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## FUTURE PLANS AND USE OF PROCEEDS

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### BUSINESS OBJECTIVES

As at the Latest Practicable Date, the Group operated five restaurants in Hong Kong 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 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.

### BUSINESS STRATEGIES

The Group will endeavour to achieve its business objectives and adopt the following business strategies in accordance with the schedule set out in the paragraph headed "Implementation plan" in this section. The respective scheduled completion times are based on certain bases and assumptions as set out in the paragraph headed "Bases and assumptions" in this section. These bases and assumptions are inherently subject to many uncertainties and unpredictable factors, in particular the risk factors as set out under the section headed "Risk Factors" in this prospectus. Therefore, there is no assurance that the Group's business plans will materialise in accordance with the estimated time frame and that the Group's future plans will be accomplished at all.

#### **Diversify service and product offerings with the implementation of a new branding strategy**

- ***Opening of Red Royalty Banquet Restaurant***

In early 2011, encouraged by the success of the restaurants under *Red Seasons Aroma Restaurant* (季季紅風味酒家) and *Plentiful Delight Banquet* (喜尚嘉喜宴會廳) and the established reputation of the Group in providing Chinese wedding banquet and dining services for large-scale events, the Group has decided to take steps to further develop its core businesses and diversify its restaurant portfolio by adopting a new branding strategy. 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, targeting customers looking for premium and deluxe Chinese wedding banquet and dining services. After the implementation of this branding strategy, the Group will operate six restaurants under three brands.

The Directors believe that this new branding strategy is relevant and meaningful in creating clarity in the Group's restaurant portfolio and capturing target customer segments. The establishment of *Red Royalty Banquet* (紅爵御宴) aims to expand the business of the Group into the provision of premium and deluxe Chinese wedding banquet and dining services. Although *Plentiful Delight Banquet Restaurant* and *Red Royalty Banquet Restaurant* will be located in close proximity and both of which will place a strong focus on providing Chinese wedding banquet and dining services, the Directors believe that the Group's business could be favourably impacted with the addition of the *Red Royalty Banquet Restaurant*, an upscale yet

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affordable Chinese restaurant, a restaurant type which is not included in the Group's current restaurant portfolio. Different from Plentiful Delight Banquet Restaurant, Red Royalty Banquet Restaurant will provide premium and deluxe Chinese wedding banquet and dining services in a formal, grand environment decorated by contemporary, stylish and high-priced items, targeting customers in the middle-income groups who require such services and need to impress in formal events and special occasions. It is currently expected that the scale of operation of Red Royalty Banquet Restaurant will be larger than any of the Group's existing restaurants, in terms of its gross floor area and services to be provided to the targeted customers.

As at the Latest Practicable Date, the building structure of Red Royalty Banquet Restaurant is being modified by the landlord. It is currently expected that the handover of the properties from the landlord to the Group will be in mid-September 2011. The leasehold improvements for the restaurant will be commenced by that time and the Group will then commence the application of various licences required for opening of the Red Royalty Banquet Restaurant. The Group expects to employ new staff in November 2011 and commence business in mid-December 2011.

For general information on Red Royalty Banquet Restaurant, please refer to the sub-paragraph headed "Red Royalty Banquet Restaurant" of the paragraph headed "Restaurant network expansion" in the section headed "Business" in this prospectus.

The Directors believe that this new branding strategy can assist the Group in addressing different needs of the customers and enlarging its market share in the Chinese restaurant industry which will further promote the Group's business.

- ***Opening of another new restaurant***

The Group is currently targeting to open one more restaurant under the brands of *Red Seasons Aroma Restaurant* (季季紅風味酒家) in early 2013, with an expected saleable area and seating capacity of approximately 1,000 sq.m and approximately 40 tables respectively. It will remain focused on selecting optimal location with strong target customer traffic according to the restaurant network expansion strategy, and site selection criteria of the Group. Through expansion and opening of more restaurants in Hong Kong, the Group can enjoy further economies of scale through discounts given by suppliers for bulk purchase. This can also increase the Group's market share and assist the Group in serving more customers. The Directors currently have no concrete plan in mind in respect of the location of such new restaurant as it depends on the then availability of rental property which suit the criteria of the Company. The estimated investment costs are approximately HK\$9 million for the restaurant which will be financed by the net proceeds from the Placing.

To manage the overall growth, the Group will closely monitor and evaluate the performance of each restaurant on a regular basis and take timely and appropriate measures to enhance their business performance.

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- ***Opening of other food outlets***

The Group may also increase its source of income by horizontal expansion to reach a more diversified group of customers. In order to achieve this, the Group plans to explore business opportunities concerning the opening of other food outlets, such as self-service fast food restaurants serving various Chinese dishes, such as dim sum, main dishes and siu mei with open kitchen concept and a bakery shop selling traditional Chinese pastries and cakes, such as wife cakes (老婆餅), preserved egg pastries (皮蛋酥) and crispy Chinese pastries with pork (雞仔餅) supported by an internal production line. In this regard, the Group intends to conduct feasibility studies and market research to identify new business prospectus, assess market potential and estimate the level of capital required and interpret market trends.

### **Upgrade existing restaurant facilities**

The Directors believe that, in addition to the quality of food and services, the decoration of the restaurants is also important to the customers' dining experience. In order to stay competitive in the market, the Group will continue to enhance its existing restaurant equipment, utensils and general supplies in existing restaurants with the aim to provide its customers with comfortable dining environment. The Group also intends to identify quality kitchen and cooking tools, equipment and appliances, particularly those which are durable, easy to clean and proven to increase efficiency.

### **Strengthen staff training**

The Group appointed Tiptop Consultants Ltd., a long-established and professional management consulting company serving organizations and individuals in Hong Kong and Asia Pacific, to provide staff training for Plentiful Delight Banquet Restaurant in 2007. The Group has engaged Tiptop Consultants Ltd. to provide staff training for its other restaurants from 2011. The training programmes provided and will be provided by Tiptop Consultants Ltd. mainly focus on improving customer service, enhancing food knowledge, food safety and personal hygiene, maximising management efficiency, promoting unique concept and style and strengthening value-added service of the management and staff of the Group.

In addition to appointing external professional, the Group has provided and shall continue to provide on-the-job training to employees in relation to food ingredients preparation and preservation, flow of food production, hygiene conditions of the kitchen and quality control in different aspects of the operations of restaurants based on their job duties to improve their practical business skills and practices. The Group has distributed and shall continue to distribute guidance materials and manuals on food handling, food and personal hygiene, food safety and quality control to ensure that its operations are run in a safe and proper manner.

The Group plans to organise more training in the second half of 2011 and early 2012 for the opening of Red Royalty Banquet Restaurant at the end of this year.

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### **Enhance marketing activities to promote brands awareness**

The Group plans to strengthen its marketing efforts in promoting its brands in terms of brand-building, advertising and other means of promotion. The marketing activities of the Group shall aim to reinforce its reputation in providing high quality of food and delicious Chinese dishes. The Group will recruit a full time marketing manager to promote its brand and restaurants. In addition, the Group has engaged external professional public relation officer to enhance brands awareness and investors relationship. The Group has launched various point-of-purchase advertising displays and press releases. The Group expects to increase its advertising activities through various media, such as radio and television, and restaurant-level promotional activities.

### **Formation of strategic partnerships or cooperation arrangements with reputable industry partners in Hong Kong and China**

As at the Latest Practicable Date, the Directors have considered certain cooperation opportunities to form strategic partnerships or cooperation arrangements with reputable industry partners in Hong Kong and China. For example, the Group may offer its restaurants as distribution channels in Hong Kong for its Chinese partners to sell their products, such as pre-packed and canned foods. The Group may also use its extensive industry experience and food knowledge to provide advice on product development or quality. The Group also plans to leverage on such partners' connections and experiences in China market to establish business presence in China when the opportunity arises. In recent years, there is a steady and rapid economic growth in China and the local residents have higher consuming powers and demands for quality Chinese food and services than before. Notwithstanding that the Directors do not have any experience in the business in China, the Directors believe that the Group can leverage its brand recognition in Hong Kong to explore restaurant or other food-related business in China. Other possible methods for expansion of the Group's business include forming joint ventures with its partners and acquisition of suitable restaurant operators or food brand owners in Hong Kong and China. The Group has not identified any joint venture partners or acquisition targets and has not formed any strategic partnership as at the Latest Practicable Date. The Group will apply the net proceeds for conducting feasibility study, research and due diligence work, set up costs and relevant expenses relating to the formation of strategic partnerships or cooperation arrangements with reputable industry partners in Hong Kong and China.

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### IMPLEMENTATION PLAN

The Group will endeavour to achieve the following milestone events during the period from the Latest Practicable Date to 31 December 2013, and their respective scheduled completion time are based on certain bases and assumptions as set out in paragraph headed “Bases and assumptions” in this section. These bases and assumptions are inherently subject to many uncertainties and unpredictable factors, in particular the risk factors as set out in the section headed “Risk Factors” in this prospectus. Therefore, there is no assurance that the Group’s business plans will materialise in accordance with the estimated time frame and that the Group’s future plans will be accomplished at all.

	From the Latest Practicable Date to 31 December 2011 <i>HK\$'000</i>	For the six months ending 30 June 2012 <i>HK\$'000</i>	For the six months ending 31 December 2012 <i>HK\$'000</i>	For the six months ending 30 June 2013 <i>HK\$'000</i>	For the six months ending 31 December 2013 <i>HK\$'000</i>
<b>1. Diversify service and product offerings with the implementation of a new branding strategy</b>					
• Opening of Red Royalty Banquet Restaurant	Progress payment for the capital expenditure of Red Royalty Banquet Restaurant	Progress payment for the capital expenditure of Red Royalty Banquet Restaurant	Progress payment for the capital expenditure of Red Royalty Banquet Restaurant	–	–
<i>Amount to be applied from the net proceeds of the Placing</i>	18,000	3,000	3,000	–	–
• Opening of another one new restaurant	–	–	–	Progress payment for the capital expenditure of the new restaurant	Progress payment for the capital expenditure of the new restaurant
<i>Amount to be applied from the net proceeds of the Placing</i>	–	–	–	4,500	4,500

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	From the Latest Practicable Date to 31 December 2011 <i>HK\$'000</i>	For the six months ending 30 June 2012 <i>HK\$'000</i>	For the six months ending 31 December 2012 <i>HK\$'000</i>	For the six months ending 30 June 2013 <i>HK\$'000</i>	For the six months ending 31 December 2013 <i>HK\$'000</i>
• Opening of other food outlets	Conduct feasibility study on new services and business diversification	Conduct feasibility study on new services and business diversification	Conduct feasibility study on new services and business diversification	Conduct feasibility study on new services and business diversification	Conduct feasibility study on new services and business diversification
<i>Amount to be applied from the net proceeds of the Placing</i>	200	200	200	200	200
<b>2. Upgrade existing restaurant facilities</b>	Acquire, upgrade or replace of the existing equipments and facilities to enhance restaurant operation environment	Acquire, upgrade or replace of the existing equipments and facilities to enhance restaurant operation environment	Acquire, upgrade or replace of the existing equipments and facilities to enhance restaurant operation environment	Acquire, upgrade or replace of the existing equipments and facilities to enhance restaurant operation environment	Acquire, upgrade or replace of the existing equipments and facilities to enhance restaurant operation environment
<i>Amount to be applied from the net proceeds of the Placing</i>	200	200	200	200	200
<b>3. Strengthen staff training</b>	Provide training program to employees to enhance their skills	Provide training program to employees to enhance their skills	Provide training program to employees to enhance their skills	Provide training program to employees to enhance their skills	Provide training program to employees to enhance their skills
<i>Amount to be applied from the net proceeds of the Placing</i>	600	300	300	300	380

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	From the Latest Practicable Date to 31 December 2011 <i>HK\$'000</i>	For the six months ending 30 June 2012 <i>HK\$'000</i>	For the six months ending 31 December 2012 <i>HK\$'000</i>	For the six months ending 30 June 2013 <i>HK\$'000</i>	For the six months ending 31 December 2013 <i>HK\$'000</i>
<b>4. Enhance marketing activities to promote brands awareness</b>	Launch marketing activities for brand building	Launch marketing activities for brand building	Launch marketing activities for brand building	Launch marketing activities for brand building	Launch marketing activities for brand building
<i>Amount to be applied from the net proceeds of the Placing</i>	1,000	500	500	500	500
<b>5. Formation of strategic partnerships or cooperation arrangements with reputable industry partners in Hong Kong and China</b>	Operate with business partner to develop distribution channels and/or business presence in Hong Kong and China	Operate with business partner to develop distribution channels and/or business presence in Hong Kong and China	Operate with business partner to develop distribution channels and/or business presence in Hong Kong and China	Operate with business partner to develop distribution channels and/or business presence in Hong Kong and China	Operate with business partner to develop distribution channels and/or business presence in Hong Kong and China
<i>Amount to be applied from the net proceeds of the Placing</i>	400	400	400	400	400
	<u>20,400</u>	<u>4,600</u>	<u>4,600</u>	<u>6,100</u>	<u>6,180</u>

### BASES AND ASSUMPTIONS

Potential investors should note that the attainability of the Group's business objectives depends on a number of assumptions, in particular:

- there will be no material changes in the existing political, legal, fiscal, social or economic conditions in Hong Kong, the PRC or in any other places in which any member of the Group carries on its business or will carry on its business;
- the Group will have sufficient financial resources to meet the planned capital expenditure and business development requirements during the period to which the business objectives relate;

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- there will be no material changes in the bases or rates of taxation in Hong Kong, the PRC or in any other places in which any member of the Group operates or will operate;
- there will be no material changes in legislation or regulations whether in Hong Kong or elsewhere materially affecting the business carried on by the Group;
- there will be no significant changes in the Group's business relationship with its existing strategic and business partners;
- there will be no significant changes in the Group's business relationship with its major customers;
- there will be no material changes in the funding required for each of the scheduled achievements as outlined under the paragraph headed "Implementation plan" in this section;
- the Group can use its trademark(s) for exploring its restaurants business in China legally; and
- the Group will not be materially affected by the risk factors as set out in the section headed "Risk Factors" in this prospectus.

### REASONS FOR THE PLACING AND USE OF PROCEEDS

The Company intends to raise funds by the Placing in order to pursue its business objectives as set out in the paragraph headed "Business objectives" in this section.

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 this section.

Assuming a Placing Price of HK\$0.8 per Placing Share, being the mid-point of the indicative Placing Price range of HK\$0.6 to HK\$1.0 per Placing Share, the net proceeds from the Placing, after deducting related expenses, are estimated to amount to approximately HK\$46.5 million. The Group intends to apply such net proceeds from Placing 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



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- 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.

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.

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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>

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