for professional services, other prepayments and other receivables.

The following table sets out the details of the deposits, prepayments and other receivables at the end of each year during the Track Record Period:

	As at 31 December	
	2009	**2010**
	HK$'000	*HK$'000*
Utilities and other deposits paid	1,048	2,670
Prepayments for professional expenses	–	3,668
Other prepayments	955	1,336
Other receivables	387	300
	2,390	7,974

As at 31 December 2009 and 2010, deposits, prepayments and other receivables amounted to approximately HK$2,390,000 and HK$7,974,000 respectively, representing an increase of 233.6% in 2010. The increase in deposits, prepayments and other receivables as at 31 December 2010 was mainly due to the increase in prepayments for professional expenses for the purpose of listing and utility deposits for the two new restaurants during the year ended 31 December 2010.

Financial assets at fair value through profit or loss

As at 31 December 2009 and 2010, the financial assets at fair value through profit or loss amounted to approximately HK$1,974,000 and HK$905,000 respectively, representing a decrease of 54.2% in 2010. The decrease in financial assets at fair value through profit or loss in 2010 was mainly due to the disposal of investment fund with an opening carrying value of approximately HK$989,000 during the year ended 31 December 2010.

The primary investment objectives of the Group for its idle cash and cash equivalent is to enhance the returns on its temporarily surplus liquidity without bearing significant investment risk. The investment horizon is expected to range from three months to three years or more and there will be no speculative trading allowed. Subject to the approval of the Board of any material investment, the chief financial officer of the Company will be responsible for the monitoring and managing the overall risk of the investment portfolio. The Directors will review its investment policy from time to time taking into accounts the present and forthcoming cash flow status and the operational requirement of working capital together with the business development plan of the Group.

Trade payables

The trade payables mainly represented utilities, food ingredients and raw materials purchased for the restaurants. The payment terms were mostly 45 days after the end of the month in which the relevant purchases were made. As at 31 December 2009 and 2010, the trade payables amounted to approximately HK$7,504,000 and HK$9,769,000 respectively. The increase in the trade payables as at 31 December 2010 by approximately 30.2%, as compared to that as at 31 December 2009, was mainly due to the increase in food ingredients and raw materials purchased for the two new restaurants during the year ended 31 December 2010.

The following table sets out the aging analysis of trade payables of the Group as at the end of each year during the Track Record Period:

	As at 31 December	
	2009	**2010**
	HK$'000	*HK$'000*
Current to 30 days	5,114	6,889
31 to 60 days	2,297	2,879
61 to 90 days	–	1
More than 90 days	93	–
	7,504	9,769

Up to the Latest Practicable Date, all of the trade payable as at 31 December 2010 was subsequently settled.

The following table sets out the trade payable turnover days for the Track Record Period:

	Year ended 31 December	
	2009	**2010**
Trade payable turnover days *(Note)*	54	42

Note: Trade payable turnover days for the years ended 31 December 2009 and 2010 are computed by the average of the beginning and ending trade payable balances for the year, divided by the cost of inventories consumed for the year and multiplied by 365 days.

Other payables, accruals and deposits received

The other payables, accruals and deposits received mainly represented accrued salaries and wages, accrued rental expenses, deposits received and other accruals and payables.

The following table sets out the details of other payables, accruals and deposits received as at the end of each year during the Track Record Period:

	As at 31 December	
	2009	**2010**
	HK$'000	*HK$'000*
Accrued salaries and wages	3,304	5,351
Accrued rental expenses	677	2,489
Deposits received	462	381
Other accruals	1,422	2,601
Other payables	1,463	1,862
	7,328	12,684

As at 31 December 2009 and 2010, other payables, accruals and deposits received amounted to approximately HK$7,328,000 and HK$12,684,000 respectively. The increase in other payables, accruals and deposits received as at 31 December 2010 by approximately 73.0%, as compared with that as at 31 December 2009, was mainly due to the increase in accrued salaries and wages, accrued rental expenses and other accruals for the two new restaurants as at 31 December 2010.

Provision for reinstatement costs

Provision for reinstatement costs is recognised for the present value of costs to be incurred for the reinstatement of the properties used by the Group for its operations upon expiration of the relevant leases. As at 31 December 2009 and 2010, the provision for reinstatement costs amounted to approximately HK$1,618,000 and HK$2,209,000 respectively. The increase in the provision for reinstatement costs as at 31 December 2010 by approximately 36.5%, as compared with that as at 31 December 2009 was mainly contributed by the signing of new tenancy agreement with reinstatement clause for a new restaurant during the year ended 31 December 2010.

INDEBTEDNESS

Bank and other borrowings

The following table sets out the bank and other borrowings of the Group as at 31 December 2009, 31 December 2010 and 30 April 2011:

	As at 31 December		As at 30 April
	2009	**2010**	**2011**
	HK$'000	*HK$'000*	*HK$'000* (unaudited)
Secured bank borrowings	16,262	–	–
Amounts due to directors	3,395	12,988	23,222
	19,657	12,988	23,222

Bank borrowings of the Group as at 31 December 2009 were secured by (a) the Group's land and building with a total net book value of HK$731,000, leasehold improvement with total net book value of HK$962,000 and air-conditioning with total net book value of HK$598,000; (b) the Group's bank deposit of HK$1,500,000; (c) guarantees given by the Controller Shareholders and companies controlled by them; (d) certain properties of the Controlling Shareholders; and (e) certain properties and investment funds held by a company controlled by the Controlling Shareholders.

As at 31 December 2010, the Group had total banking facilities of HK$6,500,000, within which an amount of HK$1,500,000 was utilised for letters of guarantee from a bank in favour of several utility companies, and the remaining facilities of HK$5,000,000 were not utilised.

As at 30 April 2011, being the latest practicable date for the purpose of this indebtedness statement, the Group had a banking facility amounting to HK$1,500,000 which was utilised for the abovementioned letters of guarantee and pledged by the Group's bank deposit amounting to HK$1,500,000.

The Group had decided to rescind all guarantees and security in the banking facilities with an aim to minimise the number of continuing connected transactions and re-negotiate terms of the banking facilities prior to Listing. In connection with such initiative, the Group has repaid all bank borrowings during the year ended 31 December 2010 and replaced with amounts due to directors as at 31 December 2010 and 30 April 2011 which served as a transitional arrangement for the Group to have sufficient time to negotiate new banking facilities with favourable terms. As at the Latest Practicable Date, the Group had total banking facilities of approximately HK$21,500,000, of which approximately HK$21,491,000 were utilised. The Group has not defaulted on any repayment obligations with respect to the bank borrowings, and the Group has not encountered any difficulties in securing financing from banks during the Track Record Period.

The amounts due to directors will be settled by bank borrowings of the Group before Listing.

Contingent liabilities

The following table sets out the contingent liabilities not provided for during the Track Record Period:

	As at 31 December	
	2009	**2010**
	HK$'000	*HK$'000*
Guarantees given by the Group in favour of banks in respect of banking facilities of connected parties of the Group	36,902	35,829

As at 30 April 2011, the latest practicable date for the purpose of this indebtedness statement, the guarantees given by the Group as set out in the above table have been released.

Disclaimer

Save as disclosed in the paragraph head "Indebtedness" in this section, as at 30 April 2011, being the latest practicable date for the purpose of this indebtedness statement, the Group did not have any outstanding loan capital issued or agreed to be issued, bank overdrafts, loans, debt securities, borrowings or other similar indebtedness, liabilities under acceptance (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, finance leases, hire purchase commitments, guarantees or other material contingent liabilities.

MATERIAL INDEBTEDNESS CHANGE

Save as disclosed in the paragraph head "Indebtedness" in this section, the Directors confirm that there has been no material change in the Group's indebtedness since 30 April 2011 up to the Latest Practicable Date.

CAPITAL COMMITMENTS

The following table sets out our capital commitments in respect of property, plant and equipment as at the end of each year during the Track Record Period:

	As at 31 December	
	2009	**2010**
	HK$'000	*HK$'000*
Contracted but not provided for	648	241
Authorised but not contracted for	3,277	18,000
	3,925	18,241

The total capital commitments increased from approximately HK$3,925,000 for the year ended 31 December 2009 to approximately HK$18,241,000 for the year ended 31 December 2010, as a result of the additions of property, plant and equipment for Red Royalty Banquet Restaurant in 2011 which will be financed by the net proceeds from the Placing. For details of the use of proceeds, please refer to the paragraph headed "Business Strategies" in the section headed "Future Plans and Use of Proceeds" in this prospectus.

OPERATING LEASE COMMITMENTS

Future minimum operating lease rental payable under non-cancellable operating lease in respect of land and buildings are as follows:

	As at 31 December	
	2009	**2010**
	HK$'000	*HK$'000*
No later than 1 year	13,421	21,372
Later than 1 year and no later than 5 years	42,788	70,360
Over 5 years	15,820	10,800
	72,029	102,532

FINANCIAL RATIO ANALYSIS

Set out below are certain major financial ratios of the Group:

	As at 31 December	
	2009	**2010**
Current ratio *(Note 1)*	0.83	0.86
Quick ratio *(Note 2)*	0.79	0.78
Debt to equity ratio *(Note 3)*	59.7%	N/A

	Year ended 31 December	
	2009	**2010**
Net profit margin *(Note 4)*	7.4%	4.7%
Return on equity *(Note 5)*	92.2%	53.4%

Notes:

(1) Current ratio is calculated by dividing total current assets by total current liabilities.

(2) Quick ratio is calculated by dividing total current assets minus inventories by total current liabilities.

(3) Debt to equity ratio is calculated as net debt divided by total capital. Net debt is calculated as the total borrowings (including bank borrowings, amounts due to directors and amounts due to non-controlling shareholders of a subsidiary) less cash and cash equivalents. Total capital is calculated as total assets less total liabilities.

(4) Net profit margin equals to profit attributable to owners of the Company divided by revenue for each year and multiplied by 100%.

(5) Return on equity equals to profit attributable to the owners of the Company for each year divided by the equity attributable to the owners of the Company and multiplied by 100%.

Current ratio

As at 31 December 2009 and 2010, the current ratio amounted to approximately 0.83 and 0.86 respectively. The current ratios remained stable as at the respective year end dates.

Quick ratio

As at 31 December 2009 and 2010, the quick ratio amounted to approximately 0.79 and 0.78 respectively. The quick ratios remained stable as at the respective year end dates.

Debt to equity ratio

As at 31 December 2009, the debt to equity ratio was approximately 59.7%. The Group turned into a net cash position as at 31 December 2010. Debt to equity ratio is not applicable to the Group as at 31 December 2010 as the Group's cash and cash equivalents is larger than its debt amount as at 31 December 2010.

Net profit margin

The net profit margin 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.

Return on equity

The return on equity for the year ended 31 December 2009 and 2010 was approximately 92.2% and 53.4% respectively. The decreasing trend was mainly due to the significant increase in equity attributable to owners of the Company from approximately HK$10,195,000 as at 31 December 2009 to approximately HK$18,667,000 as at 31 December 2010 as a result of the profit generated during 2010.

RELATED PARTY TRANSACTIONS

With respect to the related party transactions set out in this prospectus, the Directors are of the opinion that these transactions were conducted on normal commercial terms.

For analysis of related party transactions, please refer to the Accountant's Report as set out in Appendix I to this prospectus in addition to the transactions detailed elsewhere in this prospectus.

OFF BALANCE SHEET TRANSACTIONS

The Group has not entered into any material off balance sheet transactions or arrangements during the Track Record Period.

DIVIDEND AND DIVIDEND POLICY

For the years 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.

Foreign currency risk

Since most of the revenue and the payment of expenditure are made in Hong Kong dollars, the Directors consider that the Group is not exposed to significant foreign exchange risk.

PROPERTY INTERESTS AND PROPERTY VALUATION

As at the Latest Practicable Date, the Group leased eight premises in Hong Kong respectively as offices, restaurant premises and warehouses, the details of which are set out in Appendix III to this prospectus.

Ample Appraisal Limited, an independent property valuer, has valued the property interests of the Group as at 31 March 2011 and is of the opinion that the value of the property interests is of no commercial value. The full text of the letter, summary of values and valuation certificates with regard to such property interests are set out in Appendix III to this prospectus.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The unaudited pro forma adjusted net tangible assets prepared in accordance with Rule 7.31 of the GEM Listing Rules are set out below to illustrate the effect of the Placing on the net tangible assets of the Group as at 31 December 2010 as if the Placing had taken place on that date. The unaudited pro forma adjusted net tangible assets has been prepared for illustrative purpose only and, because of its hypothetical nature, it may not give a true picture of the net tangible assets of the Group had the Placing been completed as at 31 December 2010 or at any future date.

The unaudited pro forma adjusted net tangible assets is based on the combined net tangible assets of the Group attributable to owners of the Company as at 31 December 2010 as shown in section I of the Accountant's Report, the text of which is set out in Appendix I to this prospectus, and adjusted as described below.

	Combined net tangible assets of the Group attributable to owners of the Company as at 31 December 2010[(1)]	**Estimated net proceeds from the Placing[(2)]**	**Unaudited pro forma adjusted net tangible assets attributable to owners of the Company[(3)]**	**Unaudited pro forma adjusted net tangible assets per Share[(4)]**
	HK$'000	*HK$'000*	*HK$'000*	*HK$*
Based on a Placing Price of HK$0.60 per Share	18,667	30,881	49,548	0.15
Based on a Placing Price of HK$1.00 per Share	18,667	62,079	80,746	0.25

(1) The combined net tangible assets of the Group attributable to owners of the Company as at 31 December 2010 is extracted from the Accountant's Report set out in Appendix I to this prospectus, which is based on the combined net assets of the Group attributable to owners of the Company as at 31 December 2010 of approximately HK$18,667,000.

(2) The estimated net proceeds from the Placing are based on the respective Placing Prices of HK$0.60 and HK$1.00 per Placing Share, respectively, after deduction of estimated related fees and expenses.

(3) No adjustment has been made to reflect any trading result or other transactions of the Group entered into subsequent to 31 December 2010.

(4) The unaudited pro forma adjusted net tangible assets per Share are determined after the adjustments as described in Note 2 above and on the basis that 320,000,000 Shares are issued and outstanding immediately following the completion of the Reorganisation, the Capitalisation Issue and the Placing.

QUANTITATIVE AND QUALITATIVE INFORMATION ABOUT FINANCIAL RISKS

The Group's activities expose it to a variety of financial risks: market risk (including cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Market risk

(i) Cash flow interest rate risk

The Group has no significant interest-bearing assets other than bank deposits. Management does not anticipate significant impact to interest-bearing assets resulted from the changes in interest rates, because the interest rates of bank deposits are not expected to change significantly.

The Group's interest rate risk arises from borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by bank deposits held at variable rates. The Group has not hedged its cash flow interest rate risks.

As at 31 December 2009 and 2010, if the interest rate on all bank borrowings had been 100 basis points higher/lower with all other variables held constant, the Group's profit after tax for the year would have decreased/increased by approximately HK$88,000 and nil respectively, mainly as a result of higher/lower interest expense on borrowings with floating interest rates.

(ii) Price risk

The Group is exposed to equity securities price risk because of the investments held by the Group and classified on the combined statement of financial position as financial assets at fair value through profit or loss. The Group is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, investment decisions are made in accordance with the limits set by the Group.

As at 31 December 2009 and 2010, if the market price on the Group's financial assets at fair value through profit or loss had been 5% higher/lower with all other variables held constant, the Group's profit after tax for the year would have increased/decreased by approximately HK$99,000 and HK$45,000 respectively, mainly as a result of the resulting fair value gain/loss on these financial assets.

(b) Credit risk

The Group's credit risk is primarily attributable to deposits with banks, trade and other receivables, amounts due from a related company, directors, and a non-controlling shareholder of a subsidiary. Management has policies in place and exposures to these credit risks are monitored on an ongoing basis.

The majority of the Group's revenue is on cash basis therefore there is no significant concentration of credit risk.

Amounts due from a related company, directors and a non-controlling shareholder of a subsidiary and other receivables are continuously monitored by assessing the credit quality of the counterparties, taking into account its financial position, past experience and other factors. Where necessary, impairment loss is made for estimated irrecoverable amounts. As at 31 December 2009 and 2010, the amounts due from a related company, directors and a non-controlling shareholder of a subsidiary and other receivables are fully performing.

Investments are executed with financial institutions or investment counterparties with sound credit ratings and the Group does not expect any significant counterparty risk.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the combined statement of financial position.

(c) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with debt covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from banks and other financial institutions to meet their liquidity requirements in the short and longer term. Management believes there is no significant liquidity risk as the Group has sufficient committed facilities to fund their operations.

All financial liabilities are repayable on demand or within one year as at 31 December 2009 and 2010.

DISTRIBUTABLE RESERVES

As the Company was not incorporated in the Cayman Islands until 10 February 2011, as at 31 December 2010, the Company had no reserves available for distribution to its shareholders.

DISCLOSURE UNDER CHAPTER 17 OF THE GEM LISTING RULES

The Directors have confirmed that, as at the Latest Practicable Date, they were not aware of any circumstances which would give rise to a disclosure requirement under Rules 17.15 to 17.21 of the GEM Listing Rules.

NO MATERIAL ADVERSE CHANGE

The Directors confirm that there has been no material adverse change in the financial or trading position or prospects of the Group since 31 December 2010, being the date to which the latest audited financial statements of the Group were made up.